



MLP
GROUP



MLP Group S.A.
Separate
Annual Report

FOR THE YEAR ENDED 31 DECEMBER 2017

This document is a translation.
Polish version prevails.

www.mlp.pl

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Table of contents:

I. Letter of the President of Management Board to Shareholders	5
II. Statement of the Management Board	7
III. Selected financial data of MLP Group S.A.	8
IV. Separate financial statements for the year ended 31 December 2017	10
Approval of the separate financial statements	11
Separate statement of profit or loss and other comprehensive income	12
Separate statement of financial position	13
Separate statement of cash flows	14
Separate statement of changes in equity	15
Explanatory information to the separate financial statements	16
1. General information	16
1.1 <i>Information on MLP Group S.A.</i>	16
1.2 <i>Information on the Capital Group</i>	16
1.3 <i>Composition of the Management Board</i>	17
1.4 <i>Composition of the Supervisory Board</i>	17
2. Basis for the preparation of the separate financial statements	17
2.1 <i>Statement of compliance</i>	17
2.2 <i>Status of Standards Approval in the European Union</i>	18
2.2.1 <i>Standards and Interpretations approved by the European Union that are not yet effective as at the end of the reporting period</i>	18
2.2.2 <i>Standards and interpretations pending for approval by the EU</i>	19
2.3 <i>Basis for preparation of the financial statements</i>	20
2.4 <i>Functional and presentation currency and methods applied to translation of financial data</i>	20
2.4.1 <i>Functional and presentation currency</i>	20
2.4.2 <i>Methods applied to translation of financial data</i>	20
2.5 <i>Use of estimates and judgments</i>	20
3. Significant accounting policies	20
3.1 <i>Foreign currency</i>	21
3.2 <i>Financial instruments</i>	21
3.2.1 <i>Non-derivative financial instruments</i>	21
3.2.2 <i>Held-to-maturity financial instruments</i>	21
3.2.3 <i>Loans and receivables</i>	22

3.2. 4	<i>Long-term financial assets in related entities</i>	22
3.3	<i>Equity</i>	22
3.3. 1	<i>Share capital</i>	22
3.3. 2	<i>Other capital reserves</i>	22
3.3. 3	<i>Share premium</i>	22
3.3. 4	<i>Reserve capital</i>	22
3.3. 5	<i>Retained earnings</i>	22
3.4	<i>Tangible fixed assets</i>	23
3.4. 1	<i>Valuation of tangible fixed assets</i>	23
3.4. 2	<i>Subsequent expenditures</i>	23
3.4. 3	<i>Depreciation</i>	23
3.5	<i>Intangible assets</i>	24
3.6	<i>Impairment of assets</i>	24
3.6. 1	<i>Financial assets</i>	24
3.6. 2	<i>Non-financial assets</i>	24
3.7	<i>Employee benefits</i>	25
3.8	<i>Cash settled share based payment</i>	25
3.9	<i>Provisions</i>	25
3.10	<i>Bank credits and loans</i>	25
3.11	<i>Revenues</i>	26
3.11. 1	<i>Services</i>	26
3.12	<i>Finance income and finance costs</i>	26
3.13	<i>Income tax</i>	26
3.14	<i>Earnings per share</i>	27
4.	Financial risk management	27
4.1	<i>Credit risk</i>	27
4.1. 1	<i>Trade and other receivables and loans granted</i>	27
4.2	<i>Liquidity risk</i>	27
4.3	<i>Market risk</i>	28
4.3. 1	<i>Currency risk</i>	28
4.4	<i>Capital management</i>	28
5.	Segment reporting	28
5.1	<i>Information on the key customers of the Company</i>	28
6.	Revenues	29
7.	Other operating income	29
8.	Selling and administrative expenses	29
9.	Financial income and costs	30
10.	Income tax	30
11.	Long-term investments in related parties	32
12.	Long-term investments	34
13.	Short-term investments	34
14.	Deferred tax	35
15.	Trade and other receivables	36
16.	Cash and cash equivalents	36

17. Equity	37
17.1 <i>Share capital</i>	37
17.1.1 <i>Structure of shareholders holding, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders</i>	37
17.1.2 <i>Shares and rights to shares of the Parent Company owned by members of management and supervisory bodies</i>	38
17.2 <i>Other capital reserve</i>	38
18. Earnings per share	38
19. Loans and other debt instruments	39
19.1 <i>Long term liabilities</i>	39
19.2 <i>Short term liabilities</i>	39
19.3 <i>Bond liabilities</i>	40
19.4 <i>Loans unsecured on the Company's assets</i>	40
20. Payroll liabilities	41
21. Trade and other liabilities	41
22. Financial instruments	42
22.1 <i>Valuation of financial instruments</i>	42
22.1.1 <i>Financial assets</i>	42
22.1.2 <i>Financial liabilities</i>	43
22.2 <i>The nature and extent of risks related to financial instruments</i>	43
22.2.1 <i>Liquidity risk</i>	43
22.2.2 <i>Currency risk</i>	43
22.2.3 <i>Interest rate risk</i>	44
22.2.4 <i>Credit risk</i>	45
23. Contingent liabilities and pledges	46
23.1 <i>Financial and registered pledges on shares</i>	46
23.2 <i>Guarantees</i>	47
23.3 <i>Additional guarantees</i>	47
23.4 <i>Other security</i>	47
24. Related party transactions	48
24.1 <i>Trade and other receivables and payables</i>	48
24.2 <i>Loans granted and received</i>	49
24.3 <i>Revenues and expenses</i>	50
25. Significant litigation and disputes	51
26. Significant events during the period and subsequent events	51
27. Remuneration paid or due to members of management and supervisory bodies of the Company	52
28. Employment structure	52
IV. Management Board report on the activities of MLP Group S.A.	53
V. Independent Auditor's Report	101

I. Letter of the President of Management Board to Shareholders

Dear Shareholders,

On behalf of the Management Board I have the pleasure to present the Annual Report of the MLP Group S.A. for 2017. We have another very successful period behind us, during which we have strengthened the position of the MLP Group in a dynamically developing warehouse market.

Warehouse space market in Poland, Germany and Romania

Last year was another period after which we can say that Poland's warehouse space market is very robust. In 2017, the total space leased under new agreements and expansions exceeded 3.1 million m², nearly 1 million m² more than the year before. Thanks to excellent locations, developed infrastructure and attractive rents, Central Poland was the hottest point on the map of Poland in 2017. 30% of net demand focuses in this region.

Developers make efforts to satisfy each requirement. The growing demand encourages investors to make further investments. In 2017, nearly 2.3 million m² of space was handed over for use, while further 1.17 million m² is being built, of which nearly one third is built speculatively, or without binding agreements. Over the past 5 years, warehouse space resources have doubled, reaching the surface area of 13.5 million m² at the end of 2017.

The vacancy rate was 6% at the end of last year. The most vacant space is in Kraków – 16.6%. The least instantly available space is in Central Poland – 1.4%. In 2018, we expect a similar growth rate on the Polish market.

Favorable conditions also prevail on the German and Romanian markets, where we develop our operations. Germany remains the largest warehouse space market in Europe, and the volume of transactions conducted there in 2017 reached the highest level in history, amounting to 6.5 million m². That result was 15% higher than the average from the years 2017-2016. On the other hand, in Romania in 2017, the total warehouse and logistics space leased under contracts was 515 thousand m². Out of this figure, newly supplied space was 450 thousand m², and this was Romania's historic high.

Events in the MLP Group in 2017

2017 was another year of our Group's dynamic growth. During this period we increased the space delivered to tenants by 141.5 m² to 432.4 m². At the same time, as at the end of last year, the Group had tenancy agreements signed for the total space of 501.6 m², i.e. 35% more than as at the end of 2016. At the end of last year, the Group was building and preparing 72.4 thousand m². The Group also had a land bank allowing for construction of further space of over 970 thousand m².

The MLP Group maintains a good financial standing. Last year saw an increase of 7.54% in the Group's net asset value (NAV), to PLN 726.7 million. In 2017, the Group generated PLN 47.3 million in net profit, compared to PLN 66.4 million in 2016. The decreased result is mainly caused by revaluation of investment properties, which had a considerably greater impact in 2016 than last year. On the other hand, the Group's consolidated revenues reached PLN 100.3 million and were 0.7% lower than the year before. The slight decline in the turnover was influenced by the settlement of a developer agreement concerning completion of construction and commercialization of the MLP Bieruń park sold by the MLP Group in 2015, while most of the related revenues were recorded in 2016. However, taking into account the revenues from rents, which are the key source of revenues from the core business, an increase of 14.3% was achieved in 2017 over the corresponding period of the year before. The increase resulted from the fact that in 2017, the Group enlarged the space handed over for lease by the already mentioned space of 141.5 thousand m². Most of the space was delivered in H2 2017, which nevertheless has not yet contributed in any material way to higher rental revenues.

Currently, the Group operates seven logistics parks in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, and one logistics park under construction – MLP Czeladź. In Germany, the Group currently operates one logistics park – MLP Unna. In Romania, in turn, the Group purchased land for development of a new logistics park – MLP Bucharest West. Based on a development agreement, the Group is also responsible for the commercialization of the MLP Bieruń logistics park, sold in 2015. In addition, the Group owns land plots and has signed reservation agreements to purchase new plots for its planned logistics parks. This means that the current and potential real estate portfolio managed by the MLP Group consists of a total of sixteen operating logistics parks located in Europe.

MLP Group's plans for 2018

The Group's strategic objective is to constantly increase the warehouse space held in the Polish market and to continue operations abroad. In 2018, the MLP Group Management Board plans to acquire two new plots of land in Poland to develop new logistics parks and expand the existing ones. Outside Poland, the MLP Group's priority is the German market, where the Group intends to develop its Unna park and plans to acquire two new projects: in Mönchengladbach in the Ruhr Area and in the south of Germany. Apart from the German market, the Group also plans to expand its operations in Romania through launching the construction of new warehouse facilities in the park in Bucharest/Chitila. The execution of these projects will give us a further very dynamic growth of the Group's value.

According to the Management Board, the Group has a great financial standing. We have a very strong capital structure allowing us to execute long-term strategic objectives, including our own land bank located in attractive locations and highly qualified managerial staff. All of the above factors coupled with improvement of macroeconomic ratios in the Polish economy should contribute positively to the achievement of the MLP Group's long-term strategic objectives.

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

Radosław T. Krochta
CEO
President of the Management
Board

II. Statement of the Management Board

The separate financial statements of MLP Group S.A. for the period from 1 January 2017 to 31 December 2017 and the comparative data for the period from 1 January 2016 to 31 December 2016 were prepared in compliance with the applicable accounting principles, which are disclosed in note 3, and reflect true and fair view of financial position and financial results of the Company. Management Board's Report on the activities of MLP Group S.A. presents a true overview of the development and achievements of the Company and its business situation, including basic risks and exposures.

We declare that the audit firm performing audit of the separate financial statements of MLP Group S.A. for the period of 12 months ended 31 December 2017 - KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa was appointed in compliance with the respective provisions of law. The audit firm and the certified auditors performing the audit met the conditions to issue an independent opinion in compliance with relevant regulations and professional standards.

Radosław T. Krochta
*President of the
Management Board*

Michael Shapiro
*Vice-President of the
Management Board*

Tomasz Zabost
*Member of the
Management Board*

Pruszków, 14 March 2018

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

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

	31 December 2017	31 December 2016
Average exchange rate during the period *	4,2447	4,3757
Average exchange rate at the last day of the period	4,1709	4,4240

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

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

	as at	31 December 2017		31 December 2016	
		PLN thousand	EUR thousand	PLN thousand	EUR thousand
Non-current assets		280 771	67 317	208 730	47 181
Current assets		22 648	5 430	6 430	1 453
Total assets		303 419	72 747	215 160	48 634
Long-term liabilities		148 620	35 633	64 096	14 488
Short-term liabilities		3 177	762	3 385	765
Equity, including:		151 622	36 352	147 679	33 381
Share capital		4 529	1 086	4 529	1 024
Total equity and liabilities		303 419	72 747	215 160	48 634
Number of shares (in units)		18 113 255	18 113 255	18 113 255	18 113 255
Book value and diluted book value per share (in PLN)		8,37	2,01	8,37	1,84

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

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

	for the year ended	31 December 2017		31 December 2016	
		PLN thousand	EUR thousand	PLN thousand	EUR thousand
Revenues		8 394	1 978	8 225	1 880
Selling and administrative expenses		(9 128)	(2 150)	(9 261)	(2 116)
Operating loss		(735)	(173)	(392)	(90)
Profit before taxation		3 843	905	551	126
Net profit		3 943	929	419	96
Total comprehensive income		3 943	929	419	96

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

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

<i>for the year ended</i>	31 December 2017		31 December 2016	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net cash flow from operating activities	203	48	19	4
Cash flow from investing activities	(72 469)	(17 073)	23 495	5 369
Cash flow from financing activities	85 735	20 198	(31 661)	(7 236)
Total cash flow	13 469	3 173	(8 147)	(1 862)

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

<i>as at</i>	31 December 2017		31 December 2016	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Cash at the beginning of the period	2 105	476	10 252	2 406
Cash at the end of the period	15 500	3 716	2 105	476

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

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

Euro exchange rate on the last day of the reporting period ended 31 December 2015 was 4.2615 EUR/PLN.



MLP Group S.A.

Separate financial statements

for the year ended 31 December 2017
prepared in accordance with IFRS EU

Approval of the separate financial statements

On 14 March 2018, the Management Board of MLP Group S.A. approved the separate financial statements of MLP Group S.A. ("Financial Statements") for the period from 1 January 2017 to 31 December 2017.

The separate financial statements for the period from 1 January 2017 to 31 December 2017 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU"). Information is presented in this report in the following sequence:

1. Separate statement of profit or loss and other comprehensive income for the period from 1 January 2017 to 31 December 2017, with a net profit of PLN 3 943 thousand.
2. Separate statement of financial position as at 31 December 2017, with total assets and total liabilities and equity of PLN 303 419 thousand.
3. Separate statement of cash flows for the period from 1 January 2017 to 31 December 2017, with a net cash increase of PLN 13 395 thousand.
4. Separate statement of changes in equity for the period from 1 January 2017 to 31 December 2017, with an equity increase of PLN 3 943 thousand.
5. Explanatory information to the separate financial statements.

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

Radosław T. Krochta
*President of the Management
Board*

Michael Shapiro
*Vice-President of the
Management Board*

Tomasz Zabost
*Member of the Management
Board*

Pruszków, 14 March 2018

Separate statement of profit or loss and other comprehensive income

<i>for the year ended 31 December</i>	Note	2017	2016
Revenues	6	8 394	8 225
Other operating income	7	64	755
Other operating costs		(65)	(111)
Selling and administrative expenses	8	(9 128)	(9 261)
Operating loss		(735)	(392)
Financial income	9	7 389	2 296
Financial costs	9	(2 811)	(1 353)
Net financial income		4 578	943
Profit before taxation		3 843	551
Corporate income tax	10	100	(132)
Net profit		3 943	419
Total comprehensive income		3 943	419
Profit per share:			
- Basic and diluted (in PLN) profit for the year attributable to the ordinary shareholders of the Parent Company	18	0,22	0,02

Separate statement of financial position

	<i>as at 31 December</i>	Note	2017	2016
Non-current assets				
Intangible assets			12	21
Advances for intangible assets			726	-
Tangible fixed assets			149	153
Long-term financial assets in related parties		11	123 249	123 224
Long-term investments		12	150 063	79 408
Deferred tax assets		14	5 973	5 873
Other long-term investments			599	51
Total non-current assets			280 771	208 730
Current assets				
Short-term investments		13	2 767	1 068
Corporate income tax receivables		15	-	742
Trade and other receivables		15	4 381	2 515
Cash and cash equivalents		16	15 500	2 105
Total current assets			22 648	6 430
TOTAL ASSETS			303 419	215 160
Equity				
		17		
Share capital			4 529	4 529
Other capital reserve			4 194	4 194
Share premium			71 121	71 121
Reserve capital			64 485	64 485
Retained earnings			7 293	3 350
Total equity			151 622	147 679
Long-term liabilities				
Loans and other debt instruments		19	148 620	64 096
Total long-term liabilities			148 620	64 096
Short-term liabilities				
Loans and other debt instruments		19	355	-
Payroll liabilities		20	2 127	2 205
Trade and other liabilities		21	695	1 180
Total short-term liabilities			3 177	3 385
Total liabilities			151 797	67 481
TOTAL EQUITY AND LIABILITIES			303 419	215 160

Separate statement of cash flows

<i>for the year ended 31 December</i>	Note	2017	2016
Cash flows from operating activities			
Profit before taxation		3 843	551
<i>Adjustments for:</i>			
Depreciation and amortization		77	29
Net interest		353	(1 123)
Foreign exchange losses		(350)	475
Dividend income received		(4 508)	-
Other		(548)	(4)
Changes in trade and other receivables		1 157	104
Changes in short-term trade and other liabilities		(563)	716
Cash flow generated from operating activities		(539)	748
Income tax (paid)/refunded		742	(729)
Net cash flow from operating activities		203	19
Cash flows from investing activities			
Repayments of loans granted		23 792	26 073
Interest received		191	317
Purchase of shares	11	(25)	(1 015)
Purchase of investment property, tangible fixed assets and intangible assets		(791)	(185)
Loans granted		(95 636)	(1 695)
Cash flow from investing activities		(72 469)	23 495
Cash flows from financing activities			
Proceeds from loans received		2 751	10 000
Dividends and other payments to shareholders		-	(41 660)
Issue of debt securities		84 310	-
Interest paid		-	(1)
Interest on bonds paid		(1 326)	-
Cash flow from financing activities		85 735	(31 661)
Total cash flow		13 469	(8 147)
Cash and cash equivalents at the beginning of the period			
Foreign exchange losses/gains on cash and cash equivalents		(74)	-
Cash and cash equivalents at the end of the period	16	15 500	2 105

Separate statement of changes in equity

	Share capital	Other capital reserve	Share premium	Reserve capital	Retained earnings	Total equity
Equity as at 1 January 2016	4 529	4 194	71 121	64 485	44 591	188 920
<u>Comprehensive income</u>						
Financial result	-	-	-	-	419	419
Total comprehensive income for the year ended 31 December 2016	-	-	-	-	419	419
Dividends paid	-	-	-	-	(41 660)	(41 660)
Equity as at 31 December 2016	4 529	4 194	71 121	64 485	3 350	147 679
Equity as at 1 January 2017	4 529	4 194	71 121	64 485	3 350	147 679
<u>Comprehensive income</u>						
Financial result	-	-	-	-	3 943	3 943
Total comprehensive income for the year ended 31 December 2017	-	-	-	-	3 943	3 943
Equity as at 31 December 2017	4 529	4 194	71 121	64 485	7 293	151 622

Explanatory information to the separate financial statements

1. General information

1. 1 Information on MLP Group S.A.

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

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

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

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

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

The duration of the Company is unlimited.

1. 2 Information on the Capital Group

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

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

As at the end of the reporting period, MLP Group S.A. is the parent company of 30 subsidiaries: MLP Pruszków I Sp. z o.o., MLP Pruszków II Sp. z o.o., MLP Pruszków III Sp. z o.o., MLP Pruszków IV Sp. z o.o., MLP Spółka z ograniczoną odpowiedzialnością SKA, MLP Energy Sp. z o.o., MLP Poznań Sp. z o.o., MLP Lublin Sp. z o.o., MLP Poznań II Sp. z o.o., MLP Bieruń Sp. z o.o., MLP Bieruń I Sp. z o.o., MLP Sp. z o.o., MLP Property Sp. z o.o., MLP Teresin Sp. z o.o., MLP Poznań West Sp. z o.o., MLP Fin Sp. z o.o., Lokafoop 201 Sp. z o.o. SKA, Lokafoop 201 Sp. z o.o., MLP Wrocław Sp. z o.o., MLP Gliwice Sp. z o.o., MLP Łódź Sp. z o.o., MLP Czeladź Sp. z o.o., MLP Temp Sp. z o.o., MLP Dortmund LP Sp. z o.o., MLP Dortmund GP Sp. z o.o., MLP Logistic Park Germany I Sp. z o.o. & Co. KG, MLP Poznań West II Sp. z o.o., MLP Bucharest West Sp. z o.o., MLP Teresin II Sp. z o.o., MLP Bucharest West SRL.

Additional information on the subsidiaries is included in note 11.

1. 3 Composition of the Management Board

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

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

1. 4 Composition of the Supervisory Board

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

- Shimshon Marfogel - President of the Supervisory Board
- Eytan Levy - Vice-President of the Supervisory Board
- Daniel Nimrodi ¹⁾ - Member of the Supervisory Board
- Guy Shapira - Member of the Supervisory Board
- Jacek Tucharz - Member of the Supervisory Board
- Maciej Matusiak - Member of the Supervisory Board

¹⁾ As of 31 December 2017, Mr. Yosef Zvi Meir resigned from the position of a Supervisory Board Member. To fill in his position, one of the Company's shareholders, in exercise of the powers conferred by the Company's Articles of Association, appointed Mr. Daniel Nimrodi, with effect as of 1 January 2018.

2. Basis for the preparation of the separate financial statements

2. 1 Statement of compliance

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

2. 2 **Status of Standards Approval in the European Union**

A number of new standards, amendments to standards and interpretations is not yet mandatorily effective for annual periods ending on 31 December 2017 and has not been applied in preparation of the separate financial statements.

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

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

Standards and interpretations approved by EU, which did not come into force for annual periods	Possible impact on the consolidated financial statements	Effective date for periods beginning as the date or after that date
IFRS 15 Revenue from Contracts with Customers	Management does not expect that the new Standard, when initially applied, will have material impact on the Entity's financial statements. The timing and measurement of the Groups's revenues are not expected to change under IFRS 15	1 January 2018
Amendments to IFRS 15 (Revenue from Contracts with Customers)	because of the nature of the Entity's operations and the types of revenues it earns.	1 January 2018
IFRS 9 Financial Instruments (2014)	no significant impact	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	No impact	1 January 2018
IFRS 16 Leases	It is expected that the standard change will not have significant impact on the separate financial statement of the Group.	1 January 2019

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

Standards and interpretations pending for approval by the EU	Possible impact on the consolidated financial statements	Effective date for periods beginning as the date or after that date
Amendments to IFRS 10 and IAS 28 <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	No impact	The European Commission decided to defer the endorsement indefinitely.)
Amendments to IFRS 2 (<i>Share-based Payment</i>)	no significant impact	1 January 2018
Annual Improvements to IFRS 2014-2016 Cycle, including:	no significant impact	1 January 2018 ¹⁾
<ul style="list-style-type: none"> - IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> - IFRS 7 <i>Financial Instruments - Disclosures</i> - IAS 19 <i>Employee Benefits</i> - IFRS 12 <i>Disclosure of Interest in Other Entities</i> - IAS 28 <i>Investments in Associates and Joint Ventures</i> 		
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	No significant impact	1 January 2018
Amendments to IAS 40 (<i>Investment Property</i>)	No impact	1 January 2018
IFRS 17 <i>Insurance Contracts</i>	No impact	1 January 2021
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	No significant impact	1 January 2019
Amendments to IFRS 9 <i>Financial Instruments</i>	No significant impact	1 January 2019
Amendments to IAS 28 <i>Investments in Associates and Joint Ventures</i>	No significant impact	1 January 2019
Annual Improvements to IFRS 2015-2017 Cycle, including:	No significant impact	1 January 2019
<ul style="list-style-type: none"> - IFRS 3 <i>Business Combinations</i> - IFRS 11 <i>Joint Arrangements</i> - IAS 19 <i>Employee Benefits</i> 		

¹⁾ Effective for annual periods beginning on or after 1 January 2018 except for the changes to IFRS 12 that shall be applied for annual periods beginning on or after 1 January 2017

2. 3 Basis for preparation of the financial statements

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

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

Fair value measurement methods are presented in note 3.

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

2. 4. 1 Functional and presentation currency

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

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

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

Separate statement of financial position:

	31 December 2017	31 December 2016
EUR	4,1709	4,4240
USD	3,7062	4,1793

2. 5 Use of estimates and judgments

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

Estimates and assumptions are based on experience and other reasonable factors and their results provide the basis for the carrying amount of assets and liabilities which does not result directly from other sources. Actual results may differ from these estimates.

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

3. Significant accounting policies

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

3. 1 Foreign currency

Foreign currency transactions

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

3. 2 Financial instruments

3. 2. 1 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 - with the exception of investments measured at fair value through profit or loss - are initially measured at fair value increased by transaction costs (with exceptions mentioned below).

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

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

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

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

Current assets comprise assets which will be sold within twelve months from the end of the reporting period.

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

3. 2. 3 Loans and receivables

Loans and receivables are financial assets, other than derivative instruments, with fixed or determinable payments that are not quoted in an active market. Such assets are recognized as a 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, assets classified as loans and receivables and other receivables are measured at amortized cost using the effective interest method, less any impairment losses. Revaluation includes the time and probability of the payment.

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

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

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

3. 3. Equity

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

3. 3. 1 Share capital

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

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

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

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

3. 3. 2 Other capital reserves

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

3. 3. 3 Share premium

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

3. 3. 4 Reserve capital

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

3. 3. 5 Retained earnings

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

3. 4. Tangible fixed assets

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

3. 4. 1 Valuation of tangible fixed assets

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

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

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

3. 4. 2 Subsequent expenditures

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

3. 4. 3 Depreciation

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

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

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

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

3. 5. Intangible assets

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

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

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

3. 6. Impairment of assets

3. 6. 1 Financial assets

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, that had a negative impact on the estimated future cash flows from that asset that can be estimated reliably.

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

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

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

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

3. 6. 2 Non-financial assets

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, at the end of each reporting date, it is assessed if there is any indication of reversal of impairment. An impairment loss is reversed (if there are changes in estimates concerning recoverable amount) only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. 7. Employee benefits

Defined benefit plans

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

3. 8. Cash settled share based payment

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

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

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

3. 9. Provisions

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

3. 10. Bank credits and loans

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

3. 11 Revenues

3. 11. 1 Services

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

3. 12. Finance income and finance costs

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

Financial costs include interest due on debt, unwinding of a discount on provisions, dividends on preferred shares classified as liabilities, foreign exchange losses, losses resulting from a change in the fair value of financial instruments measured through profit or loss, impairment losses on financial assets and gains and losses on hedging instruments recognized in profit or loss.

All the interest expenses are calculated based on an effective interest rate.

3. 13. Income tax

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

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

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

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

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

Income tax on a dividend payment is recognized at the moment the obligation arises to pay the dividend.

3. 14 Earnings per share

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

4. Financial risk management

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

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

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

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

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

4. 1 Credit risk

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

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

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

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

4. 2 Liquidity risk

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

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

Cash and cash equivalents are maintained at the level sufficient to cover operating expenditures. This safeguard however does not cover exceptional situations, which cannot be predicted, such as catastrophes or natural disasters.

4. 3 Market risk

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

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

4. 3. 1 Currency risk

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

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

4. 4 Capital management

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

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

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

The Company is not subject to externally imposed capital requirements.

5. Segment reporting

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

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

According to IFRS 8.4, segment reporting is presented in Note 5 to the Consolidated Financial Statements of the Capital Group.

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

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

	<i>for the year ended 31 December</i>	2017	2016
MLP Pruszków I Sp. z o.o.		63%	74%
MLP Pruszków III Sp. z o.o.		5%	3%
MLP Pruszków IV Sp. zo.o.		5%	4%
MLP Pruszków II Sp. z o.o.		2%	4%

6. Revenues

	<i>for the year ended 31 December</i>	2017	2016
Real estate management		3 181	3 393
Project management		601	-
Consulting services		3 872	4 017
Reinvoiced services		740	785
Other revenues		-	30
Total revenues		8 394	8 225
<i>including revenues from related parties</i>		<i>8 055</i>	<i>8 112</i>

Details of revenues from related parties are disclosed in note 24.3.

7. Other operating income

	<i>for the year ended 31 December</i>	2017	2016
Reversal of provisions		-	535
Revenues from sale of fixed assets		11	10
Reinvoiced insurance costs		-	41
Other		53	169
Total other operating income		64	755

8. Selling and administrative expenses

	<i>for the year ended 31 December</i>	2017	2016
Depreciation and amortization		(77)	(29)
Materials and energy		(197)	(173)
External services		(4 524)	(4 340)
Taxes and charges		(71)	(75)
Payroll		(3 729)	(2 089)
Social security and other employee benefits		(287)	(277)
Other expenditures		(243)	(2 278)
Total selling and administrative expenses		(9 128)	(9 261)

Selling and administrative expenses for the financial year ended 31 December 2017 amounted to PLN 9,128 thousand. The above mentioned costs incurred by the Company mainly relate to expenses concerning the service and maintenance of revenue-generating investment property, owned by subsidiaries and consulting services. The company recovers the specified amounts by charging these companies for property management.

9. Financial income and costs

	<i>for the year ended 31 December</i>	2017	2016
Interest on loans granted to the related entities		2 377	2 166
Interest income on bank deposits		7	130
Dividend income received		4 508	-
Foreign exchange differences net		497	-
Total financial income		7 389	2 296
Interest expenses on loans from related entities		(1 049)	(1 043)
Interest expenses on bonds		(1 681)	-
Foreign exchange differences net		-	(309)
Other financial expenses		(81)	(1)
Total financial costs		(2 811)	(1 353)

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

Details of financial income and costs from related parties are disclosed in note 24.3.

10. Income tax

	<i>for the year ended 31 December</i>	2017	2016
Origination / reversal of temporary differences		(100)	132
Income tax		(100)	132

Effective tax rate

	<i>for the year ended 31 December</i>	2017	2016
Profit before taxation		3 843	551
Current income tax on the basis of the enacted tax rate (19%)		(730)	(105)
Non-taxable income		856	-
Non-tax deductible costs		(26)	(27)
Current income tax		100	(132)

The calculation of corporate income tax

	<i>for the year ended 31 December</i>	2017	2016
Profit before taxation		3 843	551
Non-tax deductible costs:			
Interest accrued on loans received		1 048	1 043
Provision for audit of financial statements		91	123
Foreign exchange losses on valuation		6 593	7 966
Provision for remuneration of Supervisory Board and Management		132	206
Employee benefits provision		1 970	2 048
Interest accrued on bonds		355	-
Other		142	236
		10 331	11 622
Costs increasing tax costs			
Reversal of foreign exchange losses on valuation		7 959	6 353
Reversal of provision for audit of financial statements		123	145
Payment of employee benefits		2 048	1 308
Reversal of provision for remuneration of Supervisory Board and Management Board		206	46
		10 336	7 852
Amounts that increase the tax base			
Reversal of foreign exchange gains		1 645	615
Loan interest repayment		191	299
		1 836	914
Non-taxable revenues			
Foreign exchange gains on valuation		892	1 652
Otrzymana dywidenda		4 508	-
Accrued but not paid interest on loans		2 378	2 148
Reversal of overstated provision for liabilities		-	535
		7 778	4 335
Income/(Loss)		(2 104)	900
Deductions			
Donation to Happy Kids Foundation		-	(6)
Taxable income/(loss)		(2 104)	894
Loss from previous years		-	(894)
Tax base		-	-
Income tax		-	-

The provisions concerning value added tax, corporate income tax, personal income tax, or social security contributions are subject to changes, as a result of which there is often no reference to established regulations or legal precedents. The current regulations also contain uncertainties, resulting in differences in opinions as to legal interpretation of tax regulations both between government bodies and between companies and government bodies. Tax settlements and other (eg. customs or foreign exchange) may be subject to inspection by bodies that are entitled to impose significant fines, and additional liabilities established as a result of the inspection must be paid with interest. These phenomena cause the fact that tax risk in Poland is higher than in countries with more developed tax systems.

Tax settlements may be inspected for the period of five years after the end of the next tax year. As a result, the amounts presented in the financial statements may be changed at a later date, after they are finally determined by tax authorities.

11. Long-term investments in related parties

<i>as at 31 December</i>	2017	2016
Gross value at the beginning of the period	123 224	122 209
Acquisition of shares in MLP Łódź Sp. z o.o. ¹⁾	-	5
Acquisition of shares in MLP Czeladź Sp. z o.o. ²⁾	-	5
Acquisition of shares in MLP Temp Sp. z o.o. ³⁾	-	1 005
Acquisition of shares in MLP Dortmund LP Sp. z o.o. ²⁾	5	-
Acquisition of shares in MLP Dortmund GP Sp. z o.o. ³⁾	5	-
Acquisition of shares in MLP Poznań West II Sp. z o.o. ⁵⁾	5	-
Acquisition of shares in MLP Bucharest West Sp. z o.o. ⁶⁾	5	-
Acquisition of shares in MLP Teresin II Sp. z o.o.	5	-
Gross value at the end of the period	123 249	123 224
Net value at the end of the period	123 249	123 224

As of 31 December 2017, the Company hold directly or indirectly shares in the following entities:

Entity	Country of registry	Direct and indirect share in the share capital		Direct and indirect share in voting rights	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
MLP Pruszków I Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków III Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków IV Sp. zo.o.	Poland	100%	100%	100%	100%
MLP Moszna I Sp. z o.o. ¹⁾	Poland	-	100%	-	100%
MLP Poznań Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Lublin Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Poznań II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%	100%	100%
MLP Energy Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Property Sp. z.o.o.	Poland	100%	100%	100%	100%
MLP Bieruń Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Bieruń I Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Teresin Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Poznań West Sp. z o.o.	Poland	100%	100%	100%	100%
MLP FIN Sp. z o.o.	Poland	100%	100%	100%	100%
LOKAFOP 201 Sp. z o.o.	Poland	100%	100%	100%	100%
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%	100%	100%
MLP Wrocław Sp. z o.o.	Poland	100%	100%	100%	100%

Entity	Country of registry	Direct and indirect share in the share capital		Direct and indirect share in voting rights	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
MLP Gliwice Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Łódź Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Czeladź Sp z o.o.	Poland	100%	100%	100%	100%
MLP Temp Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Dortmund LP Sp. z o.o. ²⁾	Poland	100%	-	100%	-
MLP Dortmund GP Sp. z o.o. ³⁾	Poland	100%	-	100%	-
MLP Logistic Park Germany I Sp. z o.o. &Co KG. ⁴⁾	Germany	100%	-	100%	-
MLP Poznań West II Sp. z o.o. ⁵⁾	Poland	100%	-	100%	-
MLP Bucharest West Sp. z o.o. ⁶⁾	Poland	100%	-	100%	-
MLP Bucharest West SRL ⁷⁾	Romania	100%	-	100%	-
MLP Teresin II Sp. z o.o. ⁸⁾	Poland	100%	-	100%	-

¹⁾ On 2 March 2017, MLP Pruszków III Sp. z o.o. and MLP Moszna I Sp. z o.o. merged, the entire assets of MLP Moszna I Sp. z o.o. were transferred to MLP Pruszkow III Sp. z o.o

²⁾ On 3 March 2017 a new company of the MLP Group S.A. Capital Group, MLP Dortmund LP Sp. z o.o. was established. The company was registered in the National Court Register on 9 March 2017. Shares in newly created company were acquired entirely by MLP Group S.A. (100 shares with a total nominal value of PLN 5,000).

³⁾ On 3 March 2017 a new company of the MLP Group S.A. Capital Group, MLP Dortmund GP Sp. z o.o. was established. The company was registered in the National Court Register on 8 March 2017. Shares in newly created company were acquired entirely by MLP Group S.A. (100 shares with a total nominal value of PLN 5,000).

⁴⁾ On 20 March 2017 a new company of the MLP Group S.A. Capital Group, MLP Logistic Park Germany I Sp. z o.o. &Co KG was established.

⁵⁾ On 12 April 2017 a new company of the MLP Group S.A. Capital Group, MLP Poznań West II Sp. z o.o. was established. The company was registered in the National Court Register on 18 April 2017. Shares in newly created company were acquired entirely by MLP Group S.A. (100 shares with a total nominal value of PLN 5,000).

⁶⁾ On 28 April 2017 a new company of the MLP Group S.A. Capital Group, MLP Bucharest West Sp. z o.o. was established. The company was registered in the National Court Register on 5 May 2017. Shares in newly created company were acquired entirely by MLP Group S.A. (100 shares with a total nominal value of PLN 5,000).

⁷⁾ On 14 July 2017 a new company of the MLP Group S.A. Capital Group, MLP Bucharest West SRL was established. Shares in newly created company were acquired by MLP Bucharest West Sp. z o.o. 4,564 shares (99,98%) and MLP Property Sp. z o.o. 1 share (0,02%).

⁸⁾ On 24 October 2017 a new company of the MLP Group S.A. Capital Group, MLP Teresin II Sp.z o.o. was established. Shares in newly created company were acquired by MLP Group S.A. (100 shares with a total nominal value of PLN 5,000).

12. Long-term investments

	<i>as at 31 December</i>	2017	2016
Long-term loans granted to related parties		150 063	79 408
		150 063	79 408

13. Short-term investments

	<i>as at 31 December</i>	2017	2016
Short-term loans granted to related parties		2 767	1 068
Short term investments		2 767	1 068

Details of the loans granted to related parties are disclosed in note 24.2.

14. Deferred tax

	Deferred tax assets		Deferred tax liabilities		Net value		
	as at	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Loans granted and received		(974)	(1 306)	-	-	(974)	(1 306)
Tax loss		(4 508)	(4 107)	-	-	(4 508)	(4 107)
Other		(424)	(460)	-	-	(424)	(460)
Bonds		(67)	-	-	-	(67)	-
Deferred tax assets / liabilities		(5 973)	(5 873)	-	-	(5 973)	(5 873)
		1 January 2016	changes recorded in the statement of profit or loss	31 December 2015	changes recorded in the statement of profit or loss	31 December 2017	
Loans granted and received		(1 349)	43	(1 306)	332	(974)	
Tax loss		(4 277)	170	(4 107)	(401)	(4 508)	
Other		(379)	(81)	(460)	36	(424)	
Bonds		-	-	-	(67)	(67)	
		(6 005)	132	(5 873)	(100)	(5 973)	

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

Based on the tax budgets prepared by the Group, the Management Board regards as reasonable to recognize deferred tax assets from a tax loss.

15. Trade and other receivables

	<i>as at 31 December</i>	2017	2016
Trade receivables from related parties		973	1 890
Trade receivables from third parties		52	-
Tax and social security receivables		48	-
Prepayments		244	157
On account of dividend		3 023	-
Other		41	468
Trade and other receivables		4 381	2 515
Income tax receivables		-	742
Short-term receivables		4 381	3 257

Receivables from related parties were disclosed in note 24.

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

	<i>as at 31 December</i>		2017		2016	
		Receivables		Receivables		Receivables
		Gross	Allowance		Gross	Allowance
Current receivables	3 969	-		1 436	-	
Overdue from 1 to 90 days	94	-		690	-	
Overdue from 91 to 180 days	4	-		103	-	
Overdue over 180 days	22	-		129	-	
Total receivables	4 089	-		2 358	-	

16. Cash and cash equivalents

	<i>as at 31 December</i>	2017	2016
Cash on hand		12	11
Cash in bank		15 029	24
Short-term deposits		459	2 070
Cash and cash equivalents in the separate statement of financial position		15 500	2 105
Cash and cash equivalents in the separate statement of cash flows		15 500	2 105

The Company does not have any restricted cash.

17. Equity

17. 1 Share capital

	<i>as at 31 December</i>	2017	2016
Share capital			
Ordinary series A shares		11 440 000	11 440 000
Ordinary series B shares		3 654 379	3 654 379
Ordinary series C shares		3 018 876	3 018 876
		18 113 255	18 113 255
Par value of 1 share		0,25	0,25

As at 31 December 2017 the share capital of MLP Group S.A. amounted to PLN 4 528 313.75 and was divided into 18 113 255 shares entitling to 18 113 225 votes on the general meeting. All shares have the par value of PLN 0.25 and have been fully paid.

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

Shareholder	Number of shares and votes at the GSM	% of capital and votes at the GSM
CAJAMARCA Holland BV	10 319 842	56,97%
Other shareholders	2 581 093	14,25%
THESINGER LIMITED ²⁾	1 771 320	9,78%
Aegon Powszechne Towarzystwo Emerytalne S.A. ¹⁾	1 149 775	6,35%
MetLife OFE	948 387	5,24%
GRACECUP TRADING LIMITED	641 558	3,54%
MIRO B.V. ³⁾	452 955	2,50%
Shimshon Marfogel ²⁾	149 155	0,82%
MIRO LTD. ³⁾	99 170	0,55%
Razem	18 113 255	100,00%

¹⁾ Aegon Powszechne Towarzystwo Emerytalne S.A. ("Towarzystwo") took over the management of Nordea Otwarty Fundusz Emerytalny ("Nordea OFE") on 1 September 2017, resulting in the total share of funds managed by the Company, namely Aegon Open Pension Fund ("Aegon OFE") and Nordea OFE, in the total number of votes at the General Meeting of the Company exceeded 5% of votes.

Prior to the management acquisition of the Nordea OFE by Towarzystwo described above:

- Aegon OFE held 809,036 shares in the Company, representing 4.47% of its share capital and entitled to 809,036 votes, ie 4.47% of the total number of votes,
- Nordea OFE held 340,739 shares of the Company, representing 1.88% of its share capital and entitled to 340,739 votes, ie 1.88% of the total number of votes.

On 17 November 2017, as a result of the completion of liquidation of the Nordea Open-end Pension Fund ("Nordea OFE"), all the assets of Nordea OFE were transferred to Aegon OFE and Aegon OFE entered into all the rights and obligations of Nordea OFE.

After the changes described above, as at 17 November 2017, the Aegon OFE fund managed by the Pension Fund Company held a total of 1,149,775 shares in the Company, which constituted 6.35% of its share capital and entitled to 1,149,775 votes, or 6.35% of all the votes.

²⁾ As a result of the settlement of the transaction of September 29, 2017, the ownership of the Company's shares was reduced by Thesinger Limited. The transaction involved the transfer of 149,155 shares of the MLP Group S.A. representing 0.8% of the share capital of MLP Group S.A. by Thesinger Ltd. to Mr. Shimshon Marfogel, Chairman of the Company's Supervisory Board, and was included in connection with the execution of the profit distribution program adopted on 31 December 2008 by the Israel Land Development Company Ltd located in Israel and annex to the May 2007 employment contract between Mr. Shimshon Marfogel and the Israel Land Development Company Ltd located in Israel in exchange for shares in Thesinger Ltd. of the same market value.

³⁾ Miro B.V. seated in Delft, Netherlands is the parent company of MIRO Ltd. seated in Limassol, Cyprus, holding 100 % of shares in its share capital.

17. 1. 2 Shares and rights to shares of the Parent Company owned by members of management and supervisory bodies

Michael Shapiro holds indirectly, through controlled by himself in 100% MIRO B.V. and MIRO Ltd., 3,05% 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 participates in 14.24% of MLP Group S.A. share capital, which results in effective economic share of 17.29% in MLP Group S.A. A.

Chairman of the Supervisory Board of Shimshon Marfogel indirectly, through a 7.86% of shares capital in the company holding the Issuer's shares (Thesinger Limited) participates economically in 0.77% of the share capital of MLP Group and directly through the shares acquired in September of 0.82% (transaction described in note 1.4.1) share in the share capital of the Company, which together gives an economically efficient share of 1.59% in the share capital of MLP Group SA

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

17. 2 Other capital reserve

Other capital reserve was created from the profit generated in 2010 (PLN 1,470 thousand) and the profit generated in 2012 (PLN 2,724 thousand)

18. Earnings per share

Earnings per share for each period are calculated by dividing the net profit for the period by the average weighed number of shares in the reporting period. Diluted net result per share for each period is calculated by dividing the net result for the period by the sum of average weighted number of common shares in the reporting period and all the potential diluting shares.

	<i>for the year ended 31 December</i>	2017	2016
Net profit for the period		3 943	419
Weighted average number of issued shares (in units)		18 113 255	18 113 255
Net profit per share for the period (in PLN per share):			
- basic		0,22	0,02
- diluted		0,22	0,02

There were no dilutive factors in the presented periods.

19. Loans and other debt instruments

19. 1 Long term liabilities

	<i>as at 31 December</i>	2017	2016
Bonds		83 418	-
Loans received from related parties		65 202	64 096
Total long-term loans and other debt instruments		148 620	64 096

19. 2 Short term liabilities

	<i>as at 31 December</i>	2017	2016
Bonds		355	-
Total short-term loans and other debt instruments		355	-

Details on the loans received from related parties are disclosed in note 24.2.

19. 3 Bond liabilities

Financial instrument	currency	nominal value	maturity date	effective rate (%)	guarantees and security	quotation market
Non-public bonds	EUR	20 000 000	2022-05-11	Euribor 6M + margin	-	Catalyst ¹⁾

¹⁾ Pursuant to Resolution 720/2017 of 4 July 2017 adopted by the Management Board of the Warsaw Stock Exchange, the Management Board of the Exchange decided to introduce 20,000 A-series bearer bonds of MLP Group S.A. with the nominal value of EUR 1,000 each to the alternative trading system on Catalyst. 12 July 2017 was the first day of listing on the alternative trading system on Catalyst. The bonds are listed in a continuous quotation system under the abbreviated name of "MLP0522".

19. 4 Loans unsecured on the Company's assets

Loan received from	currency	effective rate (%)	as at maturity date	31 December 2017		31 December 2016		
				in currency	PLN	in currency	PLN	
MLP Pruszków I Sp. z o.o.	EUR	Euribor 3M + margin	2021	341	1 422	2021	337	1 492
MLP Pruszków I Sp. z o.o.	EUR	Euribor 3M + margin	2020	621	2 592	2020	614	2 718
MLP Pruszków I Sp. z o.o.	PLN	Wibor 3M + margin	2020	-	1 096	2020	-	1 062
MLP Pruszków I Sp. z o.o.	PLN	Wibor 3M + margin	2020	-	7 053	2020	-	6 850
MLP Pruszków I Sp. z o.o.	EUR	Euribor 1M + margin	2020	7 037	29 351	2020	6 972	30 843
MLP Temp Sp. z o.o.	EUR	Euribor 3M + margin	2019	2 081	8 680	2019	2 056	9 094
MLP Temp Sp. z o.o.	EUR	Euribor 3M + margin	2020	393	1 637	2020	388	1 716
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	PLN	Wibor 3M + margin	2020	-	10 654	2020	-	10 321
MLP Temp Sp. z o.o.	EUR	Euribor 3M + margin	2025	651	2 717	-	-	-
Total				11 124	65 202		10 367	64 096

20. Payroll liabilities

	<i>as at 31 December</i>	2017	2016
Special funds		157	157
Cash settled share based payment		1 970	2 048
Payroll liabilities		2 127	2 205

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

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

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

In July 2017 Phantom shares for the previous financial year were paid in the amount of PLN 2.074 thousand.

21. Trade and other liabilities

	<i>as at 31 December</i>	2017	2016
Trade liabilities to related parties		-	41
Trade liabilities to third parties		227	540
Taxation and social security liabilities		173	156
Accruals		223	329
Investment and other liabilities		72	114
Trade and other liabilities		695	1 180
Short - term liabilities		695	1 180

Liabilities to related parties were disclosed in note 24.

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

<i>as at 31 December</i>	2017	2016
Current liabilities	420	849
Liabilities overdue from 1 to 90 days	85	160
Liabilities overdue over 180 days	17	15
Total trade and other liabilities	522	1 024

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

22. Financial instruments

22. 1 Valuation of financial instruments

The fair value of financial assets and financial liabilities as at 31 December 2017 and 31 December 2016 is equal to the value presented in the separate statement of financial position.

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

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

22. 1. 1 Financial assets

<i>as at 31 December</i>	2017	2016
Loans and receivables:		
Cash and cash equivalents	15 500	2 105
Loans and receivables, including:		
• Trade and other receivables	4 089	2 358
• Loans granted	152 830	80 476
	172 419	84 939
Total financial assets	172 419	84 939

22. 1. 2 Financial liabilities

<i>as at 31 December</i>	2017	2016
Financial liabilities valued at amortized cost:		
Loans received	65 202	64 096
Trade and other liabilities	522	1 024
Bonds	83 773	-
	149 497	65 120
Total financial liabilities	149 497	65 120

22. 2 The nature and extent of risks related to financial instruments

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

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

22. 2. 1 Liquidity risk

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

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

Loans - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
2017	-	65 355	2 990	68 345
2016	-	69 342	-	69 342

22. 2. 2 Currency risk

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

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

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

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

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

The currency structure of financial instruments as at 31 December 2016 PLN (thousand)

Financial assets	PLN	EUR	other	Total
Loans and receivables:				
Cash and cash equivalents	2 081	23	1	2 105
Loans and receivables, including:				
• Trade and other receivables	2 358	-	-	2 358
• Loans granted	48 446	32 030	-	80 476
	52 885	32 053	1	84 939

Financial liabilities	PLN	EUR	other	Total
Financial liabilities measured at amortized cost				
Loans received	18 233	45 863	-	64 096
Trade and other liabilities	895	126	3	1 024
	19 128	45 989	3	65 120

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

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

	as at 31 December	2017	2016
Increase in the exchange rate EUR/PLN by 5%		(665)	(697)
Increase in the exchange rate USD/PLN by 5%		140	-

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

The depreciation of the Polish currency against USD by 5% affects favorably the Group's results, causing an increase in interest income on granted currency loans denominated in USD.

22. 2. 3 Interest rate risk

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

The table below presents the potential impact of a 50 bp increase in interest rates on the cash flows related to the service of financial liabilities.

The impact of interest rate changes on interest flows on received loans and borrowings and issued bonds:

	<i>as at 31 December</i>	2017	2016
EURIBOR + 50 p.b.		(651)	(229)
WIBOR + 50 p.b.		(94)	(91)

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

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

	<i>as at 31 December</i>	2017	2016
EURIBOR + 50 p.b.		509	160
WIBOR + 50 p.b.		241	242
LIBOR + 50 p.b.		14	-

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

The table below presents the potential impact of a 50 bp increase in interest rates on the cash flows related to cash

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

	<i>as at 31 December</i>	2017	2016
EURIBOR + 50 p.b.		75	-
WIBOR + 50 p.b.		2	10

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

22. 2. 4 Credit risk

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

The ageing of trade and other receivables is presented in note 15.

23. Contingent liabilities and pledges

As at 31 December 2017, the Company established the following pledges on shares:

23. 1 Financial and registered pledges on shares

Securities established on MLP Group's shares in the companies:	Security	Value of the established security
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.	EUR 80 000 thousand
MLP Poznań II Sp. z o.o.	ING Bank Śląski S.A. receivables from the credit ING 11/0002 granted to MLP Poznań II Sp. z o.o.	EUR 14 047 thousand
Registered and financial pledges on shares:		
MLP Pruszków III Sp. z o.o. ¹⁾	BGŻ BNP Paribas S.A. receivables resulting from the credit dated 5 November 2015 granted to MLP Moszna I Sp. z o.o.	EUR 26 595,1 thousand
MLP Pruszków III Sp. z o.o. ¹⁾	BGŻ BNP Paribas S.A. receivables resulting from the credit dated 5 November 2015 granted to MLP Moszna I Sp. z o.o.	EUR 4 500,0 thousand
MLP Wrocław Sp. z o.o. ²⁾	PEKAO S.A. receivables resulting from the credit dated 11 October 2017 granted to MLP Wrocław Sp. z o.o.	PLN 4 500,0 thousand
MLP Wrocław Sp. z o.o. ²⁾	PEKAO S.A. receivables resulting from the credit dated 11 October 2017 granted to MLP Wrocław Sp. z o.o.	EUR 27 638,0 thousand
MLP Pruszków I Sp. z o.o. ³⁾	Raiffeisen Bank Polska S.A. receivables resulting from the credit no. CRD/25846/07 granted to MLP Pruszków I Sp. z o.o.	EUR 54 750,0 thousand

¹⁾ In connection with disbursement of the next tranche of the loan to MLP Pruszków III Sp. z o.o., in the last quarter of 2017, the amount of financial and registered pledges increased from EUR 12,975 thousand to EUR 26,595 thousand; the pledges were established on shares held in MLP Pruszków III Sp. z o.o. by MLP Group S.A. and MLP Pruszków II Sp. z o.o.

Furthermore, in October 2017, registered and financial pledges were established on the shares held in MLP Pruszków III Sp. z o.o. by MLP Property Sp. z o.o., MLP Group S.A. and MLP Pruszków II Sp. z o.o. up to the amount of PLN 4,500.

²⁾ In connection with the loan agreement executed on 11 October 2017 by MLP Wrocław Sp. z o.o. with the PeKaO S.A. bank, registered and financial pledges were established on the shares of MLP Group S.A. in MLP Wrocław Sp. z o.o. up to the security amount of EUR 27,637.5 thousand and PLN 4,500 thousand.

³⁾ In connection with the loan agreement executed on 16 December 2016 by MLP Pruszków I Sp. z o.o. with the Raiffeisen Bank Polska S.A. bank, registered and financial pledges were established on the shares of MLP Group S.A. in MLP Pruszków I Sp. z o.o. up to the security amount of EUR 54,750 thousand. The pledges were entered into the pledge register in January 2017.

23. 2 Guarantees

As at 31 December 2017 the Company did not grant any guarantees.

23. 3 Additional guarantees

As at 31 December 2017 the Company did not grant any additional guarantees.

23. 4 Other security

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

24. Related party transactions

24. 1 Trade and other receivables and payables

Balances of related party transactions related to trade and other receivables and payables as at 31 December 2017 are as follows:

	Trade and other receivables	Trade and other liabilities ¹⁾
Parent company		
The Israel Land Development Company Ltd., Tel-Aviv	36	-
	36	-
Other related parties		
MLP Pruszków I Sp. z o.o.	3 544	-
MLP Pruszków II Sp. z o.o.	16	-
MLP Pruszków III Sp. z o.o.	53	-
MLP Pruszków IV Sp. zo.o.	42	-
MLP Poznań Sp. z o.o.	48	-
MLP Poznań II Sp. z o.o.	32	-
MLP Lublin Sp. z o.o.	36	-
MLP Teresin Sp. z o.o.	23	-
MLP Energy Sp. z o.o.	11	-
MLP Wrocław Sp. z o.o.	89	-
MLP Czeladź Sp z o.o.	18	-
MLP Gliwice Sp. z o.o.	24	-
MLP Łódź Sp. z o.o.	5	-
MLP Poznań West II Sp. z o.o.	6	-
MLP Logistic Park Germany I Sp. z o.o. &Co KG.	13	-
Total	3 996	-

¹⁾ "Trade and other liabilities" do not include compensation of the key management and share-based payments, which are presented in Note 25.

24. 2 **Loans granted and received**

Related party balances related to loans granted and received as at 31 December 2017 are as follows:

	Loans granted	Loans received
Other related parties		
MLP Pruszków I Sp. z o.o.	4 302	41 514
MLP Pruszków II Sp. z o.o.	9	-
MLP Pruszków III Sp. z o.o.	3 991	-
MLP Poznań Sp. z o.o.	1 033	-
MLP Poznań II Sp. z o.o.	161	-
MLP Lublin Sp. z o.o.	9 744	-
MLP Teresin Sp. z o.o.	7 627	-
MLP Wrocław Sp. z o.o.	2 118	-
MLP Gliwice Sp. z o.o.	34 893	-
MLP Property Sp. z.o.o.	299	-
MLP Poznań West Sp. z o.o.	713	-
MLP Temp Sp. z o.o.	-	13 034
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	-	10 654
MLP Bieruń I Sp. z o.o.	1 182	-
MLP FIN Sp. z o.o.	55	-
MLP Bucharest West Sp. z o.o.	17 029	-
MLP FIN Spółka z ograniczoną odpowiedzialnością sp.k.	33	-
MLP Logistic Park Germany I Sp. z o.o. &Co KG.	26 325	-
MLP Bucharest West SRL	17	-
Fenix Polska Sp. z o.o.	43 299	-
Total	152 830	65 202

24. 3 Revenues and expenses

Related party transactions related to revenues and expenses for the year ended 31 December 2017 are as follows:

	Revenues from sale of services	Sale - other	Interest income
Parent company			
The Israel Land Development Company Ltd., Tel-Awiw	189	-	-
	189	-	-
Other related parties			
MLP Pruszków I Sp. z o.o.	5 300	82	4 508
MLP Pruszków II Sp. z o.o.	206	9	-
MLP Pruszków III Sp. z o.o.	399	105	-
MLP Pruszków IV Sp. zo.o.	385	-	-
MLP Poznań Sp. z o.o.	159	13	-
MLP Poznań II Sp. z o.o.	282	4	-
MLP Lublin Sp. z o.o.	279	113	-
MLP Teresin Sp. z o.o.	203	233	-
MLP Energy Sp. z o.o.	106	-	-
MLP Wrocław Sp. z o.o.	151	21	-
MLP Czeladź Sp z o.o.	90	-	-
MLP Gliwice Sp. z o.o.	157	469	-
MLP Property Sp. z.o.o.	-	9	-
MLP Poznań West Sp. z o.o.	1	22	-
MLP Bieruń Sp. z o.o.	2	-	-
MLP Bieruń I Sp. z o.o.	6	36	-
MLP FIN Sp. z o.o.	-	2	-
MLP Łódź Sp. z o.o.	9	-	-
MLP Poznań West II Sp. z o.o.	11	-	-
MLP Bucharest West Sp. z o.o.	-	70	-
MLP FIN Spółka z ograniczoną odpowiedzialnością sp.k.	-	1	-
MLP Logistic Park Germany I Sp. z o.o. &Co KG.	120	307	-
Fenix Polska Sp. z o.o.	-	881	-
	7 866	2 377	4 508
Total revenues	8 055	2 377	4 508

		Purchase of services and remuneration	Interest expenses
Other related parties			
MLP Pruszków I Sp. z o.o.		(54)	(561)
MLP Teresin Sp. z o.o.		(5)	-
MLP Wrocław Sp. z o.o.		(3)	-
MLP Czeladź Sp z o.o.		(5)	-
MLP Gliwice Sp. z o.o.		(5)	-
MLP Temp Sp. z o.o.		-	(155)
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA		-	(333)
		(72)	(1 049)
Key management personnel			
ROMI CONSULTING, Michael Shapiro	<i>see note 27.</i>	(382)	-
RTK CONSULTING, Radosław T. Krochta	<i>see note 27.</i>	(313)	-
PROFART, Tomasz Zabost	<i>see note 27.</i>	(102)	-
Other key management personnel	<i>see note 27.</i>	(791)	-
		(1 588)	-
Total expenses		(1 660)	(1 049)

25. Significant litigation and disputes

As at 31 December 2017 the Company was not a party to any significant legal proceedings.

26. Significant events during the period and subsequent events

On 11 May 2017, as a part of the private offer, the Company issued 20,000 A series bearer bonds, with a nominal value of EUR 1,000 each and a total issue value of EUR 20,000,000.

The bonds bear variable interest based on 6M EURIBOR plus a margin.

The bonds have been issued as non-secured bonds.

The purpose of the issuance of the Bonds was not specified.

The redemption of the Bonds is scheduled for 11 May 2022, with a possibility of an early redemption by the Company. Bonds are in electronic, not physical form.

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

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

<i>for the year ended 31 December</i>	2017	2016
Remuneration of Management Board		
• Remuneration and other benefits		
Radosław T. Krochta	313	554
Michael Shapiro	382	393
Tomasz Zabost	102	188
<i>see note 24.3</i>	797	1 135
Cash settled share based payment	1 011	510
	1 808	1 645
Remuneration of Supervisory Board		
• Remuneration and other benefits		
Matusiak Maciej	30	30
Tucharz Jacek	30	30
Levy Eytan	30	30
Marfogel Shimshon	30	30
Meir Yosef Zvi	30	30
Guy Shapira	30	30
	180	180
Other management personnel		
• Remuneration and other benefits	<i>see note 24.3</i>	791
• Cash settled share based payment	521	405
	1 312	926
Total remuneration paid or due to members of management and supervisory bodies of the Company	3 300	2 751

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

28. Employment structure


<i>as at 31 December</i>	2017	2016
Number of employees	15	16

Radosław T. Krochta
President of the Management Board

Michael Shapiro
Vice-President of the Management Board

Tomasz Zabost
Member of the Management Board

Pruszków, 14 March 2018



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

for the year ended 31 December 2017

The Management Board's report on the activities of MLP Group S.A. Capital Group for the year ended 31 December 2017 was prepared in accordance with paragraph 91 of the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by law of Non-Member States (Official Journal 2014 No. 133 with amendments).

Table of contents

Management Board approval of MLP Group S.A. report on MLP Group S.A. activities for the year ended 31 December 2017	56
Introduction	57
1. Basic information on MLP Group S.A.	58
1.1 MLP Group S.A. shareholdings structure	58
1.2 Scope of activities of the Company and the Group	60
1.3 Information on the core activities	62
1.4 Information about the market, customers and suppliers	62
1.4.1 <i>The structure of the Company's sales</i>	62
1.4.2 <i>The largest counterparties</i>	63
2. Activities of MLP Group S.A. Capital Group and the Company	64
2.1 Activities of MLP Group S.A. Capital Group and the Company in 2016	64
2.1.1 <i>Started and completed investment projects</i>	64
2.1.2 <i>Development projects currently conducted and in preparation</i>	66
2.1.3 <i>Significant agreements for the Company's activities</i>	66
2.1.4 <i>Agreements between the shareholders</i>	66
2.1.5 <i>Cooperation and collaboration agreements</i>	66
2.1.6 <i>Transactions with related parties</i>	66
2.1.7 <i>Litigation</i>	66
2.2 Development of the MLP Group S.A., risk factors	67
2.2.1 <i>Key risk factors relevant to the development of the Company</i>	67
2.2.2 <i>Business prospects</i>	71
3. MLP Group S.A. financial position, financial resources management	73
3.1 Key economic and financial data disclosed in the separate financial statements of MLP Group S.A. for the year 2017	73
3.1.1 <i>Selected financial data from the separate statement of financial position</i>	73
3.1.2 <i>Selected financial data from the separate statement of profit or loss</i>	76
3.1.3 <i>Selected information from the separate statement of cash flows</i>	77
3.2 Forecasts	77
3.3 Company's financial management	78
3.3.1 <i>Profitability ratios</i>	78
3.3.2 <i>Liquidity ratios</i>	78
3.3.3 <i>Debt ratios</i>	79
3.4 Information on bank credits, bonds, loans, securities and guarantees	80
3.4.1 <i>Concluded and terminated loan agreements</i>	80
3.4.2 <i>Concluded and terminated bank credit agreements</i>	80
3.4.3 <i>Bonds</i>	80

3.4.4	<i>Loans granted</i>	81
3.4.5	<i>Granted and received securities</i>	81
3.4.6	<i>Granted and received guarantees</i>	81
3.4.7	<i>Other securities</i>	81
3.5	Assessment of the feasibility of the investment plans	82
3.6	Evaluation of factors and unusual events affecting the separate financial result for the year	82
3.7	Information on issuing, repurchasing and repaying non-equity and equity securities	82
3.8	Concise description of significant successes achieved or failures occurred in the year ended 31 December 2017	82
3.9	Seasonal or cyclical nature of operations	82
4.	Statement on Corporate Governance	83
4.1	Equity and shareholders	86
4.1.1	<i>Shareholders</i>	86
4.1.2	<i>Special rights of the Shareholders</i>	87
4.1.3	<i>Voting rights restrictions</i>	87
4.2	General Meeting of Shareholders	88
4.3	Policy for amending the Articles of Association	89
4.4	Management Board	90
4.4.1	<i>Competences of the Management Board</i>	90
4.4.2	<i>Principles of operation of the Management Board</i>	91
4.4.3	<i>Composition of the Management Board</i>	92
4.5	The Supervisory Board	93
4.5.1	<i>Competences of the Supervisory Board</i>	93
4.5.2	<i>Principles of operation of the Supervisory Board</i>	94
4.5.3	<i>Composition of the Supervisory Board</i>	95
4.5.4	<i>Audit Committee</i>	96
4.6	Remuneration and employment contracts of the members of the Management Board, the Supervisory Board	97
4.6.1	<i>Remuneration, bonuses and benefits received by the members of Management Board and the Supervisory Board</i>	97
4.6.2	<i>Agreements with the members of Management Board in case of resignation, dismissal</i>	97
4.7	Shares held by members of the Management and Supervisory Boards	98
4.8	Management stock options program	98
4.9	Changes in the core principles of management of the Company	98
4.10	The system of internal control and risk management	98
4.11	Entity authorized to audit the financial statements	100

Management Board approval of MLP Group S.A. report on MLP Group S.A. activities for the year ended 31 December 2017

The Management Report on the MLP Group S.A. activities for the year ended 31 December 2017 was prepared and approved by the Management Board on 14 March 2018.

Radosław T. Krochta
*President of the
Management Board*

Michael Shapiro
*Vice-President of the
Management Board*

Tomasz Zabost
*Member of the
Management Board*

Pruszków, 14 March 2018

Introduction

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

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

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

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

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

1. Basic information on MLP Group S.A.

1.1 MLP Group S.A. shareholdings structure

As at 31 December 2017, MLP Group S.A. consisted of the following entities:

Lp.	Entity	Country of registry	Direct and indirect share of the Parent Company in the equity	Direct and indirect share of the Parent Company in the voting rights
1	MLP Pruszków I Sp. z o.o.	Poland	100%	100%
2	MLP Pruszków II Sp. z o.o.	Poland	100%	100%
3	MLP Pruszków III Sp. z o.o.	Poland	100%	100%
4	MLP Pruszków IV Sp. zo.o.	Poland	100%	100%
5	MLP Poznań Sp. z o.o.	Poland	100%	100%
6	MLP Lublin Sp. z o.o.	Poland	100%	100%
7	MLP Poznań II Sp. z o.o.	Poland	100%	100%
8	MLP Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%
9	MLP Energy Sp. z o.o.	Poland	100%	100%
10	MLP Property Sp. z.o.o.	Poland	100%	100%
11	MLP Bieruń Sp. z o.o.	Poland	100%	100%
12	MLP Bieruń I Sp. z o.o.	Poland	100%	100%
13	MLP Sp. z o.o.	Poland	100%	100%
14	MLP Teresin Sp. z o.o.	Poland	100%	100%
15	MLP Poznań West Sp. z o.o.	Poland	100%	100%
16	MLP FIN Sp. z o.o.	Poland	100%	100%
17	LOKAFOP 201 Sp. z o.o.	Poland	100%	100%
18	LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%
19	MLP Wrocław Sp. z o.o.	Poland	100%	100%
20	MLP Gliwice Sp. z o.o.	Poland	100%	100%
21	MLP Łódź Sp. z o.o.	Poland	100%	100%
22	MLP Czeladź Sp z o.o.	Poland	100%	100%
23	MLP Temp Sp. z o.o.	Poland	100%	100%
24	MLP Dortmund LP Sp. z o.o. ¹⁾	Poland	100%	100%
25	MLP Dortmund GP Sp. z o.o. ²⁾	Poland	100%	100%
26	MLP Logistic Park Germany I Sp. z o.o. &Co KG. ³⁾	Germany	100%	100%
27	MLP Poznań West II Sp. z o.o. ⁴⁾	Poland	100%	100%
28	MLP Bucharest West Sp. z o.o. ⁵⁾	Poland	100%	100%
29	MLP Bucharest West SRL ⁶⁾	Romania	100%	100%
30	MLP Teresin II Sp. z o.o. ⁷⁾	Poland	100%	100%

Changes in the shareholding structure

On 2 March 2017, MLP Pruszków III Sp. z o.o. and MLP Moszna I Sp. z o.o. merged, the entire assets of MLP Moszna I Sp. z o.o. were transferred to MLP Pruszkow III Sp. z o.o

¹⁾ On 3 March 2017 a new company of the MLP Group S.A. Capital Group, MLP Dortmund LP Sp. z o.o. was established. The company was registered in the National Court Register on 9 March 2017. Shares in newly created company were acquired entirely by MLP Group S.A. (100 shares with a total nominal value of PLN 5,000).

²⁾ On 3 March 2017 a new company of the MLP Group S.A. Capital Group, MLP Dortmund GP Sp. z o.o. was established. The company was registered in the National Court Register on 8 March 2017. Shares in newly created company were acquired entirely by MLP Group S.A. (100 shares with a total nominal value of PLN 5,000).

³⁾ On 20 March 2017, a new Company was set up in the Group under the name MLP Logistic Park Germany I Sp. z o.o. &Co KG, for which MLP Dortmund LP Sp. z o.o. is Limited Partner and MLP Dortmund GP Sp. z o.o. is General Partner.

⁴⁾ On 12 April 2017 a new company of the MLP Group S.A. Capital Group, MLP Poznań West II Sp. z o.o. was established. The company was registered in the National Court Register on 18 April 2017. Shares in newly created company were acquired entirely by MLP Group S.A. (100 shares with a total nominal value of PLN 5,000).

⁵⁾ On 28 April 2017 a new company of the MLP Group S.A. Capital Group, MLP Bucharest West Sp. z o.o. was established. The company was registered in the National Court Register on 5 May 2017. Shares in newly created company were acquired entirely by MLP Group S.A. (100 shares with a total nominal value of PLN 5,000).

⁶⁾ On 14 July 2017 a new company of the MLP Group S.A. Capital Group, MLP Bucharest West SRL was established. Shares in newly created company were acquired by MLP Bucharest West Sp. z o.o. 4,564 shares (99,98%) and MLP Property Sp. z o.o. 1 share (0,02%).

⁷⁾ On 24 October 2017 a new company of the MLP Group S.A. Capital Group, MLP Teresin II Sp. z o.o. was established. Shares in newly created company were acquired entirely by MLP Group S.A. (100 shares with a total nominal value of PLN 5,000).

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

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

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

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

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

At present, the Company, through the entities in which it holds shares, operates seven logistics parks in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, and one logistics park under construction – MLP Czeladź. In Germany, the Company, through the entities in which it holds shares, currently operates one logistics park – MLP Unna. In Romania, the Company purchased land for development of a new logistics park – MLP Bucharest West. The total area of the Group's land bank is approx. 97.1 hectares. MLP Group S.A., through related entities in which it holds shares, also has reservation agreements to purchase new plots for its planned logistics parks. This means that the current and potential real estate portfolio managed by the MLP Group consists of a total of sixteen operating logistics parks located in three European markets.

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

The following table shows the structure of the real estate portfolio at fair value by categories in different parks of MLP as at 31 December 2017:

Logistics park	Fair value EUR thousand	Fair value PLN thousand
MLP Pruszków I	80 655	336 405
MLP Pruszków II	84 251	351 402
MLP Poznań	28 313	118 091
MLP Lublin	17 697	73 812
MLP Teresin	13 830	57 684
MLP Gliwice	18 260	76 161
MLP Wrocław	14 093	58 780
MLP Czeladź	7 180	29 947
MLP Unna	6 000	25 025
MLP Bucharest	7 050	29 407
Total	277 329	1 156 714

1. 3 Information on the core activities

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

The Company conducts its activities in Poland.

Revenue	<i>for the year ended 31 December</i>	2017	2016
Domestic sales			
Sales to non-related clients		339	113
Sales to related clients		7 935	7 974
Total domestic sales		8 274	8 087
Foreign sales			
Sales to related clients		120	138
Total foreign sales		120	138
Total revenue from sales		8 394	8 225

1. 4 Information about the market, customers and suppliers

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

1. 4.1 The structure of the Company's sales

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

Revenue structure:	<i>for the year ended 31 December</i>	2017	2016	change (%)
Property management		3 181	3 393	-6%
Project Management		601	-	-
Advisory services		3 872	4 017	-4%
Re-invoiced services		740	785	-6%
Other revenues		-	30	-100%
Total revenues		8 394	8 225	2,1%
<i>- including from related parties</i>		<i>8 055</i>	<i>8 112</i>	<i>-1%</i>

In 2017, the total sales of services to related parties amounted to PLN 8,005 thousand. MLP Pruszków I Sp. z o.o. was the main beneficiary of these services and its share in the Company's sales revenue in the period was 66% (in 2016, this share equalled 74%). The following table illustrates the structure of sales in 2017 and 2016:

Structure of sales to related parties	2017	2016
<i>for the year ended 31 December</i>		
Parent entity		
The Israel Land Development Company Ltd	189	138
Subsidiaries		
MLP Pruszków I Sp. z o.o.	5 300	5 970
MLP Pruszków II Sp. z o.o.	206	303
MLP Pruszków III Sp. z o.o.	399	222
MLP Pruszków IV Sp. zo.o.	385	295
MLP Moszna I Sp. z o.o.	159	121
MLP Poznań Sp. z o.o.	282	124
MLP Poznań II Sp. z o.o.	279	200
MLP Lublin Sp. z o.o.	203	204
MLP Teresin Sp. z o.o.	106	113
MLP Energy Sp. z o.o.	151	96
MLP Wrocław Sp. z o.o.	90	113
MLP Czeladź Sp z o.o.	157	57
MLP Gliwice Sp. z o.o.	-	32
MLP Property Sp. z.o.o.	1	-
MLP Poznań West Sp. z o.o.	-	1
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	2	90
MLP Bieruń Sp. z o.o.	6	2
MLP Bieruń I Sp. z o.o.	-	14
LOKAFOP 201 Sp. z o.o.	9	-
MLP Łódź Sp. z o.o.	-	16
MLP Spółka z ograniczoną odpowiedzialnością SKA	11	1
MLP FIN Spółka z ograniczoną odpowiedzialnością sp.k.	120	-
Total	8 055	8 112

1. 4.2 The largest counterparties

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

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

In 2017, turnover with none of the suppliers exceeded 10% revenue of the Company.

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

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

2.1 Activities of MLP Group S.A. Capital Group and the Company in 2016

In 2017, the Company continued its activities of construction and property management. These activities are conducted through subsidiaries in which the Company holds its shares.

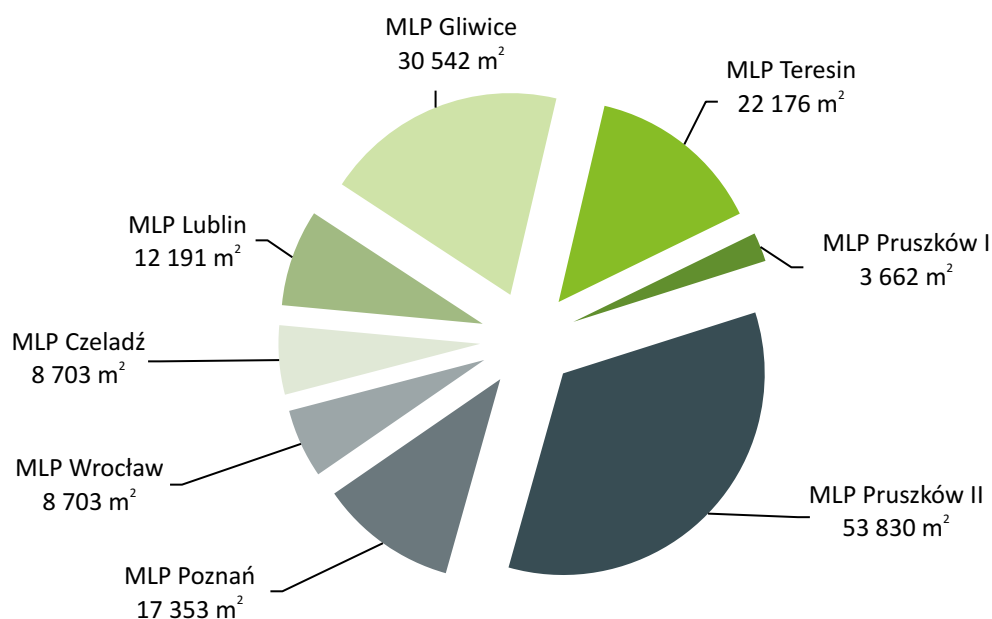
In the analyzed period, the Company, through its subsidiaries, simultaneously operated several development projects and rented more than 432 thousand sq.m. of warehouse and office space. The Company's Management Board reviewed and evaluated:

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

2.1.1 Started and completed investment projects

In 2017 the Company carried out, through its subsidiaries, investment projects with a total area of 128,803 m² and has 28,357 m² in preparation, which makes up a total of 157,160 m².

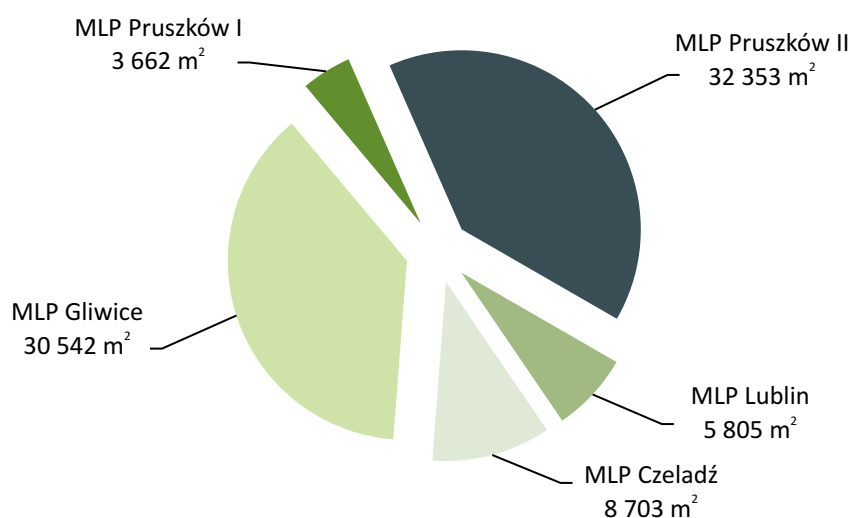
**Area of investment projects conducted and in preparation in 2017
(m²)**



From the total surface area of 157,160 m² of projects which were performed and in preparation in 2017, 76,095 m² of the surface area of investment projects had been started before 2017. On the other hand, in 2017, projects of the total surface area of 81,065 m² started to be performed. As at 31 December 2017, the Company, through entities in which it holds shares, has in preparation investment projects of the surface area of 28,357 m²: in the MLP Gliwice logistics park - 5,820 m², and in MLP Pruszków II logistics park - 22,537 m². The deadlines for the completion of these projects fall in 2018-2019.

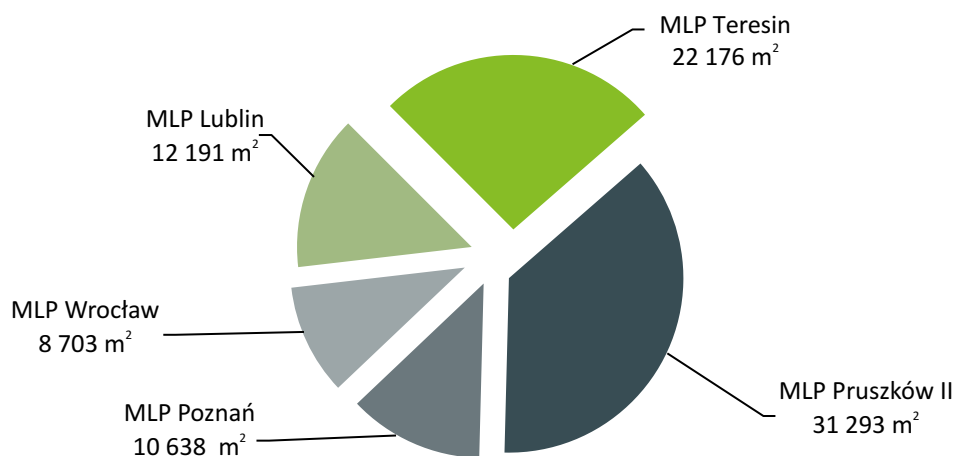
The chart presents the surface area of initiated investment projects in various logistics parks of the Group:

Area of investment projects initiated and in preparation in 2017 (m²)



Out of all projects under construction in 2017, projects of the total surface of 38,486 m² were finalized.

Area of investment projects completed in 2017 (m²)



2. 1.2 Development projects currently conducted and in preparation

In 2017, projects in progress and in preparation accounted jointly for 157,160 m². From these, in 2017, projects of the total surface area of 85,000 m² were completed.

From the beginning of 2017 until the date of publication of this Report, the performance of projects of the surface area of 28,384 m² was completed. These projects were started to be performed in 2017. In addition, as at the date of publication of this report, there remains a surface area of 68,497 m² under lease agreements to be built.

On 4 April 2017, MLP Logistic Park Germany I sp. z o.o. & Co KG purchased a land property of the surface area of 12.5 hectares. This is where the MLP Unna logistics park is located, with the buildings currently leased by that company. The current lease agreement expires on 30 June 2018. After that date, the existing structures will be demolished and new warehouse buildings will be built. At present, an active commercialization campaign is under way.

In accordance with the adopted Strategy, the Company, acting through its related entities, will focus on expanding the existing logistics parks in Poland and abroad (i.e. developing warehouse buildings on the land it owns) and constructing BTS projects outside the existing parks.

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

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

2. 1.3 Significant agreements for the Company's activities

Significant suppliers with whom the Company entered into agreements in 2017 with a total value exceeding 10% of the Company's equity.

In the financial year ended 31 December 2017, the Company did not enter into a trade agreement with a single supplier the total value of which exceeded 10% of the Company's equity.

2. 1.4 Agreements between the shareholders

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

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

2. 1.5 Cooperation and collaboration agreements

In 2017, MLP Group S.A. did not sign any significant agreement related to the cooperation or collaboration with other entities.

2. 1.6 Transactions with related parties

A description of related party transactions is presented in Note 24 to the Separate Financial Statements for the year ended 31 December 2017.

2. 1.7 Litigation

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

As at 31 December 2017, there was no individual proceeding in court, arbitration proceedings or public administration related to liabilities or receivables of the Company or its subsidiaries, the value of which would exceed 10% of the Company's equity.

As at 31 December 2016 there were no combined proceedings in court, arbitration or public administration related to liabilities or receivables, that together would exceed 10% of the Company's equity.

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

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

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

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

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

- Credit risk
- Liquidity risk
- Market risk

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

Credit risk

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

Liquidity risk

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

Market risk

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

Foreign exchange risk

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

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

Interest rate risk

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

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

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

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

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

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

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

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

Insurance risk

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

Risks associated with the development activities of the Company.

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

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

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

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

- increase in the cost of materials, labor costs or other expenses that may cause the completion of a project to be unprofitable;
- actions taken by public authorities and local governments resulting in unexpected changes in the land use planning and development plan;
- disadvantages or limitations on legal title to land or buildings acquired by the Group companies or defects, restrictions or conditions related to management decisions on land owned by the Group companies;

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

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

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

Risk associated with general contractors

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

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

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

Risks associated with administrative decisions:

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

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

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

2. 2.2 Business prospects

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

The strategic objective of the subsidiaries is to constantly increase the warehouse space held in the Polish market and to continue operations abroad. In 2018, the MLP Group Management Board plans to acquire two new plots of land in Poland to establish new logistics parks and develop the existing ones. Outside Poland, the MLP Group's priority is the German market, where the Group intends to develop its Unna park and plans to acquire two new projects: in Mönchengladbach in the Ruhr Area and in the south of Germany. Apart from the German market, the Group also plans to expand its operations in Romania through launching the construction of new warehouse facilities in the park in Bucharest/Chitila.

The strategic objective of subsidiaries is to construct buildings in the current land bank and in the BTS system outside the current parks for resale. At the same time, the Management Board of the MLP Group aims to increase investments in buildings built on a speculative basis, which is connected with a growing demand for warehouse space in Poland. The GDP growth, as well as the increased significance of Poland as a center for services provided to e-commerce companies for the needs of Western Europe are important factors stimulating the demand. Furthermore, low interest rates and the lowest rents in Europe strengthen Poland as one of the most attractive countries in Europe. Because the overall condition of the economy and the trends in the warehousing market are strongly correlated, we can expect that this will be reflected in the demand for warehouses.

Warehouse space market in 2017

- **Poland**

Last year was another period after which we can say that Poland's warehouse space market is very robust. In 2017, the total space leased under new agreements and expansions exceeded 3.1 million m², nearly 1 million m² more than the year before.

Thanks to excellent locations, developed infrastructure and attractive rents, Central Poland was the hottest point on the map of Poland in 2017. 30% of net demand focuses in this region.

Developers make efforts to satisfy each requirement. So, the growing demand induces developers to make further investments. In 2017, nearly 2.3 million m² of space was handed over for use, while further 1.17 million m² is being built, of which nearly one third is built speculatively, or without binding agreements. Over the past 5 years, warehouse space resources have doubled, reaching the surface area of 13.5 million m² at the end of 2017.

The vacancy rate was 6% at the end of last year. The most vacant space is in Kraków – 16.6%. The lowest rate of instantly available space is in the Central Poland – 1.4%.

In 2018, we expect a similar growth rate in the Polish market.

- **Germany**

Germany remains the largest warehouse space market in Europe. Germany remains the largest warehouse space market in Europe and the volume of transactions conducted there in 2017 reached the highest historical levels of 6.5 million m². That was 15% more than the average of 2017-2016. From the above, over 2 million m² was leased in the five biggest warehouse space regions in Germany, namely: Berlin, Düsseldorf, Frankfurt, Hamburg and Munich. The volume of leased properties has also increased due to strong demand from manufacturers, especially those from the automotive sector.

Rents in 2017 remained at a stable level and in these markets were in the range of EUR 5-6.75 per m² on a monthly basis.

Taking into account the good development prospects of the German economy and the continued high level of demand for commercial space, a lease level similar to the one recorded last year is expected to be achieved in 2018.

- **Romania**

In Romania, the total warehouse and logistics space contracted for lease was 515 thousand m² in 2017. Out of this figure, newly supplied space was 450 thousand m², and this was Romania's historic high. As a result, the total industrial and logistics resources exceeded 3 million m².

The most attractive region in the previous year continued to be the area of Bucharest, with a 65% share of delivered ready-made space. Next positions were occupied by Timisoara with a 20% share and Cluj (10%).

On the Romanian market, favorable economic environment persists with a steady increase in income and consumption. In 2018, warehouse space resources are expected to increase by approx. 15%. This will mean that over 500 thousand m² of new warehouse space will be completed and put into operation. Bucharest will continue to be in the focus of interest of developers, who should put into operation over 300 thousand m² of space in that region.

The last year's record-high market activity, on the part of both tenants and developers, allows for looking to 2018 with optimism.

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

3.1 Key economic and financial data disclosed in the separate financial statements of MLP Group S.A. for the year 2017

3.1.1 Selected financial data from the separate statement of financial position

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

	31 December <i>as at</i>	2017	Share %	31 December 2016	Share %	Change %
ASSETS		303 419	100%	215 160	100%	41%
Non-current assets		280 771	93%	208 730	97%	35%
Including:						
Long-term financial assets in related parties		123 249	41%	123 224	57%	0%
Long-term investments		150 063	49%	79 408	37%	89%
Deferred tax assets		5 973	2%	5 873	3%	2%
Current Assets		22 648	7%	6 430	3%	252%
Including:						
Short-term investments		2 767	1%	1 068	0%	159%
Trade and other receivables		4 381	1%	2 515	1%	74%
Cash and cash equivalents		15 500	5%	2 105	1%	636%

	31 December <i>as at</i>	2017	Share %	31 December 2016	Share %	Change %
LIABILITIES AND EQUITY		303 419	100%	215 160	100%	41%
Equity*		151 622	50%	147 679	69%	3%
Long-term liabilities		148 620	49%	64 096	30%	132%
Loans and other debt instruments		148 620	49%	64 096	30%	132%
Short-term liabilities		3 177	1%	3 385	1%	-6%
Including:						
Loans and other debt instruments		355	0%	-	0%	0%

As at 31 December 2017, long-term financial assets represented a significant part of the Company's assets, i.e. 49% of total assets. The most significant part of the Company's total liabilities and equity contained equity (i.e. 50% of total liabilities and equity) and loans and other debt instruments (i.e. 49% of total liabilities and equity).

The structure of liabilities changed slightly. Equity remains the largest item. The share of long-term liabilities by virtue of loans and other debt instruments, however, increased by 19 percentage points against 2016. The change was mainly the result of bonds issued by the Company in May 2017 (20,000 bonds worth EUR 1,000 each, i.e. PLN 84,310 thousand in total) as well as the extension of the repayment date of incurred loans.

Long-term financial assets in related parties

	<i>as at 31 December</i>	2017	2016
Gross value at the beginning of the period		123 224	122 209
Acquisition of shares in MLP Łódź Sp. z o.o.		-	5
Acquisition of shares in MLP Czeladź Sp. z o.o.		-	5
Acquisition of shares in MLP Temp Sp. z o.o.		-	1 005
Acquisition of shares in MLP Dortmund LP Sp. z o.o.		5	-
Acquisition of shares in MLP Dortmund GP Sp. z o.o.		5	-
Acquisition of shares in MLP Poznań West II Sp. z o.o.		5	-
Acquisition of shares in MLP Bucharest West Sp. z o.o.		5	-
Acquisition of shares in MLP Teresin II Sp. z o.o.		5	-
Gross value at the end of the period		123 249	123 224
Net value at the end of the period		123 249	123 224

Shares in subsidiaries held by MLP Group S.A. as at 31 December 2017 are disclosed in section 1.1 (MLP Group S.A. shareholding structure).

Long-term and short-term investments

	<i>as at 31 December</i>	2017	2016
Long-term investments		150 063	79 408
Loans granted to related parties		150 063	79 408
Short-term investments		2 767	1 068
Loans granted to related parties		2 767	1 068
Total long-term and short-term investments		152 830	80 476

As at 31 December 2017, the Company recognized long-term and short-term investments from loans granted to related parties in the amount of PLN 152,830 thousand, whereof PLN 43,299 thousand (including long-term portion) represents the loans granted to Fenix Polska Sp. z o.o.

Cash

	<i>as at 31 December</i>	2017	2016
Cash on hand		12	11
Cash in bank		15 029	24
Short-term deposits		459	2 070
Cash and cash equivalents, the amount presented in the separate statement of financial position		15 500	2 105
Cash and cash equivalents, the amount presented in the separate statement of cash flows		15 500	2 105

As at 31 December 2017, the balance of cash was PLN 15,500 thousand, and recorded an important increase from the level of PLN 2,105 thousand achieved the year before. The change mainly resulted from the issue of 20,000 bonds worth 1,000 EUR each (PLN 84,310 thousand). The received cash was partly used to purchase new projects in Germany and Romania as well as to develop the projects carried out in Poland.

Equity

- **Share capital**

	<i>as at 31 December</i>	2017	2016
A series shares		11 440 000	11 440 000
B series shares		3 654 379	3 654 379
C series shares		3 018 876	3 018 876
Total		18 113 255	18 113 255
Par value of 1 share		0,25 zł	0,25 zł

As at 31 December 2017, the share capital of the Company amounted to PLN 4,528,313.75 and was divided into 18,113,255 shares entitling shareholders to 18,113,225 votes at the General Meeting. All shares have a par value of PLN 0.25 and have been fully paid.

Loans and other debt instruments

	<i>as at 31 December</i>	2017	2016
Loans from related parties:		65 202	64 096
• MLP Pruszków I Sp. z o.o.		41 514	42 965
• MLP Temp Sp. z o.o.		13 034	10 810
• LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA		10 654	10 321
Loans and other debt instruments		65 202	64 096

Long-term liabilities related to loans and other debt instruments constitute a significant part of the Company's liabilities. These are long-term loans, obtained from related parties.

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

Separate statement of profit or loss of MLP Group S.A. for the year ended 31 December 2017 compared to the previous year:

<i>for the year ended 31 December</i>	2017	% sales	2016	% sales	Change %
Revenue	8 394	100%	8 225	100%	2%
Other operating income	64	1%	755	9%	-92%
Selling and administrative expenses	(9 128)	109%	(9 261)	113%	-1%
Other operating costs	(65)	1%	(111)	1%	-41%
Operating profit/(loss)	(735)	-9%	(392)	-5%	88%
Net financial income	4 578	-55%	943	-11%	385%
Profit before taxation	3 843	46%	551	7%	597%
Corporate income tax	100	-1%	(132)	2%	-176%
Net profit	3 943	47%	419	5%	841%

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

In 2017, selling and administrative expenses amounted to PLN 9,128 thousand and decreased by PLN 133 thousand as compared to 2016. Costs of payroll and legal and advisory services are the main class of expenses of the Company's current operations.

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

In 2017, the Company achieved net financial revenues of 4,578 thousand, which increased as compared to 2016. What contributed most to that change was revenues on account of dividend due from a subsidiary – MLP Pruszków I Sp. z o.o.

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

	<i>year ended 31 December</i>	2017	2016
Net cash flows from operating activities		203	19
Net cash flows from investing activities		(72 469)	23 495
Net cash flows from financing activities		85 735	(31 661)
Total net cash flow		13 469	(8 147)
Cash and cash equivalents at the beginning of the period		2 105	10 252
Foreign exchange losses/gains on cash and cash equivalents		(74)	-
Cash and cash equivalents at the end of the period		15 500	2 105

At the beginning of 2017 cash and cash equivalents amounted to PLN 2,105 thousand, at the end of 2017 balance amounted to PLN 15,500 thousand. It means that between 1 January 2017 and 31 December 2017 balance of cash and cash equivalents increased by PLN 13,395 thousand.

In 2017, the Company recorded positive cash flows from operating activities in the amount of PLN 203 thousand.

In 2017, the Company generated negative cash flows on investing activity in the amount of PLN 72,469 thousand. The greatest impact on the achieved result was exerted by loans granted by MLP Group S.A. to Group companies for the amount of PLN 95,636 thousand. These were used to purchase new projects in Germany and Romania as well as to develop the projects carried out in Poland. The Group companies, on the other hand, repaid PLN 23,792 thousand of the loans given by MLP Group S.A.

In 2017, the Company posted positive cash flows on financing activity in the amount of PLN 85,735 thousand, which mainly resulted from the issue of 20,000 bonds worth 1.000 EUR each (PLN 84,310 thousand).

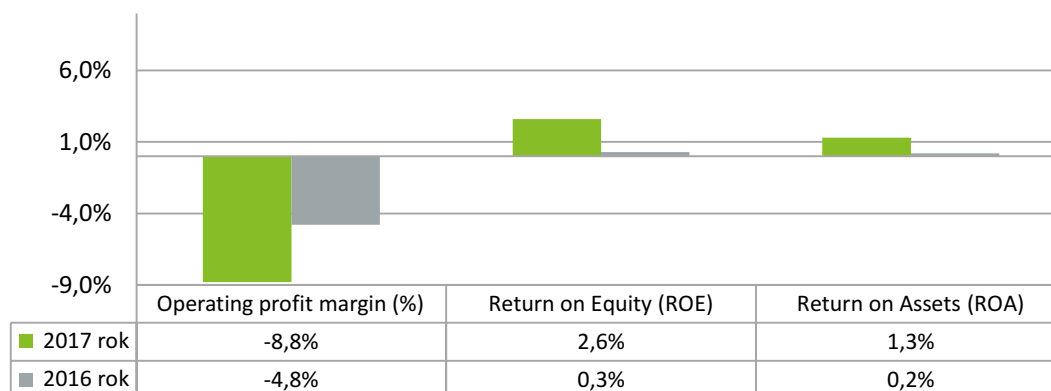
3. 2 Forecasts

MLP Group S.A. did not publish forecasts of separate financial results for 2017.

3.3 Company's financial management

3.3.1 Profitability ratios

Profitability ratios



Profitability analysis was based on the below defined ratios:

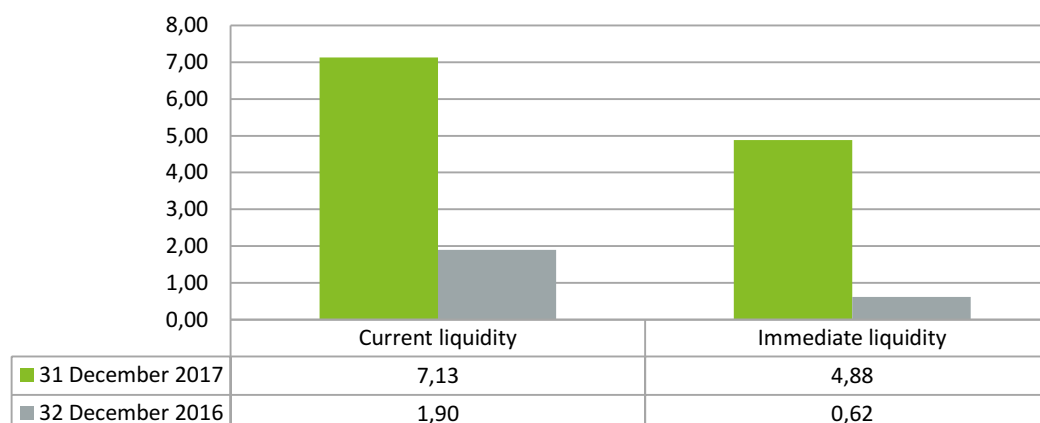
- **operating profit margin:** profit (loss) from operating activities less one-off items / revenue from sale;
- **return on equity (ROE):** net profit (loss) / equity;
- **return on assets (ROA):** net profit (loss) / total assets.

In 2017, the operating profit margin decreased in comparison to 2016 and equalled -8.8%. Its major cause was the loss from operating activity incurred by the Company, which resulted mainly from the lower other operating income, when compared to the previous year.

The values of the other ratios increased as compared to 2016. This was affected by the net profit higher than in 2016.

3.3.2 Liquidity ratios

Liquidity ratios



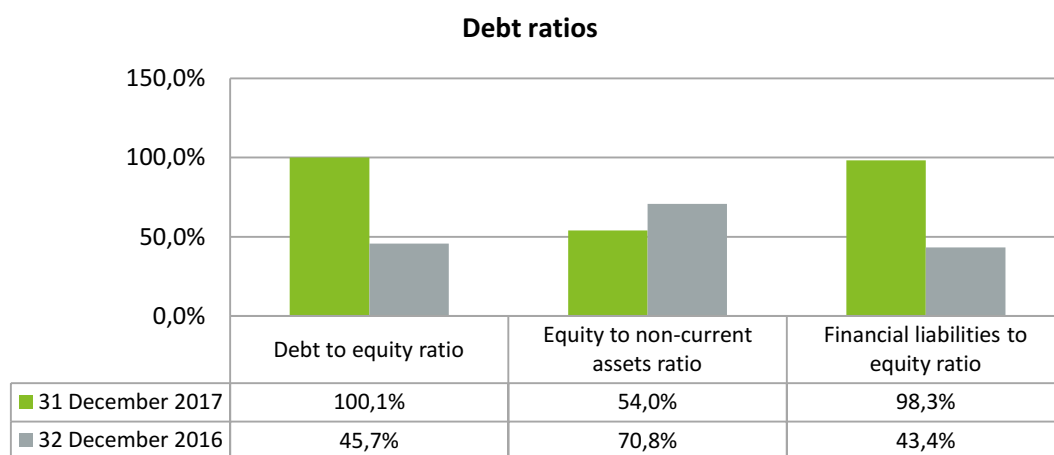
Liquidity analysis was performed based on the following ratios:

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

The current ratio as at 31 December 2017 increased significantly in comparison to the figure as at the end of 2016 (an increase by 5.23). This was caused by considerably higher current assets, whose amount was influenced mainly by the cash held. The balance of cash increased from PLN 2,105 thousand obtained in 2016 to PLN 15,500 thousand as at 31 December 2017. The change mainly resulted from the issue of 20,000 bonds worth 1,000 EUR each (PLN 84,310 thousand). The received cash was partly used to purchase new projects in Germany and Romania as well as to develop the projects carried out in Poland.

Immediate liquidity ratio also increased.

3. 3.3 Debt ratios



Debt analysis was performed based on the following ratios presented:

- **debt to equity ratio:** total liabilities / total equity
- **equity to non-current assets ratio:** total equity / non-current assets
- **financial liabilities to equity ratio:** financial liabilities¹⁾ / total equity

¹⁾ Financial liabilities include long term liabilities and short term liabilities from loans and other debt instruments.

In 2017, there was a significant increase in the debt-to-equity ratio and interest-bearing debt-to-equity ratio. This resulted mostly from the bonds issued by the Company.

On the other hand, the equity to fixed assets ratio decreased in 2017 as compared to 2016 (a change by 16.8 p.p.). That change followed from new loans granted by the Company to Group companies in connection with development of further investment projects.

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

3. 4.1 Concluded and terminated loan agreements

As at 31 December 2017, the Company recognized liabilities due to loans received in 2017:

Borrower	Lender	Date of loan agreement	Amount of loan	The outstanding amount of loan
MLP Group S.A.	MLP Temp Sp. z o.o.	2017-03-24	645 000 EUR	645 000 EUR

In 2017, the Company did not repay any loans or interest on loans.

In 2017, no loan agreements were terminated.

3. 4.2 Concluded and terminated bank credit agreements

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

3. 4.3 Bonds

On 11 May 2017, as a part of the private offer, the Company issued 20,000 A series bearer bonds, with a nominal value of EUR 1,000 each and a total issue value of EUR 20,000,000.

Bonds are subject to variable interest rate of EURIBOR for six-month EUR bank deposits plus a premium. The bonds have been issued as non-secured bonds. The purpose of the issuance of the Bonds was not specified. The redemption of the Bonds is scheduled for 11 May 2022, with a possibility of an early redemption by the Company. Bonds are in electronic, not physical form.

The bonds were admitted to the securities depository by the National Depository for Securities S.A. on the basis of the Resolution No. 305/17 of the Management Board of the National Depository for Securities S.A. and marked with the code PLMLPGR00033.

According to the resolution No. 720/707 of the Management Board of the Warsaw Stock Exchange dated 4 July 2017, it was decided to introduce 20,000 A series bearer bonds of the MLP Group S.A. in the nominal value of EUR 1,000 each to the alternative trading system - Catalyst. 12 July was the first trading day on the alternative trading system - Catalyst. Bonds will be quoted in the continuous trading system under the abbreviated name of "MLP0522".

3. 4.4 Loans granted

As at 31 December 2017, the Company recognized receivables from loans granted in 2017:

Lender	Borrower	Date of loan agreement granted	Amount of loan	The outstanding amount of loan
MLP Group S.A.	MLP Pruszków III Sp. z o.o.	2017-07-24	875 466 EUR	875 466 EUR
MLP Group S.A.	MLP Lublin Sp. z o.o.	2017-09-25	255 182 EUR	255 182 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2017-12-06	502 823 EUR	502 823 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2017-11-15	3 282 938 EUR	3 282 938 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2017-12-18	1 747 147 EUR	1 747 147 EUR
MLP Group S.A.	MLP Bucharest West Sp. z o.o.	2017-10-17	4 000 000 EUR	4 000 000 EUR
MLP Group S.A.	MLP Bucharest West Sp. z o.o.	2017-10-20	18 626 EUR	18 626 EUR
MLP Group S.A.	MLP Bucharest West Sp. z o.o.	2017-10-24	31 500 EUR	31 500 EUR
MLP Group S.A.	MLP Bucharest West Sp. z o.o.	2017-11-16	16 000 EUR	16 000 EUR
MLP Group S.A.	MLP Logistic Park Germany I Sp. z o.o. &Co KG.	2017-03-27	645 000 EUR	145 000 EUR
MLP Group S.A.	MLP Logistic Park Germany I Sp. z o.o. &Co KG.	2017-05-17	5 593 956 EUR	5 593 956 EUR
MLP Group S.A.	MLP Logistic Park Germany I Sp. z o.o. &Co KG.	2017-06-07	500 000 EUR	500 000 EUR
MLP Group S.A.	MLP Bucharest West Sp. z o.o. SRL	2017-12-22	4 094 EUR	4 094 EUR

3. 4.5 Granted and received securities

As at 31 December 2017, the Company did not grant any securities

3. 4.6 Granted and received guarantees

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

3. 4.7 Other securities

- The subordination agreement of loan granted to the benefit of MLP Pruszków I Sp. z o.o.
- The subordination agreement of loan granted to the benefit of MLP Lublin Sp. z o.o.
- The subordination agreement of loans granted to the benefit of MLP Teresin Sp. z o.o.
- The subordination agreement of loans granted to the benefit of MLP Wrocław Sp. z o.o.
- The subordination agreement of loan granted to the benefit of MLP Poznań II Sp. z o.o.
- The subordination agreement of loan granted to the benefit of MLP Pruszków III Sp. z o.o.

- The support agreement granted by MLP Group S.A. to the benefit of MLP Pruszków IV Sp. z o.o., according to which, if MLP Pruszków IV Sp. z o.o. does not cover from its own resources the exceeded costs related to the real estate construction (A2b building), then the Issuer shall grant an unsecured loan to the above-mentioned company, the repayment of which shall be subordinated to the payment of the liabilities of the company, in the amount not exceeding EUR 68 thousand.
- The support agreement granted by MLP Group S.A. to the benefit of MLP Pruszków IV Sp. z o.o., according to which, if MLP Pruszków IV Sp. z o.o. does not cover from its own resources the exceeded costs related to the real estate construction (A3a building), then the Issuer shall grant an unsecured loan to the above-mentioned company, the repayment of which shall be subordinated to the payment of the liabilities of the company, in the amount not exceeding EUR 193 thousand.
- The support agreement granted by MLP Group S.A. to the benefit of MLP Pruszków IV Sp. z o.o., according to which, if MLP Pruszków IV Sp. z o.o. does not cover from its own resources the exceeded costs related to the real estate construction (A3a building), then the Issuer shall grant an unsecured loan to the above-mentioned company, the repayment of which shall be subordinated to the payment of the liabilities of the company, in the amount not exceeding EUR 282 thousand.
- The support agreement granted by MLP Group S.A. to the benefit of MLP Teresin Sp. z o.o., according to which, if MLP Teresin Sp. z o.o. does not cover from its own resources the exceeded costs related to the real estate construction, then the Issuer shall grant an unsecured loan to the above-mentioned company, the repayment of which shall be subordinated to the payment of the liabilities of the company, in the amount not exceeding EUR 477 thousand.
- The support agreement granted by MLP Group S.A. to the benefit of MLP Wrocław Sp. z o.o., according to which, if MLP Wrocław Sp. z o.o. does not cover from its own resources the exceeded costs related to the real estate construction, then the Issuer shall grant an unsecured loan to the above-mentioned company, the repayment of which shall be subordinated to the payment of the liabilities of the company, in the amount not exceeding EUR 461 thousand.

3. 5 Assessment of the feasibility of the investment plans

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

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

In 2017, there were no factors or unusual events that would have a significant impact on the separate financial statements of the Company.

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

On 11 May 2017, as a part of the private offer, the Company issued 20,000 A series bearer bonds, with a nominal value of EUR 1,000 each and a total issue value of EUR 20,000,000 (Bonds). More information is presented in note 3.4.3.

3. 8 Concise description of significant successes achieved or failures occurred in the year ended 31 December 2017

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

3. 9 Seasonal or cyclical nature of operations

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

4. Statement on Corporate Governance

Statement of MLP Group S.A. with its seat in Pruszków (the "Company", "The Issuer", "Parent Company", "Parent Entity") on selected corporate governance principles set out in the annex to Resolution No. 26/1413/2015 of the Warsaw Exchange Supervisory Board of 13 October 2015, which were not applied within the year ended 31 December 2017, 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 2017, all principles of corporate governance set out in "Best Practice for Companies Listed on the Stock Exchange" were applied with the exception of:

I. Disclosure Policy, Investor Communications

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

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

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

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

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

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

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

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

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

II. Management Board, Supervisory Board

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

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

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

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

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

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

IV. General Meeting, Shareholder Relations

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

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

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

V. Conflict of Interest, Related Party Transactions

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

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

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

VI. Remuneration

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

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

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

Detailed principle No. VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

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

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

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

4.1 Equity and shareholders

4.1.1 Shareholders

As at 31 December 2016, 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 2017:

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

¹⁾ Aegon Powszechnie Towarzystwo Emerytalne S.A. ("Towarzystwo") took over the management of Nordea Otwarty Fundusz Emerytalny ("Nordea OFE") on 1 September 2017, resulting in the total share of funds managed by the Company, namely Aegon Open Pension Fund ("Aegon OFE") and Nordea OFE, in the total number of votes at the General Meeting of the Company exceeded 5% of votes.

Prior to the management acquisition of the Nordea OFE by Towarzystwo described above:

- Aegon OFE held 809,036 shares in the Company, representing 4.47% of its share capital and entitled to 809,036 votes, ie 4.47% of the total number of votes,
- Nordea OFE held 340,739 shares of the Company, representing 1.88% of its share capital and entitled to 340,739 votes, ie 1.88% of the total number of votes.

On 17 November 2017, as a result of the completion of liquidation of the Nordea Open-end Pension Fund ("Nordea OFE"), all the assets of Nordea OFE were transferred to Aegon OFE and Aegon OFE entered into all the rights and obligations of Nordea OFE.

After the changes described above, as at 17 November 2017, the Aegon OFE fund managed by the Pension Fund Company held a total of 1,149,775 shares in the Company, which constituted 6.35% of its share capital and entitled to 1,149,775 votes, or 6.35% of all the votes.

²⁾ As a result of the settlement of the transaction of September 29, 2017, the ownership of the Company's shares was reduced by Thesinger Limited. The transaction involved the transfer of 149,155 shares of the MLP Group S.A. representing 0.8% of the share capital of MLP Group S.A. by Thesinger Ltd. to Mr. Shimshon Marfogel, Chairman of the Company's Supervisory Board, and was included in connection with the execution of the profit distribution program adopted on 31 December 2008 by the Israel Land Development Company Ltd located in Israel and annex to the May 2007 employment contract between Mr. Shimshon Marfogel and the Israel Land Development Company Ltd located in Israel in exchange for shares in Thesinger Ltd. of the same market value.

³⁾ Miro B.V. seated in Delft, Netherlands is the parent company of MIRO Ltd. seated in Limassol, Cyprus, holding 100 % of shares in its share capital.

4. 1.2 Special rights of the Shareholders

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

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

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

4. 1.3 Voting rights restrictions

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

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

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

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

4.2 General Meeting of Shareholders

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

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

According to the Articles of Association, subject of the Company's Ordinary General Meeting of Shareholders should be:

- examination and approval of the Management Board's report on the company's activities and the financial statements for the preceding financial year,
- adopting of resolution on the distribution of profit or covering of loss,
- granting vote of acceptance to members of the company bodies confirming the discharge of their duties,
- resolutions of the General Meeting shall decide on matters required by the Commercial Companies Code, unless the Articles of Association states otherwise and it is permitted by law and,
 - appointing and dismissing members of the Supervisory Board, subject to the provisions of the Articles of Association concerning the rules for appointing the members of the Supervisory Board by the individual shareholders,
 - changes to the Article of Association of the Company,
 - establishing the rules and amounts of remuneration of the members of the Supervisory Board,
 - merger or dissolution of the Company and the appointment of liquidators,
 - examination of claims made against the members of the Company's bodies or the Company's founders for compensation for the damage caused by their unlawful conduct.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.3 Policy for amending the Articles of Association

Amendment of the Articles of Association of MLP Group S.A. in accordance with art. 430 § 1 and art. 415 § 1 of the Commercial Companies Code, requires a resolution adopted by a majority of three quarters of the vote and an entry to the register. In case of a resolution regarding the amendment of Articles of Association concerning increasing the benefits of shareholders or limiting the rights granted to individual shareholders in accordance with art. 354 of the Commercial Companies Code, they require the consent of all the shareholders to which the resolution concerns. The Management Board 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

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

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

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

Current term of the Management Board's office began on 25 June 2015. The Supervisory Board appointed Mr. Michael Shapiro as the President of the Management Board, Mr. Radosław Tomasz Krochta as the Vice-President of the Management Board, and Mr. Tomasz Zabost as Member of the Management Board. In accordance with the provisions of the Commercial Companies Code and the Articles of Association, the three years term of office shall expire no earlier than 28 June 2018. However, the mandates of the members of the Management Board shall expire no later than the date of the Ordinary Meeting of Shareholders when the approval of the financial statements for the year 2017 shall take place.

On 9 June 2016 according to the Resolution of the Supervisory Board, Mr. Radosław T. Krochta was appointed as the President of the Management Board.

On 9 June 2016 according to Resolution of the Supervisory Board, Mr. Michael Shapiro was appointed as the Vice-President of the Management Board.

4. 4.1 Competences of the Management Board

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

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

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

- issuance of bill of exchange,
- granting of security for any debt of an other entity, including a subsidiary,
- establishing a mortgage or other encumbrance on any assets of the Company,
- signing a contract, which imposes an obligation to provide or a risk to provide by the Company within one year items, services or cash of the amount of 500,000 EUR, unless the agreement was included by the Management Board in the annual financial plan (budget) of the Company and approved by the Supervisory Board,
- convening the General Meeting of Shareholders or requesting a meeting of the Supervisory Board,
- filing a petition for cancellation or invalidation of resolutions of the General Meeting of Shareholders,
- filing for bankruptcy of the Company.
- taking any actions in aim to change of right to authorization or bank approval scheme;
- employing, laying off and defining amount of remuneration of the Company's department directors (departments of: marketing, investments, finance and administration);
- nomination or appointing a member of any body in any entity being under the Company's control

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

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

4. 4.2 Principles of operation of the Management Board

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

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

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

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

4. 4.3 Composition of the Management Board

As at 31 December 2017, 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	Vice-President of the Management Board	9 June 2016	25 June 2018
Radosław Tomasz	Krochta	President of the Management Board	9 czerwca 2016	25 June 2018
Tomasz	Zabost	Member of the Management Board	25 June 2015	25 June 2018

Radosław T. Krochta - President of the Management Board

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

Michael Shapiro - Vice- President of the Management Board

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

Tomasz Zabost - Member of the Management Board

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

4. 5 The Supervisory Board

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

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

The term of the current office of the Supervisory Board started on 25 June 2015 and expires on 25 June 2018. However, the mandates of the members of the Supervisory Board shall expire no later than the date of the Ordinary Meeting of the Shareholders when the approval of the financial statements for the year shall take place.

As at 31 December 2017, the Supervisory Board consisted of six members.

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

4. 5.1 Competences of the Supervisory Board

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

- giving consent to the issuance of shares within target capital, including the rules for the determination of the shares issue price and deprivation of pre-emptive rights if the resolution of the Management Board provides such possibility; ¹⁾
approving annual budgets and development plans of the Company and the Group
- granting the Company the right to obtain contractual obligations or making expenditures in single or related transactions which are beyond the normal business activities with a value exceeding PLN 5,000,000
- approval of acquisition, disposal and liquidation of the Company's shares in other companies, with the exception of the transactions within MLP Group S.A. Capital Group and transactions included in the annual budget for Company's financial plan
- approving purchases or sales of investment property (including the right of perpetual usufruct) with a value exceeding PLN 1,000,000, with the exception of transactions included in the annual budget or the Company's financial plan
- appointing and dismissing members of the Management Board
- appointing the auditor to audit or review the financial statements of the Company, ¹⁾
- concluding agreements between the Company and members of the Management Board
- adopting resolutions concerning consent for agreements between the Company and a shareholder of the Company holding, directly or indirectly, shares exceeding 5% of the total number of votes at the General Meeting
- expressing consent for the members of the Management Board to engage in the Company's competitive interests personally, as a partnership, as members of companies bodies, as well as shareholders of companies if their participation in the share capital of these companies is greater than 5%, or if the Article of Association or under an agreement are entitled to appoint at least one member of the Management Board or Supervisory Board
- adopting resolutions on determining the remuneration rules and amounts of the members of the Management Board, ¹⁾

- approval of the Rules of the Board,¹⁾
- examination, reviewing and evaluating issues which are subject to resolutions of the General Meeting of Shareholders
- expressing the consent for the mortgage pledging of real estate property, perpetual usufruct or shares in the Company's real estate for an entity other than a bank.

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

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

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

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

4. 5.2 Principles of operation of the Supervisory Board

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

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

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

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

4. 5.3 Composition of the Supervisory Board

As at 31 December 2017 the composition of the supervisory bodies of the parent company was as follows:

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

Shimshon Marfogel - President of the Supervisory Board

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

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

Eytan Levy - Vice-President of the Supervisory Board

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

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

Yosef Zvi Meir - Member of the Supervisory Board

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

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

¹⁾ As of 31 December 2017, Mr. Yosef Zvi Meir resigned from the position of a Supervisory Board Member. To fill in his position, one of the Company's shareholders, in exercise of the powers conferred by the Company's Articles of Association, appointed Mr. Daniel Nimrodi, with effect as of 1 January 2018.

Maciej Matusiak - Member of the Supervisory Board

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

Jacek Tucharz - Member of the Supervisory Board

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

Guy Shapira - Member of the Supervisory Board

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

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

4. 5.4 Audit Committee

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

Composition of the Audit Committee as at 31 December 2017 is as follows:

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

As at 31 December 2017 the person who fulfils requirements of art. 86 paragraph. 4 of the Act of Certified Auditors (i.e. accounting or auditing qualifications) and the criteria for independence, was Maciej Matusiak.

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

As at 31 December 2017, there is no remuneration committee in the Supervisory Board of the Issuer.

- 4. 6 Remuneration and employment contracts of the members of the Management Board, the Supervisory Board**
- 4. 6.1 Remuneration, bonuses and benefits received by the members of Management Board and the Supervisory Board**

Management Board remuneration in 2017

• Remuneration and other benefits:	
Radosław T. Krochta	313
Michael Shapiro	382
Tomasz Zabost	102
• Cash settled share based payments	1 011
	1 808

Total received and due remuneration of the Management Board amounted to PLN 1,808 thousand.

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

Supervisory Board remuneration in 2017

Maciej Matusiak	30
Jacek Tucharz	30
Eytan Levy	30
Shimshon Marfogel	30
Yosef Zvi Meir	30
Guy Shapira	30
	180

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

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

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

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

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

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

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

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

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

4. 8 Management stock options program

In MLP Group S.A. there is no management stock option program. However, in 2014, a cash settled share based payments program was introduced. Details of the program are disclosed in note 20 of the Consolidated Financial Statements for the year ended 31 December 2017.

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

In 2017, there were no major changes in the core principles of management. The development of the organization enforces improving management procedures applicable in MLP Group S.A.

4. 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 2014 item 133 with amendments).

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

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

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

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

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

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

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

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

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

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

- construction projects,
- 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 on the realization of budgets and forecasts are prepared. In respect of ended reporting periods, the Group's financial results are compared to the budget assumptions.

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

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

4. 11 Entity authorized to audit the financial statements

Pursuant to the resolutions adopted on 5 and 6 December 2016, the Company's Supervisory Board, acting on the basis of Article 21.2 g) of the Company's Articles of Association, resolved to select KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw as an entity authorized to audit separate and consolidated financial statements for the years 2016 and 2017, as well as to review interim separate and consolidated financial statements in the 2017 financial year.

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

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

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

	31 December <i>as at</i>	31 December 2017	31 December 2016
Audit of the annual financial statements		109	95
Review of the consolidated and separate financial statements		46	60
Audit and review of group reports		122	130
Translation of financial statements		14	14
Total remuneration		291	299

Radosław T. Krochta
*President of the Management
Board*

Michael Shapiro
*Vice-President of the
Management Board*

Tomasz Zabost
*Member of the Management
Board*

Pruszków, 14 March 2018