



MLP
GROUP



MLP Group S.A. Capital Group

Consolidated

Annual Report

FOR THE YEAR ENDED 31 DECEMBER 2016

This document is a translation.
Polish version prevails.

www.mlp.pl

Published pursuant to § 82 sec. 1 point 1 of the Decree of the Ministry of Finance dated February 19, 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (2014 Official Journal item 133)

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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. Capital Group for 2016. 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.

Macroeconomic situation

2016 was characterized by various trends in the global economy, fluctuations in exchange rates and uncertainty in global markets. Despite these conditions, the Polish economy has developed and maintained overall stabilization. In 2016 Gross Domestic Product in our country grew by 2.8% while the unemployment rate was 8.6%. It is estimated that in 2017 the Polish economy may increase the pace and grow by more than 3.5%.

The warehouse property market

Warehouse market in our country maintains a high growth rate. At the end of 2016 the total supply of modern warehouse space in Poland amounted to over 11.2 million sqm. In 2016 approx. 1.26 million sqm of new warehouse space was delivered to the market, which was even better result than in 2015 (approx. 941 thousand sqm). The last two years have been a record in terms of developers' activity. It is expected that this trend will continue in 2017.

In 2016 there was a slight increase in the vacancy rate up to 5.4% compared to 4.6% at the end of prior year. The main reason was completion of speculative projects by developers.

Rents on prime markets remained at a stable level in 2016. Monthly rents in main Polish regions ranged from 1.90 - 4.80 EUR / sqm.

2016 events concerning MLP Group

2016 was a year of continued expansion of our Group. We carried out realisation of investment projects with a total area of 105.9 thousand sqm, out of which 29.6 thousand sqm has been completed. At the end of 2016 the Group had a total of 306.4 thousand sqm of commercial space, out of which 290.9 thousand sqm were leased. That means the vacancy rate amounted to 5%. At the same time over 94.6 thousand sqm of area was in preparation and under construction, out of which over 85% was already covered by lease agreements.

In the past year MLP Group increased the net asset value (NAV) by 4.4% up to PLN 675.7 million. Eliminating the dividend paid in 2016, net assets as at 31 December 2016 were 10.8% higher comparing to 31 December 2015.

In 2016 the Group generated PLN 66.4 million of net profit comparing to PLN 74.6 million in 2015. Consolidated revenues in the past year of PLN 101.0 million were 1% lower than in the previous year. The slight decrease in turnover related to a one-off event concerning the sale of two logistics parks by MLP Group in 2015: MLP Tychy and MLP Bieruń. Excluding their results, revenues generated in 2016 would have been 10% higher than in the prior year. This increase resulted from the fact, that in 2016 the Group completed the realisation of projects and delivered the abovementioned 29.6 thousand sqm of new area.

The Group is currently operating five operational logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin and MLP Teresin, one logistics park under development MLP Wrocław and two parks in preparatory phase: MLP Czeladź, MLP Gliwice. Based on the development agreement, the Group is also responsible for commercialization of MLP Bieruń logistics park, which was sold in 2015. Moreover, the Group holds reservation agreements for the purchase of new land for planned logistics parks. This results in the fact that the current and potential portfolio of managed real estate by the MLP Group comprises a total of eleven operational logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Bieruń, MLP Lublin, MLP Poznań Zachód, MLP Teresin, MLP Gliwice, MLP Wrocław, MLP Łódź and MLP Czeladź.

MLP Group plans for 2017

The Group's strategic objective is to constantly increase its warehouse area on the Polish market and to start operating abroad. In 2017, the Management Board of MLP Group plans new investments in the Polish market by expanding its land bank for more logistics parks and starting operations on the German (around Dortmund) and Romanian (around Bucharest) warehouse markets and analyzes offers for land in these countries.

The Management Board is considering the possibility of launching a corporate bond issue program, funds from which would be allocated to purchase real estate in Germany and Romania.

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

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

Radosław T. Krochta
General Director
President of the Management
Board

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

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

	31 December 2016	31 December 2015
Average exchange rate during the period *	4,3757	4,1848
Exchange rate at the last day of the period	4,4240	4,2615

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

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

	<i>as at</i> 31 December 2016		31 December 2015	
	PLN thousand	EUR thousand	PLN thousand <i>(restated data)</i>	EUR thousand <i>(restated data)</i>
Non-current assets	1 042 700	235 692	934 348	219 253
Current assets	135 281	30 579	191 821	45 013
Total assets	1 177 981	266 271	1 126 169	264 266
Long-term liabilities	435 140	98 359	403 689	94 729
Short-term liabilities	67 115	15 171	75 112	17 626
Equity, including:	675 726	152 741	647 368	151 911
Share capital	4 529	1 024	4 529	1 063
Total equity and liabilities	1 177 981	266 271	1 126 169	264 266
Number of shares (in units)	18 113 255	18 113 255	18 113 255	18 113 255
The book value and diluted book value per share attributable to the owners of the Parent Company (in PLN)	37,31	8,43	35,74	8,39

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

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

	<i>for the year ended</i> 31 December 2016		31 December 2015	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Revenues	101 033	23 090	102 091	24 396
Other operating income	1 276	292	3 652	873
Gain on revaluation of investment property	58 304	13 324	19 700	4 708
Selling and administrative expenses	(54 675)	(12 495)	(42 907)	(10 253)
Operating profit	102 352	23 391	81 535	19 484
Profit before taxation	87 099	19 905	49 962	11 939
Net profit	66 415	15 178	74 628	17 833
Total comprehensive income	70 018	16 002	89 486	21 384
Net profit attributable to the owners of the Parent Company	66 415	15 178	74 628	17 833
Net profit and diluted net profit per share attributable to the owners of the Parent Company (in PLN)	3,67	0,84	4,12	0,98

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

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

	<i>for the year ended</i>		31 December 2016		31 December 2015	
			PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net cash flow from operating activities			21 171	4 838	63 304	15 127
Cash flow from investing activities			(55 583)	(12 703)	223 641	53 441
Cash flow from financing activities			(26 872)	(6 141)	(199 556)	(47 686)
Total net cash flows			(61 284)	(14 006)	87 389	20 882

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

	<i>as at</i>	31 December 2016		31 December 2015	
		PLN thousand	EUR thousand	PLN thousand	EUR thousand
Cash at the beginning of the period		122 978	28 858	35 530	8 336
Cash at the end of the period		61 694	13 945	122 978	28 858

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

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

Euro exchange rate on the last day of the reporting period ended 31 December 2014 was 4,2623 EUR/PLN.



MLP Group S.A. Capital Group

Consolidated financial statements

for the year ended 31 December 2016
prepared in accordance with IFRS EU

III. Consolidated financial statements

Approval of the consolidated financial statements

On 14 March 2017 the Management Board of the Parent Company MLP Group S.A. approved the consolidated financial statements ("Consolidated Financial Statements") of MLP Group S.A. Capital Group ("Group") for the period from 1 January 2016 to 31 December 2016 for publication.

Consolidated financial statements for the period from 1 January 2016 to 31 December 2016 have been prepared in accordance with International Financial Reporting Standards as approved by the European Union ("IFRS EU"). Information is presented in this report in the following sequence:

1. Consolidated statement of profit or loss and other comprehensive income for the period from 1 January 2016 to 31 December 2016, with net profit of PLN 66.415 thousand.
2. Consolidated statement of financial position as at 31 December 2016, with total assets and total liabilities and equity in the amount of PLN 1.177.981 thousand.
3. #ARG!
4. Statement of changes in consolidated equity for the period from 1 January 2016 to 31 December 2016, with an equity increase of PLN 28.358 thousand.
5. Explanatory information and explanations to the consolidated financial statements.

The consolidated 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*

Consolidated statement of profit or loss and other comprehensive income

	<i>for the year ended 31 December</i>	Note	2016	2015
Revenues		6	101 033	102 091
Other operating income		7	1 276	3 652
Gain on revaluation of investment property			58 304	19 700
Selling and administrative expenses		9	(54 675)	(42 907)
Other operating costs		8	(3 586)	(1 001)
Operating profit			102 352	81 535
Financial income		10	4 826	7 132
Financial costs		10	(20 079)	(38 705)
Net financial loss			(15 253)	(31 573)
Profit before taxation			87 099	49 962
Corporate income tax		11	(20 684)	24 666
Net profit			66 415	74 628
Other comprehensive income				
The effective portion of changes in the fair value relating to cash flow hedges			4 448	4 485
Change in the fair value of cash flow hedges reclassified to statement of profit or loss			-	16 028
Valuation of financial instruments			-	(2 170)
Tax on other comprehensive income			(845)	(3 485)
Other net comprehensive income			3 603	14 858
Total comprehensive income			70 018	89 486
Net Profit attributable to:				
Owners of the Parent Company			66 415	74 628
Net profit			66 415	74 628
Comprehensive income attributable to:				
Owners of the Parent Company			70 018	89 486
Total comprehensive income			70 018	89 486
Profit per share		19		
- Basic and diluted (in PLN) profit for the year attributable to the ordinary shareholders of the Parent Company			3,67	4,12

Consolidated statement of financial position

	<i>as at</i> Note	31 December 2016	31 December 2015 <i>(restated data)</i>	1 January 2015 <i>(restated data)</i>
Non-current assets				
Tangible fixed assets		960	919	491
Intangible assets		20	5	10
Investment property	12	968 524	845 153	1 046 337
Other long-term investments	14, 33	65 964	76 265	14 388
Other long-term assets		51	48	2
Deferred tax assets	13	7 181	11 958	2 718
Total non-current assets		1 042 700	934 348	1 063 946
Current assets				
Inventories		267	40	125
Short-term investments	14	22 884	31 096	97 829
Corporate income tax receivables	15	971	784	305
Trade and other receivables	15	42 481	19 333	30 875
Other short-term investments	14, 33	6 984	17 590	5 826
Cash and cash equivalents	16, 33	61 694	122 978	35 530
Total current assets		135 281	191 821	170 490
TOTAL ASSETS		1 177 981	1 126 169	1 234 436
Equity				
	18			
Share capital		4 529	4 529	4 529
Other capital reserve		81 384	81 384	81 384
Share premium		71 121	71 121	71 121
Reserve capital		153 963	153 963	153 963
Capital reserve from valuation of hedging instruments		(4 386)	(7 989)	(22 847)
Retained earnings		369 115	344 360	269 732
Total equity		675 726	647 368	557 882
Long-term liabilities				
Credits, loans and other debt instruments	20.1	327 068	303 650	409 343
Deferred tax liability	13	93 778	79 896	95 345
Other long-term liabilities	20.1	14 294	20 143	47 871
Total-long term liabilities		435 140	403 689	552 559
Short-term liabilities				
Credits, loans and other debt instruments	20.2	13 810	19 696	95 790
Other short-term liabilities	20.2	6 196	164	-
Payroll liabilities	21	2 205	1 917	1 432
Corporate income tax liabilities	22	939	1 594	728
Trade and other liabilities	22	43 965	51 741	26 045
Total short-term liabilities		67 115	75 112	123 995
Total liabilities		502 255	478 801	676 554
TOTAL EQUITY AND LIABILITIES		1 177 981	1 126 169	1 234 436

Consolidated statement of cash flows

	<i>for the year ended 31 December</i>	Note	2016	2015 <i>(restated data)</i>
Cash flows from operating activities				
Profit before taxation			87 099	49 962
<i>Adjustments for:</i>				
Depreciation and amortization			230	192
Change in fair value of investment property			(58 304)	(19 700)
Net interest			11 256	12 430
IRS settlement - MLP Spółka z ograniczoną odpowiedzialnością SKA			-	19 413
IRS settlement - MLP Bieruń Sp. z o.o.			-	1 004
Foreign exchange losses/(gains)			10 284	(761)
Profit on sale of investment property			-	(2 513)
Others			(53)	792
Changes in trade and other receivables		17.2	(23 375)	(9 228)
Changes in short-term liabilities and others		17.3	(2 254)	17 136
Partial derecognition of the bank loan			-	(2 302)
Cash generated from operating activities			24 883	66 425
Income tax paid			(3 712)	(3 121)
Net cash from operating activities			21 171	63 304
Cash flows from investing activities				
Interest received			366	1
Loans granted		17	-	(30)
Repayments of loans granted			7	474
Purchase of investment property, tangible fixed assets and intangible assets			(65 046)	(106 159)
Disposal of intangible assets and tangible fixed assets			1	1 561
Disposal of investment property		17.4	-	325 001
Other investment inflows			9 089	2 793
Cash from investing activities			(55 583)	223 641
Cash flows from financing activities				
Proceeds from credits and loans		17.1	48 205	77 431
Repayment of credits and loans		17.1	(20 845)	(236 685)
Dividends and other payments to shareholders			(41 660)	-
Interest paid			(12 572)	(19 885)
IRS settlement - MLP Spółka z ograniczoną odpowiedzialnością SKA			-	(19 413)
IRS settlement - MLP Bieruń Sp. z o.o.			-	(1 004)
Cash from financing activities			(26 872)	(199 556)
Total cash flow			(61 284)	87 389
Cash and cash equivalents at the beginning of the period		16, 33	122 978	35 530
Foreign exchange losses/gains on cash and cash equivalents			-	59
Cash and cash equivalents at the end of the period		16, 33	61 694	122 978

Statement of changes in consolidated equity

Equity attributable to shareholders of the Parent Company							
	Share capital	Other capital reserve	Share premium	Reserve capital	Capital reserve from valuation of hedging instruments	Retained earnings	Total equity
Equity as at 1 January 2015	4 529	81 384	71 121	153 963	(22 847)	269 732	557 882
Comprehensive income:							
Profit for the year	-	-	-	-	-	74 628	74 628
Total other comprehensive income	-	-	-	-	14 858	-	14 858
Total comprehensive income for the year ended 31 December 2015	-	-	-	-	14 858	74 628	89 486
Equity as at 31 December 2015	4 529	81 384	71 121	153 963	(7 989)	344 360	647 368
Equity as at 1 January 2016	4 529	81 384	71 121	153 963	(7 989)	344 360	647 368
Comprehensive income:							
Profit for the year	-	-	-	-	-	66 415	66 415
Total other comprehensive income	-	-	-	-	3 603	-	3 603
Total comprehensive income for the year ended 31 December 2016	-	-	-	-	3 603	66 415	70 018
Dividend payment	-	-	-	-	-	(41 660)	(41 660)
Equity as at 31 December 2016	4 529	81 384	71 121	153 963	(4 386)	369 115	675 726

Explanatory information and explanations to the consolidated financial statements

1. General information

1. 1 Information on the Parent Company

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

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

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

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

The Management Board of the Parent Company:

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

On 9 July 2016 according to the resolution of the Supervisory Board Mr. Radosław Krochta was appointed as the President of the Management Board and Mr. Michael Shapiro was appointed as the Vice-President of the Management Board.

The Supervisory Board of the Parent Company:

- Shimshon Marfogel - President of the Supervisory Board
- Eytan Levy - Vice-President of the Supervisory Board
- Yosef Zvi Meir - 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. 2 Information about the Capital Group

As at the end of the reporting period MLP Group S.A. Capital Group ("Capital Group", "Group") consists of MLP Group S.A. as the Parent Company and 24 subsidiaries.

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

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

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

As at 31 December 2016, MLP Group S.A. Capital Group consisted of the following entities:

Entity	Country of registry	Direct and indirect share of the Parent Company in the equity		Direct and indirect share of the Parent Company in the voting rights	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
MLP Pruszków I Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków III Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków IV Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Moszna I Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Poznań Sp. z o.o.	Poland	100%	100%	100%	100%
MLP 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%
MLP Gliwice Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Łódź Sp. z o.o. ¹⁾	Poland	100%	-	100%	-
MLP Czeladź Sp. z o.o. ²⁾	Poland	100%	-	100%	-
MLP Temp Sp. z o.o. ³⁾	Poland	100%	-	100%	-

1. 3 Changes in the Group

¹⁾ On 4 March 2016 MLP Group S.A. acquired 50 shares of total value of PLN 5,000 in MLP Łódź Sp. z o.o. and acquired directly 100% of the share capital and voting rights in the above mentioned company. The shares were paid fully in cash. On 16 May 2016 MLP Łódź Sp. z o.o. has been registered in the National Court Register.

²⁾ On 4 March 2016 MLP Group S.A. acquired 50 shares of total value of PLN 5,000 in MLP Czeladź Sp. z o.o. and acquired directly 100% of the share capital and voting rights in the above mentioned company. The shares were paid fully in cash. On 31 May 2016 MLP Czeladź Sp. z o.o. has been registered in the National Court Register.

³⁾ On 20 May 2016 MLP Group S.A. acquired 100 shares of total value of PLN 5,000 in MLP Temp Sp. z o.o. and acquired directly 100% of the share capital and voting rights in the above mentioned company.

On 31 May 2016 share capital of MLP Temp Sp. o.o. has been increased by PLN 1,001,000, by creating 20,020 new shares with a nominal value of PLN 50, which were acquired as follows: MLP Group S.A. acquired 20,000 new shares with a total value of PLN 1,000,000 and covered them entirely with cash contribution and MLP Spółka z ograniczoną odpowiedzialnością SKA acquired the remaining 20 new shares, which were covered by contribution in kind in the form of the enterprise MLP Spółka z ograniczoną odpowiedzialnością SKA.

In the year ended 31 December 2016, there were no other changes in the structure of MLP Group S.A. Capital Group.

The consolidated financial statements for the period ended 31 December 2016 includes financial statements of the Parent Company and subsidiaries controlled by the Parent Company ("the Group").

1. 4 The shareholding structure of the Parent Company

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

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

Shareholder	Number of shares and votes at the General Meeting of Shareholders	% share in the capital and votes at the General Meeting of Shareholders
MIRO B.V.	452 955	2,50%
MIRO LTD.	99 170	0,55%
GRACECUP TRADING LIMITED	641 558	3,54%
MetLife OFE	948 387	5,24%
THESINGER LIMITED	1 920 475	10,60%
Other shareholders	3 730 868	20,59%
CAJAMARCA Holland BV	10 319 842	56,98%
Total	18 113 255	100,00%

The number of shares held by MIRO B.V. has decreased as a result of the settlement of the transaction dated 19 April 2016 which took place in Warsaw. The transaction was a contribution in kind of 552,000 shares, representing 3.05% of the share capital of the Company made by MIRO B.V. seated in Delft, Netherlands to MIRO Ltd. seated in Limassol, Cyprus in exchange for the shares in the Cypriot company.

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.

As a result of the settlement of the package transaction which took place on 26 April 2016, which was concluded through Pekao Investment Banking S.A. seated in Warsaw, Gracecup Trading Ltd. seated in Nicosia, Cyprus and MIRO Ltd. seated in Limassol, Cyprus, disposed of a total of 905,660 shares representing 5% of the share capital of the Company.

As a result of purchase of the Company's shares on 4 August 2016, MetLife Otwarty Fundusz Emerytalny increased its share in total voting rights on the General Meeting of Shareholders and in the Company's share capital above 5%. Directly before the change of shares MetLife OFE had 870,706 shares representing 4.81% the share capital entitling it to 870,706 voting rights at the General Meeting of Shareholders.

As a result of the above described transaction MetLife OFE owns 948,387 shares representing 5.24% of the share capital entitling it to 948,387 voting rights at the General Meeting of Shareholders, which constitutes 5.24% of the total number of votes.

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

Michael Shapiro holds indirectly, through controlled by himself in 100% MIRO B.V. 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, what results in effective economic share of 17.30% in MLP Group S.A.

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

2. Basis for the preparation of the consolidated financial statements

2. 1 Statement of compliance

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

2. 2 Status of Standards Approval in the European Union

2. 2. 1 Standards and interpretations approved by the EU, which did not come into force as at the end of the reporting period

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

Standards and interpretations approved by EU, which did not come into force for annual periods	Possible impact on the consolidated financial statements	Effective date for periods beginning as the date or after that date
IFRS 15 Revenue from Contracts with Customers	It is expected that the standard change will not have significant impact on the consolidated financial statement of the Group.	1 January 2018
IFRS 9 Financial Instruments (2014)	It is expected that the new Standard, when initially applied, will have an impact on the consolidated financial statements. However, the Group is not able to prepare an analysis of the impact that it will have on the consolidated financial statements until the date of initial application. The Group has not yet decided on the date that it will initially apply the new Standard.	1 January 2018

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
IFRS 14 Regulatory Deferral Accounts	No impact	1 January 2016 ¹⁾
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates)	No impact	1 January 2016
IFRS 16 Leases	It is expected that the change of the standard will not have a material impact on the consolidated financial statements.	1 January 2019
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)	No significant impact	1 January 2017
Disclosures initiative (Amendments to IAS 7 Statement of Cash Flows)	No significant impact	1 January 2017
Amendments to IFRS 15 Revenue from Contracts with Customers	It is expected that the change of the standard will not have a material impact on the consolidated financial statements.	1 January 2018
Amendments to IFRS 2 (Share-based payment)	The Group has not prepared an analysis of the impact of the new standard on its financial situation and results.	1 January 2018
Amendments to IFRS 4 (Insurance Contracts)	No impact	1 January 2018
Improvements to IFRS (2012-2014), including: <ul style="list-style-type: none"> - IFRS 1 First-time Adoption of International Financial Reporting Standards - IFRS 7 Financial Instruments: Disclosures - IAS 19 Employee Benefits - IFRS 12 Disclosure of Interests in Other Entities - IAS 28 Investments in Associates and Joint Ventures 	No significant impact	1 January 2018 ²⁾
IFRIC interpretation of Standard 22 Foreign currency transactions and advance payments	No significant impact	1 January 2018
Amendments to IAS 40 Investment Property	No impact	1 January 2018

¹⁾ The European Commission has decided not to approve the discussed transitional standard while awaiting the relevant standard.

²⁾ except for amendments to IFRS 12, which are applicable to annual periods starting on 1 January 2017 or after this date

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

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

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

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

For fair value measurement methods see note 3.

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

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

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

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

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

Consolidated statement of financial position:

	31 December 2016	31 December 2015
EUR	4,4240	4,2615
USD	4,1793	3,9011

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

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

Estimates and assumptions are based on experience and other reasonable factors which provide the basis for the estimate of book value of assets and liabilities and which do not result directly from other sources. Actual results may differ from estimated.

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements, is included in note 12 "Investment property".

3. Significant accounting policies

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

3. 1 Basis of consolidation

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

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

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

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

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

3. 2 Foreign currency

Foreign currency transactions

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

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

3. 3 Financial instruments

3. 3. 1 Non-derivative financial instruments

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

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

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

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

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

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

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

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

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in the equity is reclassified to profit or loss.

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

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

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

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

3. 3. 4 Loans and receivables

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

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

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

The fair value of financial instruments not quoted in an active market (e.g. derivative instruments unquoted in the market) is determined by means of individual analysis based on discounted cash flows. The result of valuation is recognized in profit or loss.

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

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

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

3. 4 Equity

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

3. 4. 1 Share capital

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

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

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

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

3. 4. 2 Other capital reserves

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

3. 4. 3 Share premium

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

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

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

3. 4. 5 Reserve capital

Reserve capital encompasses retained earnings from prior years.

3. 4. 6 Retained earnings

The current-period result as well as accumulated profit from prior years are recognized as retained earnings.

3. 5 Tangible fixed assets

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

3. 5. 1 Valuation of tangible fixed assets

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

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

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

3. 5. 2 Subsequent expenditures

Subsequent expenditure relating to cost of exchange of essential components of tangible fixed assets is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

3. 5. 3 Depreciation

Items of property, plant and equipment, or their major components are depreciated on a straight-line basis over the estimated useful life, allowing for the net selling price of an asset (residual value). The basis for calculating depreciation is the purchase price or construction cost less residual value (land is not depreciated), on the basis of the useful life of an asset adopted by the Group and periodically verified. Items of property, plant and equipment are depreciated from the date when they are available for use and are ready for use, until the earlier of the following dates: the day a fixed asset is classified as held for sale, is removed from the consolidated statement of financial position, the residual value of an asset exceeds its the carrying amount or the asset has already been fully depreciated.

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

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

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

3. 6 Intangible assets

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

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

Intangible assets are amortized on a straight-line basis over their estimated useful lives, from the date that they are available for use. Intangible assets are amortized to the earlier of the dates: when the asset is classified as available for sale, is removed from the consolidated financial statements, when its residual value is higher than the book value or when it is completely amortized.

3. 7 Investment property

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

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

For tax purposes, investment properties are depreciated.

Perpetual usufruct

The Group recognizes the perpetual usufruct right as a financial lease.

3. 8 Investment property under construction

Investment property under construction is presented as investment property.

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

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

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

3. 9 Leased assets - The Group as a lessee

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

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

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

3. 10 Impairment of assets

3. 10. 1 Financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, 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 established in relation to the current fair value.

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

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

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

3. 10.2 Non-financial assets

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

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

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

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

3. 11 Employee benefits

Defined benefit plans

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

3. 12 Cash settled share based payment

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

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

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

3. 13 Provisions

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

3. 14 Bank credits and loans

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

3. 15 Revenues

3. 15. 1 Services

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

3. 15. 2 Rental income

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

3. 16 Lease payments

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

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

3. 17 Financial income and financial costs

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

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

3. 18 Income Tax

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

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

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

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

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

Income tax on the payment of dividends are recognized at the time of the obligation to pay the dividend.

3. 19 Earnings per share

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

3. 20 Segment reporting

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

4. Financial risk management

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

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

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

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

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

4. 1 Credit risk

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

4. 1. 1 Trade and other receivables

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

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

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

4. 1. 2 Loans granted

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

4. 2 Liquidity risk

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

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

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

4. 3 Market risk

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

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

4. 3.1 Currency risk

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

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

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

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

4. 3.2 Interest rate risk

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

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

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

In the initial period the rate is the lowest (close to current market level). General objective is to protect the interest rate cash flows, thus reference rate EURIBOR 1M and EURIBOR 3M is hedged. For hedging purposes spread on loans shall be excluded. In companies MLP Poznań II Sp. z o.o., MLP Pruszków IV Sp. z o.o., MLP Lublin Sp. z o.o., MLP Pruszków III and MLP Moszna I Sp. z o.o. future interest outflows accrue at floating rates and are effectively converted into fixed interest from the payment schedule of the swap agreement. Companies receive from the bank an amount equivalent to the product of the reference rate and the amount of debt equal to the amount which would be paid if floating rate was valid.

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

4. 4 Capital management

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

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

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

Neither the Parent Company nor any of its subsidiaries are subject to external capital requirements.

5. Segment reporting

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

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

As at 31 December 2016, and in the reporting period ended on that day, the Group has one geographic segment - Poland.

6. Revenues

<i>for the year ended 31 December</i>	2016	2015
Revenues obtained by MLP parks	83 693	75 865
Revenues obtained by MLP Tychy and MLP Bieruń parks	-	26 226
Revenues obtained under a development contract concluded by MLP Bieruń Sp. z o.o. ¹⁾	17 340	-
Total revenues	101 033	102 091

<i>for the year ended 31 December</i>	2016	2015
Revenue from rental of properties	67 262	59 366
Revenue from rental of properties obtained by MLP Tychy and MLP Bieruń parks	-	25 860
Revenues obtained under a development contract concluded by MLP Bieruń Sp. z o.o.	17 340	-
Other revenues	16 431	16 499
Other revenues obtained by parks MLP Tychy and MLP Bieruń	-	366
Revenues	101 033	102 091

<i>for the year ended 31 December</i>	2016	2015
Reinvoicing of utilities	14 713	14 880
Revenue from rental of apartments	32	35
Services provided for tenants	1 686	1 584
Other revenues	16 431	16 499

¹⁾ Right with the sale contract of the MLP Bieruń logistics park property, MLP Bieruń Sp. o.o. signed a development agreement under which it committed to complete the construction of the park and its commercialization. According to the above-mentioned agreement, MLP Bieruń Sp. z o.o. let to rent 11,340 sqm area to Auto Partner and started realisation of the mentioned investment. Due to provided services, the Group recognized revenues of PLN 17,340 thousand in 2016.

7. Other operating income

<i>for the year ended 31 December</i>	2016	2015
Release of bad debt provision	10	-
Profit on sale of investment property	-	2 513
Write-off of liabilities	-	62
Obtained compensation for penalties	192	-
Other	224	564
Cessation of consolidation of MLP Fin Spółka z ograniczoną odpowiedzialnością Sp.k.	-	160
Reversal of provisions	850	353
Other operating income	1 276	3 652

8. Other operating costs

<i>for the year ended 31 December</i>	2016	2015
Loss due to disposal of non-tangible fixed assets	(167)	-
Write-offs of receivables	(601)	(10)
Court fees	(260)	-
Donation costs	(13)	-
Costs of acquiring investment areas	(74)	-
Costs of insurance policies	(321)	-
Other	(915)	(991)
Costs of repair of technical defects	(1 235)	-
	(3 586)	(1 001)

9. Selling and administrative expenses

<i>for the year ended 31 December</i>	2016	2015
Depreciation and amortization	(230)	(192)
Materials and energy	(12 092)	(12 889)
External services	(26 679)	(13 068)
Taxes and charges	(10 261)	(12 302)
Payroll	(2 480)	(3 515)
Social security and other employee benefits	(333)	(318)
Other expenditures by kind	(2 600)	(623)
Total selling and administrative expenses	(54 675)	(42 907)

Selling and administrative expenses for the year ended 31 December 2016 of PLN 54.675 were related mostly to costs of the maintenance of revenue-generating investment properties. Costs that are not directly related to those properties are depreciation costs of tangible fixed assets used for operating activity and not generating lease revenue and property tax on undeveloped land.

The external services expenses include also costs of PLN 12,822 thousand, related to realization of the investment, according to the development agreement signed in September 2015 between MLP Bieruń Sp. z o.o. and WestInvest Gesellschaft für Investmentfonds mbH.

10. Financial income and costs

<i>for the year ended 31 December</i>	2016	2015
Interest on loans granted	1 909	3 222
Interest income on bank deposits	596	825
Foreign exchange differences net	-	761
Interest on receivables	15	22
Credit redemption	-	2 302
IRS transaction settlement	2 306	-
Total financial income	4 826	7 132
<i>for the year ended 31 December</i>	2016	2015
Interest expenses on credits and loans	(6 419)	(11 304)
Other interest	(15)	(56)
IRS settlement - MLP Spółka z ograniczoną odpowiedzialnością SKA	-	(19 413)
IRS settlement - MLP Bieruń Sp. z o.o.	-	(1 004)
Interest paid on SWAP	(7 616)	(10 868)
Interest results on cash flow hedges	1 554	5 360
Ineffective part of valuation of cash flow hedges	(684)	1 160
Foreign exchange differences net	(6 199)	-
Other financial expenses	(37)	(27)
Debt management costs	(663)	(2 553)
Total financial costs	(20 079)	(38 705)

On 4 January 2016 MLP Moszna I Sp. z o.o. and MLP Pruszków III Sp. z o.o. entered into a new floating-to-fixed interest rate agreement with BGŻ BNP Paribas S.A. Bank. On 14 April 2016 MLP Lublin Sp. z o.o. entered into a new floating-to-fixed interest rate agreement with PKO BP S.A. Bank. On 26 September 2016 MLP Pruszków IV Sp. z o.o. entered into a new floating-to-fixed interest rate agreement with mBank S.A. On 26 October 2016 MLP Poznań II Sp. z o.o. entered into a new floating-to-fixed interest rate agreement with ING Bank Śląski S.A. According to the new agreements, future interest payments calculated on the basis of a floating interest rate will be effectively replaced with a fixed interest rate according to the schedule attached in the above mentioned agreements.

In 2016, the Group recognized the cost of swap transaction as financial expenses i.e. ineffective part of swap valuation and interest resulting from this valuation. Foreign exchange differences are mainly a result of valuation of credits and loans denominated in EUR and USD at the end of the reporting period.

11. Income tax

	<i>for the year ended 31 December</i>	2016	2015
Current income tax		2 870	3 508
Origination/ reversal of temporary differences		17 814	(28 174)
Income tax		20 684	(24 666)

Effective tax rate

	<i>for the year ended 31 December</i>	2016	2015
Profit before taxation		87 099	49 962
<i>Current income tax on the basis of the enacted tax rate (19%)</i>		<i>(16 549)</i>	<i>(9 493)</i>
Difference on value of shares sold to Sanborn Holding Ltd.		-	3 176
Difference resulting from the lack of taxation in MLP Spółka z ograniczoną odpowiedzialnością SKA and Lokafoop 201 Spółka z ograniczoną odpowiedzialnością SKA		-	31 958
Unrecognized deferred tax assets on tax losses		(3 702)	-
Non-tax deductible costs		(433)	(975)
Income tax		(20 684)	24 666

The law regulations concerning the tax on goods and services tax, income tax, physical, or social security contributions are constantly changed, and as a result 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 excise tax or foreign exchange tax) may be subject to control from bodies that are entitled to impose significant penalties, and if such penalty is established as a result of the additional amount must be paid with interest. These factors cause the tax risk in Poland being higher than in countries with more developed tax systems.

Tax settlements may be subject to control within the period of five years from the end. As a result of this, the amounts presented in the financial statement may be subject to change afterwards, after the final determination of their rates by the fiscal bodies.

12. Investment property

<i>as at</i>	31 December 2016	31 December 2015
Gross value at the beginning of the period	845 153	1 046 337
Additions	65 067	111 109
Sale of investment property	-	(331 993)
Change in the fair value	58 304	19 700
Gross value at the end of the period	968 524	845 153
Investment property includes warehouses and undeveloped land. The Group's revenues relate mainly to rental of warehouses.		
Investment property divided into parks:		
<i>as at</i>	31 December 2016	31 December 2015
MLP Pruszków I Park		
Fair value of property - MLP Pruszków I	354 848	343 519
Perpetual usufruct - MLP Pruszków I	2 641	2 641
	357 489	346 160
MLP Pruszków II Park		
Fair value of property - MLP Pruszków II	325 191	291 141
Perpetual usufruct - MLP Pruszków II	2 618	2 619
	327 809	293 760
MLP Poznań Park		
Fair value of property - MLP Poznań	110 436	98 539
	110 436	98 539
MLP Lublin Park		
Fair value of property - MLP Lublin	58 485	47 281
	58 485	47 281
MLP Teresin Park		
Fair value of property - MLP Teresin	37 073	16 407
	37 073	16 407
MLP Gliwice Park		
Fair value of property - MLP Gliwice	17 873	17 890
	17 873	17 890
MLP Wrocław Park		
Fair value of property - MLP Wrocław	35 304	25 041
	35 304	25 041
MLP Czeladź Park¹⁾		
Fair value of property - MLP Łódź	23 890	-
	23 890	-
New investment property additions	98	-
MLP Energy - apartments	67	75
Gross value at the end of the period	968 524	845 153

¹⁾ In the fourth quarter of 2016, the Group acquired properties with a total surface of 16.5 ha, located in Czeladź.

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

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

12. 1 The Fair value of the Group's investment property

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

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

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

Because of different localizations and characteristics of investment properties, assumptions used by experts concerning yield rates are in the range 6.75%-8.50%.

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

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

In the year ended 31 December 2016, there were no reclassifications between the levels.

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

	Fair value as at 31 December 2016	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Pruszków I Logistics Park					
(i) warehouse and office buildings	EUR 80.210 thousand	Income approach	Monthly rent per 1 sqm	2,74-7,9 EUR/sq.m, (5,32 EUR/sq.m.)	The higher rent, the higher fair value
			Capitalization rate	7,50%-8,50%, (8,00%)	The lower capitalization rate, the higher fair value
EUR 80.210 thousand					
MLP Pruszków II Logistics Park					
(i) warehouse and office buildings	EUR 39.060 thousand	Income approach	Monthly rent per 1 sqm	2,28-3,69 EUR/sq.m, (3,04 EUR/sq.m.)	The higher rent, the higher fair value
			Capitalization rate	6,75%-8,50%, (7,22%)	The lower capitalization rate, the higher fair value
(ii) chimney	EUR 5.124 thousand	Income approach	Monthly rent	37,0 thousand EUR- 37,1 thousand EUR (37,0 thousand EUR)	The higher rent, the higher fair value
			Capitalization rate	8,50%	The lower capitalization rate, the higher fair value
(iii) parking	EUR 1.132 thousand	Income approach	Monthly rent	7,9 thousand EUR- 10,4 thousand EUR (9,2 thousand EUR)	The higher rent, the higher fair value
			Capitalization rate	8,50%	The lower capitalization rate, the higher fair value
(iv) surplus land	EUR 16.520 thousand (PLN 73.087 thousand)	Comparable approach	Price for 1 sqm	42,27 EUR/sq.m. (187,00 PLN/sq.m)	The higher price for 1 sqm, the higher fair value
(v) warehouse and office buildings under construction	EUR 11.670 thousand	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher estimate construction costs, the lower fair value
EUR 73.506 thousand					

	Fair value as at 31 December 2016	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Poznań Logistics Park					
(i) warehouse and office buildings	EUR 18.833 thousand	Income approach	Monthly rent per 1 sqm	2,81-4,7 EUR/sq.m, (4,00 EUR/sq.m.)	The higher rent, the higher fair value
			Capitalization rate	6,75%-7,26%, (7,1%)	The lower capitalization rate, the higher fair value
(ii) surplus land	EUR 1.720 thousand (PLN 7.630 thousand)	Comparable approach	Price for 1 sqm	33,91 EUR/sq.m. (149,98 PLN/sq.m)	The higher price for 1 sqm, the higher fair value
(iii) warehouse and office buildings under construction	EUR 4.410 thousand	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
EUR 24.963 thousand					
MLP Lublin Logistics Park					
(i) warehouse and office buildings	EUR 8.800 thousand	Income approach	Monthly rent per 1 sqm	3,1-3,7 EUR/sq.m, (3,4 EUR/sq.m.)	The higher rent, the higher fair value
			Capitalization rate	(7,51%)	The lower capitalization rate, the higher fair value
(ii) warehouse and office buildings under construction	EUR 4.420 thousand	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
EUR 13.220 thousand					

	Fair value as at 31 December 2016	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Teresin Logistics Park					
(i) warehouse and office buildings	EUR 6.130 thousand	Income approach	Monthly rent per 1 sqm	2,05-8,57 EUR/sq.m, (5,31 EUR/sq.m.)	The higher rent, the higher fair value
			Capitalization rate	7,00%	The lower capitalization rate, the higher fair value
(ii) warehouse and office buildings under construction	EUR 2.250 thousand	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
EUR 8.380 thousand					
MLP Gliwice Logistics Park					
(i) surplus land	EUR 4.040 thousand (PLN 17.892 thousand)	Comparable approach	Price for 1 sqm	27,12 EUR/sq.m. (120,00 PLN/sq.m)	The higher price for 1 sqm, the higher fair value
EUR 4.040 thousand					
MLP Wrocław Logistics Park					
(i) warehouse and office buildings under construction	EUR 7.980 thousand	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
EUR 7.980 thousand					
MLP Czeladź Logistics Park					
(i) surplus land	EUR 5.400 thousand (PLN 23.890 thousand)	Comparable approach	Price for 1 sqm	32,78 EUR/sq.m. (144,99 PLN/sq.m)	The higher price for 1 sqm, the higher fair value
EUR 5.400 thousand					
EUR 217.699 thousand					

(a) Capitalized net market income: calculation based on the market rents and capitalization rates

(b) Estimated construction costs: the construction costs of the project based on estimated construction costs

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

		Fair value as at 31 December 2015	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Pruszków I Logistics Park						
(i) warehouse and office buildings	EUR 80.610 thousand	Income approach	Monthly rent per 1 sqm	2,83-7,11 EUR/sq.m, (4,97 EUR/sq.m)	The higher rent, the higher fair value	
			Capitalization rate	7,50%-8,50%, (8,00%)	The lower capitalization rate, the higher fair value	
EUR 80.610 thousand						
MLP Pruszków II Logistics Park						
(i) warehouse and office buildings	EUR 37.667 thousand	Income approach	Monthly rent per 1 sqm	2,28-3,69 EUR/sq.m, (3,09 EUR/sq.m)	The higher rent, the higher fair value	
			Capitalization rate	7,50%-8,50%, (7,63%)	The lower capitalization rate, the higher fair value	
(ii) chimney	EUR 5.930 thousand	Income approach	Monthly rent	42,7 thousand EUR- 43,0 thousand EUR (42,8 thousand EUR)	The higher rent, the higher fair value	
			Capitalization rate	(8,5%)	The lower capitalization rate, the higher fair value	
(iii) parking	EUR 1.132 thousand	Income approach	Monthly rent	7,9 thousand EUR- 10,4 thousand EUR (9,1 thousand EUR)	The higher rent, the higher fair value	
			Capitalization rate (Equivalent Yield)	(8,5%)	The lower capitalization rate, the higher fair value	
(iv) surplus land	EUR 17.150 thousand (PLN 73.087 thousand)	Comparable approach	Price for 1 sqm	43,88 EUR/sq.m (187,00 PLN/sq.m)	The higher price for 1 sqm, the higher fair value	
(v) warehouse and office buildings under construction	EUR 6.440 thousand	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value	
			Construction costs	(b)	The higher construction costs, the lower fair value	
EUR 68.319 thousand						

	Fair value as at 31 December 2015	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Poznań Logistics Park					
(i) warehouse and office buildings	EUR 17.642 thousand	Income approach	Monthly rent per 1 sqm	3,7-4,66 EUR/sq.m, (4,32 EUR/sq.m)	The higher rent, the higher fair value
			Capitalization rate	(7,51%)	The lower capitalization rate, the higher fair value
(ii) surplus land	EUR 1.791 thousand (PLN 7.631 thousand)	Comparable approach	Price for 1 sqm	35,20 EUR/sq.m (150,00 PLN/sq.m)	The higher price for 1 sqm, the higher fair value
(iii) warehouse and office buildings under construction	EUR 3.690 thousand	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
EUR 23.123 thousand					
MLP Lublin Logistics Park					
(i) warehouse and office buildings	EUR 8.315 thousand	Income approach	Monthly rent per 1 sqm	3,10-3,66 EUR/sq.m, (3,38 EUR/sq.m)	The higher rent, the higher fair value
			Capitalization rate	(7,76%)	The lower capitalization rate, the higher fair value
(ii) warehouse and office buildings under construction	EUR 2.780 thousand	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
EUR 11.095 thousand					

	Fair value as at 31 December 2015	Approach to the valuation	Unobservable data	Range of unobservable data (probabilities weighted average)	Relations between the unobservable inputs on the data and the fair value
MLP Teresin Logistics Park					
(i) warehouse and office buildings under construction	EUR 3.850 thousand	Residual approach	Capitalized net income	(a)	The lower capitalized net income, the lower fair value
			Construction costs	(b)	The higher construction costs, the lower fair value
EUR 3.850 thousand					
MLP Gliwice Logistics Park					
(i) surplus land	EUR 4.198 thousand (PLN 17.892 thousand)	Comparable approach	Price for 1 sqm	28,16 EUR/sq.m (120,00 PLN/sq.m)	The higher price for 1 sqm, the higher fair value
EUR 4.198 thousand					
MLP Wrocław Logistics Park					
(i) surplus land	EUR 5.876 thousand (PLN 25.040 thousand)	Comparable approach	Price for 1 sqm	45,05 EUR/sq.m (192,00 PLN/sq.m)	The higher price for 1 sqm, the higher fair value
EUR 5.876 thousand					
EUR 197.071 thousand					

(a) Capitalized net market income: calculation based on the market rents and capitalization rates

(b) Estimated construction costs: the construction costs of the project based on estimated construction costs

13. Deferred tax

	Deferred tax assets		Deferred tax liabilities		Net value	
	31 December	31 December	31 December	31 December	31 December	31 December
	<i>as at</i>	2016	2015	2016	2015	2016
Investment property	-	-	95 689	82 058	95 689	82 058
Credits, loans granted and received	3 467	1 919	-	-	(3 467)	(1 919)
Derivatives	1 602	2 612	-	-	(1 602)	(2 612)
Other	-	900	990	-	990	(900)
Tax losses deductible in the future periods	5 013	8 689	-	-	(5 013)	(8 689)
Deferred tax assets / liabilities	10 082	14 120	96 679	82 058	86 597	67 938

	<i>as at</i>	31 December 2016	31 December 2015
Including:			
Deferred tax assets		(7 181)	(11 958)
Deferred tax liabilities		93 778	79 896
		86 597	67 938

Unrecognised deferred tax assets on tax losses as at 31 December 2016 amounted to PLN 3,702 thousand.

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

	1 January 2016	changes recorded in profit or loss	changes recorded in other comprehensive income	31 December 2016
Investment property	82 058	13 631	-	95 689
Credits, loans granted and received	(1 919)	(1 548)	-	(3 467)
Derivatives	(2 612)	165	845	(1 602)
Other	(900)	1 890	-	990
Tax losses deductible in future periods	(8 689)	3 676	-	(5 013)
	67 938	17 814	845	86 597

14. Other investments

	31 December	31 December
<i>as at</i>	2016	2015
		<i>(restated data)</i>
Other long-term financial assets	8 567	7 050
Long-term loans granted to related parties	57 397	69 215
Other long-term investments	65 964	76 265
Short-term loans granted to related parties	745	9 282
Short-term loans granted to third parties	22 139	21 814
Short-term investments	22 884	31 096
Escrow account	739	11 162
Restricted cash	6 245	6 428
Other short-term investments	6 984	17 590

Other long-term investments comprise restricted cash of PLN 8,567 thousand. The amount contains: PLN 7,031 thousand, which was separated in accordance with the credit agreements to secure payment of principal and interest instalments, PLN 379 thousand of deposits retained from tenants and other deposits of PLN 1,157 thousand.

The Group has short-term restricted cash of PLN 6,245 thousand. Restricted cash consists of: PLN 5,068 thousand of guarantees given by MLP Pruszków I Sp. z o.o. in favour of Hapoalim Bank and short-term part of deposits of PLN 605 thousand PLN as well as short-term part of cash separated in accordance with credit agreements of PLN 572 thousand.

Other short-term investments also comprise funds on Escrow account, retained in connection with the sale of investment properties. These funds will be released when the Group's obligations under the contract of sale of investment properties are met. The Group expects that these obligations will be fulfilled within 12 months of the end of the reporting period.

15. Trade and other receivables

	31 December	31 December
<i>as at</i>	2016	2015
Trade receivables	6 850	6 014
Investment settlements	504	425
Prepayments	758	230
Receivables from settlement of IRS transaction	2 306	-
Accrued income from the development contract concluded by MLP Bieruń Sp. z o.o.	17 523	-
Taxation and social security receivables	14 540	12 664
Trade and other receivables	42 481	19 333
Corporate income tax receivables	971	784
Short-term receivables	43 452	20 117

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

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

	<i>as at</i>	31 December 2016		31 December 2015	
		Gross receivables	Allowance	Gross receivables	Allowance
Not past due:		3 331	-	2 880	(1)
Past due:					
0 to 90 days		2 970	-	2 348	(2)
91 to 180 days		207	(1)	232	(4)
over 180 days		4 909	(4 566)	4 644	(4 083)
Total receivables		11 417	(4 567)	10 104	(4 090)

16. Cash and cash equivalents

	<i>as at</i>	31 December 2016	31 December 2015
			<i>(restated data)</i>
Cash on hand		61	47
Cash in bank		20 153	54 485
Short-term deposits		41 480	68 446
Cash and cash equivalents in the consolidated statement of financial position		61 694	122 978
Cash and cash equivalents in the consolidated statement of cash flows		61 694	122 978

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

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

17. Explanatory information to consolidated statement of cash flows

17. 1 Cash flow related to loans granted and received

In the year ended 31 December 2016 MLP Group S.A. and its subsidiary MLP Pruszków I Sp. z o.o. did not grant or receive any loans from Fenix Polska Sp. z o.o.

In previous reporting periods, MLP Group S.A. and its subsidiary MLP Pruszków I Sp. z o.o. granted loans to Fenix Polska Sp. z o.o, while Fenix Polska Sp. z o.o. granted loans in the same amount to the companies from the MLP Group S.A. Capital Group. In the consolidated statement of cash flows, the Group presented cash flows related to the abovementioned proceeds and repayments at net value due to lack of cash flows as loans were granted by MLP Group S.A. and MLP Pruszków I Sp. z o. o. on behalf of Fenix Sp. z o. o.

<i>for the year ended 31 December</i>	2016	2015
Cash flows from bank credits received	48 205	41 305
Cash flows from loans received	-	150
Total cash flows from bank credits and loans received	48 205	41 455
Elimination of loans received from Fenix Polska Sp. z o.o.	-	(150)
Total cash flows from bank credit and loans received	48 205	41 305
Total cash flows from bank credit and loans received presented in the consolidated statement of cash flows	48 205	77 431
<i>for the year ended 31 December</i>	2016	2015
Cash flows from bank credits repaid	(18 006)	(233 788)
Cash flows from loans repaid	(25 233)	(25 971)
Total cash flows from bank credits and loans repaid	(43 239)	(259 759)
Elimination of loans repaid to Fenix Polska Sp. z o.o.	22 394	23 074
Total cash flows from bank credit and loans repaid	(20 845)	(236 685)
Total cash flows from bank credit and loans repaid presented in the consolidated statement of cash flows	(20 845)	(236 685)
<i>for the year ended 31 December</i>	2016	2015
Cash flows from loans granted	-	(180)
Elimination of loans granted from Fenix Polska Sp. z o.o.	-	150
Total cash flows from loans granted	-	(30)
Total cash flows from loans granted presented in the consolidated statement of cash flows	-	(30)
<i>for the year ended 31 December</i>	2016	2015
Cash flows from repayment of loans granted	22 401	23 548
Elimination of repaid loans granted from Fenix Polska Sp. z o.o.	(22 394)	(23 074)
Total cash flows from repayment of loans granted	7	474
Total cash flows from repayment of loans granted presented in the consolidated statement of cash flows	7	474

17. 2 Changes in trade and other receivables

	<i>for the year ended 31 December</i>	2016	2015
Changes in trade and other receivables		(23 148)	11 542
The selling price of MLP Tychy Logistics Park investment property		-	(20 855)
Other adjustments		(227)	85
Changes in trade and other receivables		(23 375)	(9 228)
Changes in trade and other receivables presented in the consolidated statement of cash flows		(23 375)	(9 228)

17. 3 Changes in short-term and other liabilities

	<i>for the year ended 31 December</i>	2016	2015
Change in trade and other liabilities		(7 776)	25 696
Changes in payroll liabilities		288	485
Changes in investment deposits and guarantees from tenants and others		5 485	(514)
Changes in finance lease liabilities		(1)	(17)
Exclusion of changes in investment liabilities		(250)	(5 417)
Exclusion of changes in provision for repairs		-	(3 097)
Changes in short-term and other liabilities		(2 254)	17 136
Changes in short-term and other liabilities presented in the consolidated statement of cash flows		(2 254)	17 136

17. 4 Disposal of investment property

	<i>for the year ended 31 December</i>	2016	2015
The selling price of MLP Tychy Logistics Park investment property		-	265 905
Indirect costs associated with the sale of investment property - MLP Tychy		-	(2 548)
Amount retained on the Escrow account		-	(10 435)
Cash flow from disposal of investment property - MLP Tychy		-	252 922
The selling price of MLP Bieruń Logistics Park investment property		-	73 470
Indirect costs associated with the sale of investment property - MLP Bieruń		-	(664)
Amount retained on the Escrow account		-	(727)
Cash flow from disposal of investment property - MLP Bieruń		-	72 079
Total cash flows from disposal of investment property		-	325 001
Total cash flows from disposal of investment property presented in the consolidated statement of cash flows		-	325 001

18. Equity

18. 1 Share capital

	<i>as at</i>	31 December 2016	31 December 2015
Share capital			
Ordinary A series shares		11 440 000	11 440 000
Ordinary B series shares		3 654 379	3 654 379
Ordinary C series shares		3 018 876	3 018 876
		18 113 255	18 113 255
Par value of 1 share		0,25	0,25

As at 31 December 2016 the share capital of the parent company amounted to PLN 4,528,313.75 and was divided into 18,113,255 shares entitling to 18,113,225 votes on the General Meeting. The par value of all shares is PLN 0.25 and was fully paid.

In the year ended 31 December 2016 there were no changes in share capital.

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

19. Earnings per share

Profit per share for each period is calculated by dividing the net profit attributable to shareholders of the Parent Company for the period by the weighted average number of shares during the reporting period.

	for the year ended 31 December	2016	2015
Net profit for the year		66 415	74 628
Number of shares issued (in units)		18 113 255	18 113 255
Weighted average number of shares issued (in units)		18 113 255	18 113 255
Earnings per share attributable to shareholders of the Parent Company for the period (in PLN per share):			
- basic		3,67	4,12
- diluted		3,67	4,12

In presented periods there were no dilutive factors.

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

20. 1 Long-term liabilities

<i>as at</i>	31 December 2016	31 December 2015
Bank credits pledged on the Group's assets	265 750	222 889
Loans	61 318	80 761
Total long-term credits, loans and other debt instruments and other liabilities	327 068	303 650

<i>as at</i>	31 December 2016	31 December 2015
Finance lease liabilities	5 259	5 260
Liabilities concerning SWAP transactions	2 229	13 579
Investment deposits	5 739	309
Guarantees from tenants and others	1 050	995
Liabilities concerning other transactions	17	-
Total other long-term liabilities	14 294	20 143

20. 2 Short-term liabilities

<i>as at</i>	31 December 2016	31 December 2015
Short-term credits and short-term part of long term credits pledged on the Group's assets	13 230	15 730
Loans	580	3 966
Total short-term credits, loans and other debt instruments	13 810	19 696

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

<i>as at</i>	31 December 2016	31 December 2015
Liabilities concerning SWAP transactions	6 196	164
Other short-term liabilities	6 196	164

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

	currency	effective rate (%)	as at maturity date	31 December 2016		as at maturity date	31 December 2015	
				in currency	in PLN		in currency	in PLN
Bank credits pledged on the Group's assets:								
Investment loan mBank S.A. ¹⁾	EUR	EURIBOR 1M +margin	-	-	-	2018	2 297	9 790
Investment loan mBank S.A. ¹⁾	EUR	EURIBOR 1M +margin	-	-	-	2021	2 662	11 346
Construction loan mBank S.A. ¹⁾	EUR	EURIBOR 1M +margin	-	-	-	2021	1 640	6 987
Investment loan mBank S.A. ¹⁾	EUR	EURIBOR 1M +margin	2021	11 628	51 309	-	-	-
Investment loan PEKAO S.A.	EUR	EURIBOR 1M +margin	2025	3 303	14 614	-	-	-
Investment loan Raiffeisen Bank Polska S.A	EUR	EURIBOR 3M +margin	2023	29 749	131 578	2017	32 113	136 787
Investment loan BGŻ BNP Paribas	EUR	EURIBOR 3M+margin	2022	5 340	23 491	2022	5 594	23 682
Investment loan BGŻ BNP Paribas	EUR	EURIBOR 3M+margin	2022	2 757	12 195	2022	2 888	12 305
Investment loan PKO BP S.A.	EUR	EURIBOR 3M+margin	2030	5 075	22 453	2030	3 147	13 410
Investment loan ING Bank Śląski S.A.	EUR	EURIBOR 1M +margin	2020	3 677	16 230	2020	4 109	17 463
Investment loan ING Bank Śląski S.A.	EUR	EURIBOR 3M+margin	2020	1 607	7 110	2020	1 607	6 849
Total credits:				278 980		238 619		

1) The loan has been settled on the basis of a new credit agreement dated 29 April 2016 signed between MLP Pruszkow IV Sp. z o.o. and mBank S.A.

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

	currency	effective rate (%)	as at maturity date	31 December 2016		as at maturity date	31 December 2015	
				in currency	in PLN		in currency	in PLN
Loans unsecured on the Group's assets:								
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2021	-	2 769	2016	-	2 699
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2020	-	7 923	2020	-	8 989
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2026	-	3 405	2026	-	5 966
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2024	-	12	-	-	-
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2029	-	253	2029	-	5 202
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2020	-	-	2016	-	42
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2021	-	169	2016	-	660
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2017	-	565	2016	-	565
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2020	-	21 064	2020	-	29 175
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2017	-	15	2017	-	15
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2024	-	293	2024	-	3 025
Fenix Polska S.A.	PLN	WIBOR 3M+margin	2024	-	8	2024	-	155
Fenix Polska S.A.	EUR	EURIBOR 3M+margin	2020	3 030	13 403	2020	2 990	12 741
Fenix Polska S.A.	EUR	EURIBOR 3M+margin	2029	1 896	8 388	2029	2 209	9 414
Fenix Polska S.A.	USD	LIBOR R USD +margin	2018	869	3 631	2018	1 558	6 079
Total loans:					61 898			84 727
Total credits, loans secured and unsecured on the Group's assets						340 878		323 346

21. Payroll liabilities

<i>as at</i>	31 December 2016	31 December 2015
Special funds	157	157
Cash settled share based payment	2 048	1 760
Payroll liabilities	2 205	1 917

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

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

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

Phantom shares for the previous financial year have been disbursed in the amount of PLN 1,308 thousand.

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

22. Trade and other liabilities

<i>as at</i>	31 December 2016	31 December 2015
Trade liabilities	4 406	3 664
Liabilities concerning execution of development agreement	13 105	-
Revenue prepayments	361	327
Taxation and social security liabilities	1 861	17 789
Unbilled trade liabilities	1 612	1 578
Investment liabilities, guarantee deposits and other	22 620	25 286
Provision for repairs	-	3 097
Trade and other liabilities	43 965	51 741
Income tax liabilities	939	1 594
Short-term liabilities	44 904	53 335

Liabilities to related parties were disclosed in note 27 .

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

<i>as at</i>	31 December 2016	31 December 2015
Current liabilities	47 178	30 447
Liabilities overdue from 0 to 90 days	714	639
Liabilities overdue from 91 to 180 days	12	103
Liabilities overdue over 180 days	628	643
Total trade and other liabilities	48 532	31 832

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

Trade liabilities are not subject to interest and are usually settled within 30 to 60 days. Other payables are non-interest bearing and have an average maturity of one month. The amount stemming from the difference between the liabilities and VAT receivables is paid to the appropriate tax authorities in the periods regulated in tax law. Interest liabilities are usually settled based on approved interest notes.

23. Financial instruments

23. 1 Valuation of financial instruments

The fair value of financial assets and financial liabilities as at 31 December 2016 and 31 December 2015 is equal to the value presented in the consolidated statement of financial position.

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

- **cash and cash equivalents:** the carrying amount of these financial instruments corresponds to fair value because of the short maturity,
- **trade receivables, other receivables, trade liabilities and accruals:** the carrying amount is comparable with fair value because of the short-term character of these instruments,
- **loans granted:** the carrying amount corresponds to fair value because of the floating rate which is comparable with market interest rates,
- **bank credit and loans taken:** the carrying amount of these instruments is comparable with fair value because of the floating rate, based on market rates,
- **Swap valuation liabilities:** fair value determined on the basis of references to instruments quoted in an active market.

23. 1. 1 Financial assets

<i>as at</i>	31 December 2016	31 December 2015 <i>(restated data)</i>
Loans and receivables:		
Cash and cash equivalents	61 694	122 978
Loans and receivables, including:		
● Trade and other receivables	27 183	6 439
● Loans granted	80 281	100 311
● Other long-term investments	8 567	7 050
● Other short-term investments	6 984	17 590
	184 709	254 368
Total financial assets	184 709	254 368

23. 1. 2 Financial liabilities

	31 December as at 2016	31 December 2015
Hedging financial instruments:		
Liabilities concerning SWAP transactions	8 425	13 743
Liabilities concerning other transactions	17	-
	8 442	13 743
Liabilities valued at amortized cost:		
Bank credits	278 980	238 619
Loans received	61 898	84 727
Trade and other payables	48 532	31 832
Finance lease liabilities	5 259	5 260
	394 669	360 438
Total financial liabilities	403 111	374 181

The fair value of hedging financial instruments as at 31 December 2016 amounted to PLN 8,442 thousand and is based on inputs other than quoted price that are either directly or indirectly observable (level 2). The information is provided by banks and is based on reference to instruments quoted in an active market.

In the year ended 31 December 2016 there were no reclassifications between the levels.

23. 2 Other disclosures relating to financial instruments

Established collaterals

Information concerning established collaterals is disclosed in note 26 .

Hedge accounting

On 4 January 2016 MLP Moszna I Sp. z o.o. and MLP Pruszków III Sp. z o.o. signed an agreement which changes the interest rate from floating to fixed with BGŻ BNP Paribas S.A. bank. On 17 April 2016 MLP Lublin Sp. z o.o. signed an agreement which changes interest rate from floating to fixed with PKO BP S.A. bank. On 26 September 2016 MLP Pruszkow IV Sp. z o.o. signed an agreement which changes interest rate from floating to fixed with mBank S.A. On 26 October 2016 MLP Poznań Sp. z o.o. signed an agreement which changes interest rate from floating to fixed with ING Bank Śląski S.A. According to the agreements all future interest payments calculated on the basis of a floating interest rate will be effectively replaced with fixed interest according to the schedule from the above mentioned agreements.

The cash flows are expected every month until 1 May 2021.

Identification of the hedging instrument and the hedged position

Entity	Hedged position - debt as at 31 December 2016 in the amount of:		Hedging instrument - amortized Interest Rate Swap of initial value of:		The fair value of the hedging instrument (in EUR thousand) as at 31 December		The fair value of the hedging instrument (in PLN thousand) as at 31 December	
	in EUR thousand	in PLN thousand	in EUR thousand	in PLN thousand	2016	2015	2016	2015
MLP Pruszków I Sp. z o.o.	29 749	131 610	47 382	209 618	(1 400)	(2 819)	(6 195)	(12 013)
MLP Pruszków III Sp. z o.o.	2 809	12 427	3 204	14 174	(55)	-	(244)	-
MLP Moszna I Sp. z o.o.	1 450	6 415	1 450	6 415	(28)	-	(126)	-
MLP Poznań II Sp. z o.o.	5 185	22 938	6 209	27 469	(139)	(184)	(614)	(784)
MLP Pruszków IV Sp. z o.o.	8 139	36 007	8 837	39 095	(151)	(127)	(670)	(541)
MLP Lublin Sp. z o.o.	4 026	17 811	4 252	18 811	(130)	(95)	(576)	(405)
	51 358	227 208	71 334	315 582	(1 903)	(3 225)	(8 425)	(13 743)

Hedged position and hedging instrument - amortized Interest Rate Swap of initial value refer to values as at 31 December 2016.

The amounts recognized in the consolidated statement of profit or loss and other comprehensive income in 2016:

Entity	Amounts recognized in financial costs - ineffective part	Amounts recognized in financial costs - interest result	Amounts recognized in other comprehensive income
MLP Pruszków I Sp. z o.o.	77	1 584	4 162
MLP Pruszków III Sp. z o.o.	(241)	(7)	5
MLP Pruszków IV Sp. z o.o.	(374)	-	246
MLP Moszna I Sp. z o.o.	(124)	(4)	2
MLP Poznań II Sp. z o.o.	(52)	2	213
MLP Lublin Sp. z o.o.	30	(21)	(180)
	(684)	1 554	4 448

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

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

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

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

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

23. 3. 1 Liquidity risk

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

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

Credits - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
2016	19 414	141 350	151 249	312 013
2015	20 043	183 662	51 307	255 012

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

Derivative instruments - expected payments		from 1 to 5			Total
		up to 1 year	years	over 5 years	
2016	inflows	-	36	-	36
	outflows	(7 479)	(999)	-	(8 478)
		(7 479)	(963)	-	(8 442)
2015	inflows	-	246	-	246
	outflows	(9 373)	(4 616)	-	(13 989)
		(9 373)	(4 370)	-	(13 743)

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

Loans - expected payments		from 1 to 5			Total
		up to 1 year	years	over 5 years	
2016		580	54 029	14 490	69 099
2015		4 027	64 989	30 632	99 648

23. 3. 2 Currency risk

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

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

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

Financial assets	PLN	EUR	USD	Total
Loans and receivables:				
Cash and cash equivalents	31 605	30 062	27	61 694
Loans and receivables, including:				
• Trade and other receivables	27 062	121	-	27 183
• Loans granted	58 526	21 755	-	80 281
• Other long-term investments	1 219	7 348	-	8 567
• Other short-term investments	1 178	739	5 067	6 984
	119 590	60 025	5 094	184 709
Financial liabilities				
Hedging financial instruments:				
Liabilities concerning SWAP transaction	-	8 425	-	8 425
Liabilities concerning other transactions	17	-	-	17
Financial liabilities measured at amortized cost:				
Bank credits	-	278 980	-	278 980
Loans received	36 476	21 791	3 631	61 898
Trade and other liabilities	25 610	22 919	3	48 532
Lease liabilities	5 259	-	-	5 259
	67 362	332 115	3 634	403 111

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

Financial assets	PLN	EUR	USD	Total
Loans and receivables:				
Cash and cash equivalents	66 699	56 273	6	122 978
Loans and receivables, including:				
• Trade and other receivables	6 187	252	-	6 439
• Loans granted	78 182	22 129	-	100 311
• Other long-term investments	374	6 676	-	7 050
• Other short-term investments	319	11 162	6 109	17 590
	151 761	96 492	6 115	254 368
Financial liabilities	PLN	EUR	USD	Total
Hedging financial instruments:				
Liabilities concerning SWAP transaction	-	13 743	-	13 743
Financial liabilities measured at amortized cost:				
Bank credits	-	238 619	-	238 619
Loans received	56 493	22 155	6 079	84 727
Trade and other liabilities	11 467	20 359	6	31 832
Lease liabilities	5 260	-	-	5 260
	73 220	294 876	6 085	374 181

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

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

	<i>as at 31 December</i>	2016	2015
Increase in the exchange rate EUR/PLN by 5%		(13 604)	(9 920)
Increase in the exchange rate USD/PLN by 5%		73	2

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

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

23. 3. 3 Interest rate risk

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

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

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

<i>as at 31 December</i>	2016	2015
EURIBOR + 50 b.p.	(182)	(229)
US LIBOR + 50 b.p.	(18)	(30)
WIBOR + 50 b.p.	(182)	(282)

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

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

<i>as at 31 December</i>	2016	2015
EURIBOR + 50 b.p.	109	111
WIBOR + 50 b.p.	293	391

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

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

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

<i>as at 31 December</i>	2016	2015
EURIBOR + 50 b.p.	191	315
WIBOR + 50 b.p.	170	337
US LIBOR + 50 b.p.	25	31

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

23. 3. 4 Credit risk

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

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

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

<i>as at 31 December</i>	2016	2015
The value of the deposit from tenants at the end of the reporting period	2 346	1 374

24. Operating lease

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

As at 31 December 2016 the aggregate value of rental income (assuming a fixed exchange rate EUR/PLN and USD/PLN and a lack of indexation) amounts to PLN 416.8 mln, out of which PLN 74.8 mln is receivable within one year, PLN 213.9 mln in the period from 2 to 5 years, and PLN 128.1 mln after 5 years.

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

25. Contractual investment liabilities

	<i>as at 31 December</i>	2016	2015
Contractual investment liabilities		41 446	17 788

26. Contingent liabilities and pledges

As at 31 December 2016 the Group had established the following security on its assets:

26. 1. Mortgages

Entity	Land register number	Details	Mortgage charge
		Mortgage to secure claims of Raiffeisen Bank S.A.	EUR 4.950 thousand
		Mortgage to secure claims of Raiffeisen Bank S.A.	EUR 1.500 thousand
MLP Pruszków I Sp. z o.o. ¹⁾	WA1P/00036973/9	Mortgage to secure credit repayment for Raiffeisen Bank S.A. - security of credit granted by Raiffeisen Bank Polska S.A. on the basis of agreement dated 4 December 2007 to MLP Tychy	EUR 80.000 thousand
	WA1P/00036973/9 WA1P/00038590/4 WA1P/00038589/4 WA1P/00038595/9	Joint mortgage to secure claims of Raiffeisen Bank S.A. on the basis of agreement dated 16 December 2016	EUR 54.750 thousand
	WA1P/00038591/1 WA1P/00038596/6 WA1P/00038593/5	Joint mortgage to secure claims of Raiffeisen Bank S.A. on the basis of agreement dated 16 December 2016	EUR 14.426 thousand
		Joint mortgage to secure credit dated 5 November 2015 granted by BGŻ BNP PARIBAS S.A.	EUR 12.975 thousand
MLP Pruszków III Sp. z o.o.	WA1P/00079808/5	Joint mortgage to secure claims under credit agreement dated 5 November 2015 granted by BGŻ BNP PARIBAS S.A.	PLN 2.895 thousand
MLP Moszna I Sp. z o.o.	WA1P/00101970/5	Joint mortgage to secure credit dated 5 November 2015 granted by BGŻ BNP PARIBAS S.A.	EUR 12.975 thousand
		Joint mortgage to secure claims under credit agreement dated 5 November 2015 granted by BGŻ BNP PARIBAS S.A.	PLN 2.895 thousand

Entity	Land register number	Details	Mortgage charge
MLP Pruszków IV Sp. z o.o. ²⁾	WA1P/00111450/7	Joint mortgage to secure credit repayment granted by mBank S.A. under the agreement dated 29 April 2016	EUR 18.107 thousand
		Joint mortgage to secure claims under financial guarantees agreements concluded for the purposes of the credit agreement dated 29 April 2016 granted by mBank S.A.	PLN 7.600 thousand
MLP Poznań II Sp. z o.o.	PO1D/00041540/8 PO1D/00050728/6 PO1D/00051882/0	Joint mortgage to secure credit granted by ING Bank Śląski S.A. under agreement no 11/0002 dated 08 September 2011 with amendments.	EUR 11.114 thousand
		Joint mortgage to secure claims for ING Bank Śląski S.A.	EUR 1.415 thousand
		Joint mortgage to secure VAT credit and interest claims of ING Bank Śląski S.A.	PLN 3.750 thousand
MLP Lublin Sp. z o.o.	LU1S/00012867/9	Mortgage to secure claims for PKO B.P. S.A. due to: investment credit agreement, working capital credit agreement dated 13 April 2015 for current VAT liabilities with its amendments and claims under concluded IRS transactions	EUR 25.502 thousand
MLP Teresin Sp. z o.o. ³⁾	WA1G/00076402/9	Mortgage to secure credit granted by PEKAO BP S.A. under agreement dated 31 May 2016	EUR 10.796 thousand
		Mortgage to secure VAT credit granted by PEKAO BP S.A. under agreement dated 31 May 2016.	PLN 6.000 thousand
		Mortgage to secure claims under financial guarantees agreements concluded for the purposes of the credit agreement dated 31 May 2016 granted PEKAO BP S.A.	PLN 5.600 thousand

¹⁾ In relation to the credit agreement concluded on 16 December 2016 between MLP Pruszków I Sp. z o.o. and Raiffeisen Bank Polska S.A., bank, a joint mortgage up to PLN 54,750 thousand and PLN 14,425.5 thousand was established on the properties belonging to the company.

²⁾ As per credit agreement concluded on 29 April 2016 between MLP Pruszków IV Sp. z o.o. and mBank S.A. bank, the company increased the value of the mortgage from PLN 3,660,000 to PLN 7,600,000 as well as the amount of a total contractual mortgage to secure credit payment from EUR 3,870,000 to EUR 18,106,500.

Furthermore, in February 2017, the following joint mortgages were registered to the benefit of mBank S.A.:

- mortgage securing credit repayment granted on the basis of the agreement dated 29 April 2016 - up to EUR 3,472.5 thousand,
- mortgage securing VAT credit, interest and any other liabilities to the bank resulting from the credit agreement dated 29 April 2016 - up to PLN 3,000 thousand.

³⁾ In relation to the credit agreement entered into between MLP Teresin Sp. z o.o. and PEKAO S.A. bank, mortgages up to EUR 10,796 thousand, PLN 6,000 thousand and PLN 5,600 thousand were established on the properties belonging to the company.

26. 2. Financial and registered pledges on shares

Pledge type	Security	Value of the established security
• Securities established on the MLP Group's shares in the entities:		
<i>Registered pledge on shares:</i>		
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 resulting from the credit granted ING 11/0002 granted to MLP Poznań II Sp. z o.o.	EUR 14.047 thousand
<i>Registered and financial pledge on shares:</i>		
MLP Moszna I Sp. z o.o.	BGŻ BNP Paribas S.A. receivables resulting from the credit dated 5 November 2015 granted to MLP Moszna I Sp. z o.o.	EUR 12.975 thousand
• Securities established on the MLP Property Sp. z o.o.'s shares in the entities:		
<i>Registered pledge on shares:</i>		
MLP Lublin Sp. z o.o.	PKO BP S.A. receivables resulting from investment credit	EUR 19.221 thousand
<i>Financial pledge on shares:</i>		
MLP Poznań II Sp. z o.o.	ING Bank Śląski S.A. receivables resulting from credit no. ING 11/0002	EUR 14.047 thousand
<i>Registered and financial pledge on shares</i>		
MLP Pruszków IV Sp. z o.o.	mBank S.A. receivables resulting from credit agreement dated 17 December 2014 with MLP Pruszków IV Sp. z o.o.	EUR 10.579 thousand
MLP Pruszków IV Sp. z o.o.	mBank S.A. receivables resulting from credit agreement dated 17 December 2014 with MLP Pruszków IV Sp. z o.o. (VAT credit)	PLN 3.750 thousand
MLP Pruszków IV Sp. z o.o. ²⁾	mBank S.A. receivables resulting from credit agreement dated 29 April 2016	EUR 18.107 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 Pruszków III Sp. z o.o.	EUR 12.975 thousand
MLP Teresin Sp. z o.o.	PEKAO S.A. receivables resulting from the credit dated 31 May 2016 granted to MLP Teresin Sp. z o.o.	EUR 10.796 thousand
MLP Teresin Sp. z o.o.	PEKAO S.A. receivables resulting from the credit dated 31 May 2016 granted to MLP Teresin Sp. z o.o. (VAT credit)	PLN 6.000 thousand

Pledge type	Security	Value of the established security
<ul style="list-style-type: none"> <u>Securities established on the MLP Poznań Sp. z o.o.'s shares in the entities:</u> <i>Registered and financial pledge on shares:</i> 		
MLP Poznań II Sp. z o.o.	ING Bank Śląski S.A. receivables resulting from the credit no. ING 11/0002 granted to MLP Poznań II Sp. z o.o.	EUR 14.047 thousand
<ul style="list-style-type: none"> <u>Securities established on the MLP Pruszków II Sp. z o.o.'s shares in the entities:</u> <i>Registered pledge on shares:</i> 		
MLP Pruszków III Sp. z o.o. ¹⁾	Deutsche Bank PBC S.A. receivables resulting from credit no. KNK/1212752 granted to MLP Pruszków III Sp. z o.o.	EUR 12.975 thousand
<i>Registered and financial pledge on shares:</i>		
MLP Pruszków IV Sp. z o.o. ²⁾	mBank S.A. receivables resulting from credit agreement dated 17 December 2014 with MLP Pruszków IV Sp. z o.o. ¹⁾	EUR 18.107 thousand
MLP Pruszków IV Sp. z o.o.	mBank S.A. receivables resulting from credit agreement dated 17 December with MLP Pruszków IV Sp. z o.o. (revolving credit)	PLN 3.750 thousand

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

2) As per credit agreement concluded on 29 April 2016 between MLP Pruszków IV Sp. z o.o. and mBank S.A. bank, registered and financial pledges were established on MLP Property Sp. z o.o. shares in MLP Pruszków IV Sp. z o.o. up to EUR 18,106.5 thousand. At the same time, registered and financial pledges which were established on MLP Pruszków II shares in MLP Pruszków IV Sp. z o.o. have been deleted (which were established up to EUR 10,578.65 thousand).

Furthermore, as per the annex to the credit agreement executed on 21 December 2016 between MLP Pruszków IV Sp. z o.o. and mBank S.A., the register pledge amount was increased in February 2017 from EUR 18,106.5 thousand to EUR 21,579 thousand.

As per the credit agreement executed on 16 December 2016 between MLP Pruszków I Sp. z o.o. and Raiffeisen Bank Polska S.A., registered and financial pledges were established on the shares of MLP Group S.A. in MLP Pruszków I Sp. z o.o. up to EUR 54,750 thousand. The pledges were entered into the register of pledges in January 2017.

26. 3. Pledges on cash receivables

As per the credit agreement executed on 16 December 2016 between MLP Pruszków I Sp. z o.o. and Raiffeisen Bank Polska S.A., in January 2017, the registered and financial pledges were established (and entered into the register of pledges) on cash receivables, up to EUR 54,750 thousand, as security of repayment of receivables to Raiffeisen Bank Polska S.A. due for the credit granted to the company. Furthermore, in February 2017, a pledge on a set of movable things and rights belonging to the pledgor was established (and entered into the register of pledges) up to EUR 54,750 thousand.

26. 4. Guarantees

As at 31 December 2016 the Group granted the following guarantees:

- On 16 December 2016 MLP Group S.A. entered into a guarantee agreement with Raiffeisen Bank Polska S.A. and MLP Pruszków I Sp. z o.o., hereinafter referred to as "the Credit borrower", pursuant to which MLP Group S.A. undertakes to provide the Credit borrower with the financial means in order to finance its credit needs within the scope that will result in the Debt Service Coverage Ratio (calculated in accordance with the provisions of the credit agreement dated 16 December 2016) achieving the required level.
- On 24 April 2016 MLP Pruszków I Sp. z o.o. granted a bank guarantee in favor of Mercantile Discount Bank in the amount of USD 1.000.000, which shall expire on 24 April 2017,
- On 10 May 2016 MLP Pruszków I Sp. z o.o. granted a bank guarantee in favor of Mercantile Discount Bank in the amount of USD 200.000 USD, which shall expire on 10 May 2017.

26. 5. Additional guarantees

As at 31 December 2016 the Group did not grant any additional guarantees.

26. 6. Other security

- **Security claims to mBank S.A.:**
 - Assignment of the claims under the insurance policy,
 - Assignment of the lease agreements,
 - Power of attorney to all the accounts of the borrower,
 - The agreement of loans subordination,
 - A blank bill of exchange,
 - Statement of execution.
- **Security claims to Raiffeisen Bank Polska S.A.:**
 - Assignment of the lease agreements,
 - Power of attorney to all the accounts of the borrower,
 - Restricted cash for debt service,
 - Assignment of the agreements relating to construction works,
 - Assignment of the claims under the insurance policy,
 - The agreement of loans subordination.
- **Security claims to BGŻ BNP Paribas S.A.:**
 - Power of attorney to all the accounts of the borrower,
 - Assignment of rights under the contract transfer,
 - Statement of execution of each borrower,
 - Statement of execution of each borrower's shareholder,
 - Subordination of claims based on the subordination agreement,
 - Restricted cash for debt service,
 - Assignment of the claims under the insurance policy.
- **Security claims to ING Bank Śląski S.A.:**
 - Assignment of the claims under the insurance policy,
 - Deposit of EUR 85,000 thousand,
 - Assignment of the lease agreements,

- Power of attorney to all the accounts of the borrower,
- Agreement regarding establishment of a deposit for ING Bank Śląski S.A. to secure receivables from the loan granted for MLP Poznań II Sp. z o.o. and interest, charges and costs under the agreement,
- Appendix signed for registered and financial pledge agreement on shares of MLP Poznań II Sp. z o.o..

Security claims to PKO B.P. S.A.:

- A blank bill of exchange with blank promissory note agreement,
- Debt deduction clause from the borrower's accounts held at the bank,
- An assignment of cash claims from the property insurance agreement during the construction and after completion (throughout the credit period),
- Assignment of the lease receivables,
- Assignment of guarantee deposits from the lease agreement,
- A guarantee granted by MLP Group S.A. under the civil law for the full amount of the credit, valid until the decision concerning the mortgage registration is in force,
- An assignment of cash claims from the management agreement concluded with MLP Group S.A., or another entity,
- An assignment of claims regarding contract/contracts rights concluded with the general contractor and an assignment of cash from the successful execution guarantee,
- A deposit on the bank account as collateral of credit payments,
- Transfer of cash receivables from profit insurance policy to the borrower,
- MLP Lublin Sp. z o.o. support agreement granted by the MLP Group S.A. in case of exceeding the investment costs of Phase I and Phase II. The MLP Group S.A. support agreement for Phase I will remain in force until the date on which permission to use Phase I will become final and a final report regarding this phase will be issued by an Independent Technical Advisor ("ITA"), which will include, among others, a confirmation of financial settlement with GC. MLP Group S.A. support agreement for stages under Phase II will remain in force until the date on which the permission to use the last stage of Phase II becomes final and a final report is issued by ITA regarding the entire investment.

Security claims to PEKAO S.A.:

- Power of attorney to all the accounts of the borrower,
- Blocking of bank accounts,
- Transfer to collateral under the transfer agreement,
- Statement of execution,
- Subordination of claims based on the subordination agreement,
- Restricted cash for debt service,
- Support agreement granted by the MLP Group S.A. in case of exceeding the investment costs. MLP Group S.A. will then grant the necessary unsecured loan, the repayment of which shall be subordinated to the payment of secured liabilities in accordance with the provisions of the subordination agreement.

26. 7. Other contingent liability

Administrative proceedings were initiated against a subsidiary - MLP Energy Sp. z o.o. in respect of imposing by the President of the Energy Regulatory Office a penalty for failing to restrictions on the consumption of electricity in August 2015. The proceedings are pending. The maximum amount of the penalty that can be imposed on MLP Energy Sp. z o.o. is 15% of the revenue of the entity generated in 2015, i.e. PLN 527 thousand penalty.

The Group has not created any additional provisions for potential claims arising from the President of ERO penalty due to substantial uncertainty associated with the ultimate result of the described procedure.

The final result of the pending proceedings cannot be reliably evaluated and could significantly vary from the values recognized in the present consolidated financial statements.

27. Related party transactions

27. 1 Trade and other receivables and payables

Related party balances related to trade and other receivables and payables as at 31 December 2016 are as follows:

	Trade and other receivables	Trade and other payables*
Key management personnel		
ROMI CONSULTING, Michael Shapiro	-	41
Total	-	41

* "Trade and other payables" do not include key management personnel remuneration and share-based payments that were disclosed in Note 30.

27. 2 Loans granted and received

Related party balances related to loans granted and received as at 31 December 2016 are as follows:

	Loans granted	Loans received
Other related parties		
Fenix Polska Sp. z o.o.	58 111	61 898
MLP FIN Spółka z ograniczoną odpowiedzialnością Sp.k.	31	-
Total	58 142	61 898

27. 3 Revenues and expenses

Related party transactions related to revenues and expenses for the year ended 31 December 2016 are as follows:

	Sale of services	Purchase of services and salary cost	Interest income	Interest cost
Parent company				
The Israel Land Development Company Ltd., Tel-Aviv	138	-	-	-
	138	-	-	-
Other related parties				
Fenix Polska Sp. z o.o.	-	-	1 547	(1 866)
MLP FIN Spółka z ograniczoną odpowiedzialnością Sp.k.	1	-	-	-
	1	-	1 547	(1 866)
Key management personnel				
RTK CONSULTING, Radosław T. Krochta	-	(939)	-	-
ROMI CONSULTING, Michael Shapiro	-	(419)	-	-
PROFART, Tomasz Zabost	-	(507)	-	-
PEOB, Marcin Dobieszewski	-	(220)	-	-
Other key management personnel	-	(543)	-	-
	-	(2 628)	-	-
Total	139	(2 628)	1 547	(1 866)

Fenix Polska Sp. z o.o. is a related party through Cajamarca Holland B.V. which, as at 31 December 2016, owns 100% of shares in Fenix Polska Sp. z o.o. and 56.98% in the share capital of the Group.

28. Significant litigation and disputes

28. 1 Czerwona Torebka S.A.

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

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

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

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

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

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

28. 2 CreditForce Holding B.V

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

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

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

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

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

28. 3 OLPIZ Sp. z o.o.

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

29. Significant events during the financial year and subsequent events

- On 25 May 2016 a dividend in the amount of PLN 41,660 thousand has been disbursed. The number of shares entitled to dividend was 18,113,255, and the dividend amounted to PLN 2.30 per share.
- As a result of the settlement of package transactions in April 2016, Miro B.V., Gracecup Trading Ltd changed the number of shares owned in the Company.
Details of the above described transactions were disclosed in note 1.4.1 to this consolidated financial statement.
- On 29 April 2016 MLP Pruszków IV Sp. z o.o. concluded a new credit agreement with mBank S.A. The payment of funds from the loan took place in August 2016.
- On 31 May 2016 MLP Teresin Sp. z o.o. concluded credit agreement with PEKAO S.A. bank. The payment of funds from the loan took place in August 2016.

- As a result of purchase of the Company's shares on 4 August 2016, MetLife Otwarty Fundusz Emerytalny increased its share in total voting rights on the General Meeting of Shareholders and in Company's share capital to above 5%. Details are disclosed in Note 1.4. 1 to this consolidated financial statement.
- On 16 December 2016 MLP Pruszków I Sp. z o.o. concluded a new credit agreement with Raiffeisen Bank Polska S.A. in order to refinance previous debt.

The payment of funds from the loan took place in January 2017.

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

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

<i>for the year ended 31 December</i>	2016	2015
Remuneration of the Management Board:		
• Remuneration and other benefits:		
Radosław T. Krochta	939	540
Michael Shapiro	419	402
Tomasz Zabost	507	370
Marcin Dobieszewski	220	217
	2 085	1 529
• Cash settled share based payment paid in the period		
	630	662
	2 715	2 191
Remuneration of the Supervisory Board:		
• Remuneration and other benefits:		
Maciej Matusiak	30	30
Jacek Tucharz	30	30
Eytan Levy	30	30
Shimshon Marfogel	30	30
Yosef Zvi Meir	30	30
Baruch Yehezkelov	-	5
Guy Shapira	30	25
	180	180
Total remuneration paid or due to the Management Board and Supervisory Board	2 895	2 371
Other Key Management Personnel:		
• Remuneration and other benefits		
	543	539
• Cash settled share based payment paid in the period		
	285	300
	828	839
Total remuneration paid or due to the Management Board, Supervisory Board and Key Management Personnel	3 723	3 210

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

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

31. Employment structure

	<i>for the year ended 31 December</i>	2016	2015
Average number of employees		16	18

32. Information about the audit firm

On 5 December 2016, the Supervisory Board, acting on the basis of the article no. 21.2 g) of the Company's Articles of Association appointed KPMG Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its seat in Warsaw, as the entity entitled to audit separate and consolidated financial statements for the years: 2016 and 2017, and perform the interim reviews of separate and consolidated financial statements for the period ending 30 June 2017.

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

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

33. Change in accounting policy

The Group changed the presentation of restricted cash. These funds are presented in 'other short-term investments' and 'other long-term investments' (in the consolidated financial statements as at 31 December 2015 and as at 31 December 2014 they were presented in 'cash and cash equivalents'). The Management Board believes the current presentation better reflects the nature of the resources.

As a result of above described reclassifications, the following changes were made:

	Cash and cash equivalents	Other short-term investments	Other long-term investments
Approved consolidated financial statement as at 31 December 2014	51 801	-	3 943
● reclassification of restricted cash	(16 271)	5 826	10 445
Data as at 1 January 2015 presented in the current consolidated financial statement	35 530	5 826	14 388
Approved consolidated financial statement as at 31 December 2015	136 456	11 162	69 215
● reclassification of restricted cash	(13 478)	6 428	7 050
Comparative data presented in current consolidated financial statement	122 978	17 590	76 265

	Data as per approved consolidated financial statement for the period ended 31 December 2015	Reclassification	Data reclassified for period ended 31 December 2015
Net cash from operating activities	63 304	-	63 304
Cash flows from investing activities	220 848	2 793	223 641
Including:			
• Other investing inflows	-	2 793	2 793
Cash flows from financing activities	(199 556)	-	(199 556)
Total cash flow	84 596	2 793	87 389
Cash and cash equivalents at the beginning of the period	51 801	(16 271)	35 530
Cash and cash equivalents at the end of the period	136 456	(13 478)	122 978

Radosław T. Krochta
President of the Management Board

Michael Shapiro
Vice-President of the Management

Tomasz Zabost
Member of the Management Board

Pruszków, 14 March 2017



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

for the year ended 31 December 2016

The Management Board's report on the activities of MLP Group S.A. Capital Group for the year ended 31 December 2016 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).

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MLP Group S.A. Management Board approval of the report on the MLP Group S.A. Capital Group Activities for the year ended 31 December 2016

The Management Report on the MLP Group S.A. Capital Group activities for the year ended 31 December 2016 was prepared and approved by the Management Board on 14 March 2017.

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 2017

Introduction

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

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

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

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

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

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

1. 1 Group structure

As at 31 December 2016, MLP Group S.A. Group consisted of following entities:

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

Changes in the Group

¹⁾On 4 March 2016 MLP Group S.A. acquired 50 shares of total value of PLN 5,000 in MLP Łódź Sp. z o.o. and acquired directly 100% of the share capital and voting rights in the above mentioned company. The shares were paid fully in cash. On 16 May 2016 MLP Łódź Sp. z o.o. has been registered in the National Court Register.

²⁾On 4 March 2016 MLP Group S.A. acquired 50 shares of total value of PLN 5,000 in MLP Czeladź Sp. z o.o. and acquired directly 100% of the share capital and voting rights in the above mentioned company. The shares were paid fully in cash. On 31 May 2016 MLP Czeladź Sp. z o.o. has been registered in the National Court Register.

³⁾On 20 May 2016 MLP Group S.A. acquired 100 shares of total value of PLN 5,000 in MLP Temp Sp. z o.o. and acquired 100% of the share capital and voting rights in the above mentioned company.

On 31 May 2016 share capital of the company MLP Temp Sp. o.o. has been increased by the amount of PLN 1,001,000, by creating 20,020 new shares with a nominal value of PLN 50, which were covered as follows: MLP Group S.A. acquired 20,000 new shares with a total value of PLN 1,000,000 and covered them entirely with cash contribution and MLP Spółka z ograniczoną odpowiedzialnością SKA acquired the remaining 20 new shares, which were covered by contribution in kind in the form of the enterprise MLP Spółka z ograniczoną odpowiedzialnością SKA.

In the year ended 31 December 2016 there were no other changes in structure of MLP Group S.A. Capital Group.

1. 2 Scope of activities of the Group

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

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

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

The Group is currently operating five logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin and MLP Teresin, one logistics park under construction - MLP Wrocław, and two logistics parks in preparation phase: MLP Czeladź, MLP Gliwice. The total size of surplus land in Poland is 85,3 hectares.

1.3 Information about the Capital Group real estate portfolio

The investment portfolio of the Capital Group is comprised of five operating logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, one logistics park under construction - MLP Wrocław, and two logistics parks in preparation phase: MLP Gliwice, MLP Czeladź (land acquired in fourth quarter 2016). In new logistics park under constructions: MLP Czeladź the Group concluded lease agreements in 2016 for total area of 8,703 sq.m.

The Group classifies its investment portfolio under two categories:

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

The following table shows the structure of the investment portfolio by category of the Group's parks at 31 December 2016:

Logistics parks in Poland	Location	Target area (sq.m)	Developed space (sq.m)	Space under construction (sq.m)	Surplus land (sq.m)
MLP Pruszków I	Pruszków	167 033	165 514	-	-
MLP Pruszków II	Brwinów	280 000	81 253	31 293	467 830
MLP Poznań	Poznań	90 825	28 252	17 353	90 311
MLP Lublin	Lublin	49 889	15 750	6 386	37 409
MLP Teresin	Teresin	37 767	15 591	22 176	-
MLP Gliwice	Szałsza	61 500	-	-	149 097
MLP Wrocław	Mirków	63 500	-	8 703	108 516
MLP Czeladź ¹⁾	Czeladź	74 200	-	8 703	145 334
Total		824 714	306 360	94 614	853 163

¹⁾ In fourth quarter 2016 the Group acquired land located in Czeladź of 16.5 ha. This investment is related to construction of the new logistics park - MLP Czeladź.

Right with the sale contract of the MLP Bieruń logistics park property, MLP Bieruń Sp. o.o. signed a development agreement under which it committed to complete the construction of the park and its commercialization.

According to the above-mentioned agreement, MLP Bieruń Sp. z o.o. led to rent 11,340 sqm area to Auto Partner and started realisation of the mentioned investment. The details were described in note 2.1.2.

Summary of leasable area owned by the Group in Poland as at 31 December 2016 (sq.m):

Total developed space upon completion (sq.m)	Developed space (sq.m)	Space under construction (sq.m)	Space built and leased (sq.m)	Space under development leased on the basis of signed agreements (sq.m)	Space under development not yet leased (sq.m)
824 714	306 360	94 614	290 913	80 449	15 447

Types of rental space offered:

The Company offers its tenants two types of space:

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

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

The completed area of the Group's parks at 31 December 2016 is:

Breakdown of the Group's developed space by type as at 31 December 2016



The fair value of the Group's property portfolio at 31 December 2016:

Logistics Park	Fair Value in EUR thousand	Fair Value in PLN thousand
MLP Pruszków I	80 210	354 848
MLP Pruszków II	73 506	325 191
MLP Poznań	24 963	110 436
MLP Lublin	13 220	58 485
MLP Teresin	8 380	37 073
MLP Gliwice	4 040	17 873
MLP Wrocław	7 980	35 304
MLP Czeladź	5 400	23 890
Total	217 699	963 100

Value of the investment property portfolio presented in the consolidated financial statements at 31 December 2016 is comprised of: (i) fair value of investment property of PLN 886,727 thousand, (ii) perpetual usufruct of land of PLN 5,259 thousand and (iii) financial expenditures on new investments of PLN 98 thousand.

1.4 Information about the market, customers and suppliers

The Group is currently operating five logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin and MLP Teresin, one logistics park under construction - MLP Wrocław, and two logistics parks in preparation phase: MLP Czeladź, MLP Gliwice.

1.4.1 The structure of the Group's sales

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

Revenue from sales			
<i>in the year ended 31 December</i>	2016	2015	change (%)
Revenue generated by MLP parks	83 693	75 865	10,3%
Revenue generated by parks MLP Tychy and MLP Bieruń	-	26 226	-100,0%
Revenues generated on the grounds of the real estate development agreement	17 340	-	-
Total	101 033	102 091	-1,00%

Revenue from sales			
<i>in the year ended 31 December</i>	2016	2015	change (%)
External customer sales:			
Investment property rental	52 100	67 759	-23,1%
<ul style="list-style-type: none"> ● Parks: MLP Tychy and MLP Bieruń ● Other Parks 	-	21 736	-100,0%
	52 100	46 023	13,2%
Re-invoicing of operating costs	15 163	17 467	-13,2%
<ul style="list-style-type: none"> ● Parks: MLP Tychy and MLP Bieruń ● Other Parks 	-	4 124	-100,0%
	15 163	13 343	13,6%
Re-invoicing of utilities	14 712	15 152	-2,9%
<ul style="list-style-type: none"> ● Parks: MLP Tychy and MLP Bieruń ● Other Parks 	-	257	-100,0%
	14 712	14 895	-1,2%
Other	1 718	1 713	0,3%
<ul style="list-style-type: none"> ● Parks: MLP Tychy and MLP Bieruń ● Other Parks 	-	94	-100,0%
	1 718	1 619	6,1%
Revenues generated on the grounds of the real estate development agreement	17 340	-	-
Total	101 033	102 091	-1,0%

The structure of the Group's tenants is diversified, and therefore the Group is not exposed to significant risk arising from contracts signed with a single tenant or group of tenants. As at 31 December 2016, the average space rented to one tenant was approximately 5.1 thousand sq.m. (as at 31 December 2015 average space rented to one tenant was 4.2 thousand sq.m).

As at 31 December 2016 about 57% of the total leased space was occupied by the 10 largest tenants in logistics parks belonging to the Group (as at 31 December 2015 it was 55%).

Logistics parks: MLP Tychy and MLP Bieruń were sold in 2015, therefore there is no revenue from these parks in 2016.

Right with the sale contract of the MLP Bieruń logistics park property, MLP Bieruń Sp. o.o. signed a development agreement under which it committed to complete the construction of the park and its commercialization. According to the above-mentioned agreement, MLP Bieruń Sp. z o.o. led to rent 11,340 sqm area to Auto Partner and started realisation of the mentioned investment. Due to provided services, the Group recognized revenues of PLN 17,340 thousand in 2016.

1.4.2 The largest counterparties

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

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

In case of construction, general contractors are chosen through the process of internally organized tender procedures. In 2016 the Group cooperated with two construction companies, with purchase turnover exceeding 10% of the Group's revenue, that were acting as general contractors:

- JOKA Sp.z o.o.,
- Bremer Sp. z o.o.

In case of purchase of other services, due to a broad base of suppliers, the Group is not dependent on a single supplier. In 2016 purchase turnover with any of the Group's other suppliers did not exceed 10% of the Group's revenues.

2. MLP Group S.A. Capital Group activities

2.1 Activities of MLP Group S.A. Capital Group in 2016

In 2016, the Group continued its activities of construction and property management in relation to warehouse and office space. Constructions were carried out mainly in a general contractor system, delivered by specialized external entities.

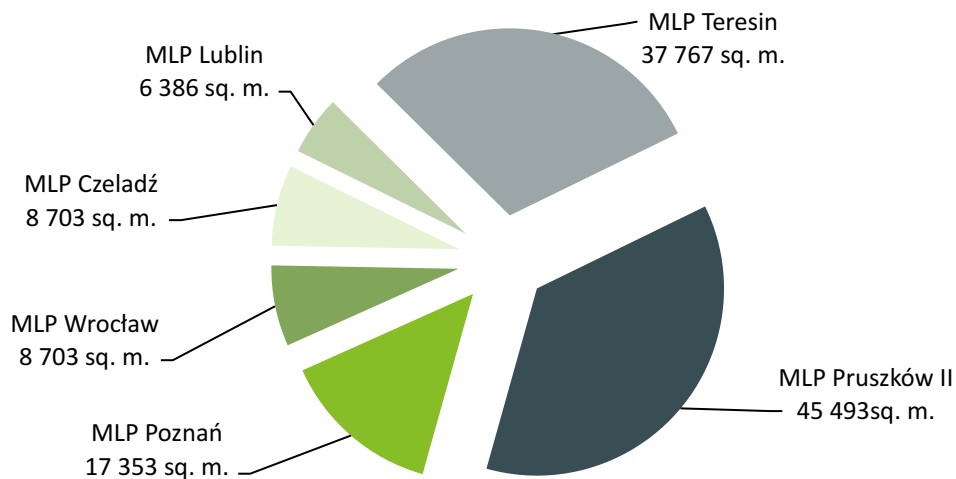
In the analyzed period, the Group simultaneously operated several development projects and rented more than 290 thousand sq.m of existing warehouse and office space. The Company's Management Board reviewed and evaluated:

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

2.1.1 Investment projects started and completed

In 2016 the Group carried out investment projects with a total area of 105,886 sq.m.

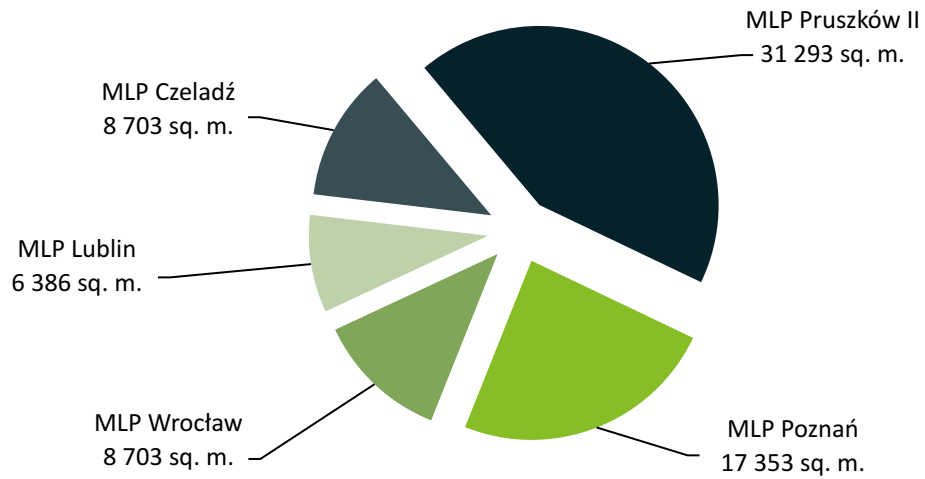
Area of investment projects with construction activity in 2016 (sq.m)



Out of the total area of projects that were in construction activity in 2016, 51,967 sq.m. (measured area) of investment projects were started before 2016. Additionally in 2016, total area of investment projects commenced or being in preparation amounted to 72,438 sq.m. As at 31 December 2016, the Group prepares investment projects with an area of 18,519 sq.m.: logistics park MLP Czeladź - 8,703 sq.m, MLP Pruszków II - 9,816 sq.m. The realisation terms of these projects are scheduled for 2017-2018.

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

Area of investment projects initiated and in preparation in 2016 (sq.m)



Out of all projects under construction in 2016, the Group finalized projects of 29.625 sq.m.

Area of investment projects completed in 2016 (sq.m)



2. 1.2 Development projects currently underway and in preparation

Since the beginning of 2016 until the publication date of this report, the Group has finished projects under construction of total area of 29,625 sq.m. Those investments were initiated before 2016. Moreover, currently there is 94,780 sq.m. space that is under signed lease agreements and to be build in the following parks: MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Czeladź.

In 2016 the Group acquired land for construction of new logistics park - MLP Czeladź, where it plans to build a total of 74.200 sq.m.

The Group's strategy is to focus on expanding the existing industrial parks (i.e. construction of warehouses on land belonging to the Group), and development of BTS projects outside existing parks.

The Group realizes BTS projects, i.e. a lease agreement with a prospective tenant must be signed prior to the initiation of the investment process.

Right with the sale contract of the MLP Bieruń logistics park property, MLP Bieruń Sp. o.o. signed a development agreement under which it committed to complete the construction of the park and its commercialization.

Realizing the above mentioned contract, the Group led to lease of around 50% of target area, ie. 11,340 sq.m and 90 parking spaces. As at 31 December 2016 the space was under construction.

Currently, the Group has not entered into any other binding commitments for realization of new investment projects.

2. 1.3 Significant agreements for the Group's activities

Significant suppliers with whom the Group entered into agreements in 2016 with a total value exceeding 10% of Group's equity.

In the financial year ended 31 December 2016, the Group has not entered into a trade agreement with a single supplier the total value of which exceeded 10% of the Group equity.

2. 1.4 Agreements between the shareholders

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

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

2. 1.5 Cooperation and collaboration agreements

In 2016 MLP Group S.A. Capital Group did not sign any significant agreements related to the cooperation or collaboration with other entities.

2. 1.6 Transactions with related parties

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

A description of related party transactions is presented in Note 27 to the Consolidated Financial Statements for the year ended 31 December 2016.

2. 1.7 Litigation

Ongoing proceedings in court, arbitration proceedings

As at 31 December 2016 there was no individual proceeding in court, arbitration or public administration related to liabilities or receivables of the Company or its subsidiaries, which would exceed 10% of the Group's equity.

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

As at 31 December 2016, the Group was a party to proceedings related to liabilities and receivables of approximately PLN 31.314 thousand, including the total value of proceedings relating to liabilities of approximately PLN 5.486 thousand (out of which PLN 5,406 thousand relates to a court case with OLPIZ Sp. z o.o.). The total value of proceedings concerning receivables amounted to approximately 25.828 thousand (out of which 21.888,7 thousand relates to the court case with Czerwona Torebka S.A.).

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

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

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

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

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

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

Credit risk

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

Liquidity risk

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

Market risk

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

◦ **Foreign exchange risk**

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

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

◦ **Interest rate risk**

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

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

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

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

Risks associated with factors specific to the real estate sector

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

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

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

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

Insurance risk

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

Risks associated with the development activities of the Group

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

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

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

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

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

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

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

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

Risk associated with general contractors

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

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

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

Risks associated with obtaining administrative decisions:

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

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

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

2. 2.2 Business prospects

The strategic goal of the Group is to permanently increase the owned warehouse space on the Polish market and to start operating abroad. In 2017 the Management Board of MLP Group plans to invest in warehouse market in Germany (near Dortmund) and Romania (near Bucharest) and analyzes the offers to purchase land in these countries. The Board is considering the possibility of starting a program of corporate bonds, from which the funds would be used to purchase real estate in Germany and Romania.

The effect of this will be strengthening the Company's position as a long-term partner of customers developing operations in the area. The strategic objective of the Group is the realization of buildings in the Build to Suit system (BTS) on the current surplus land and construction of buildings in the BTS system beyond the current parks for resale.

GDP growth, as well as the growing importance of Poland as a service center for e-commerce companies for the needs of countries of Western Europe are an important factor in stimulating demand. Furthermore low interest rates and the lowest rent prices in Europe make Poland one of the most attractive places in Europe. As the general state of the economy and trends in the industrial market are highly correlated, we can expect that it will be reflected in the demand for storage.¹⁾

2016 was the record year for the warehouse market in terms of demand for warehouse and industrial space in Poland. In the analyzed period, market participants signed agreements related to the lease of 3 million sqm. Among reasons for demand growth, that is not expected to decline in future, are: optimization of supply chain, increase in industrial production, openings of new transport corridors and increasingly rapid e-commerce growth. Most of the warehouse space was leased in the Warsaw area (760 thousand sqm), Upper Silesia area (494 thousand sqm.), Wrocław area (355 thousand sqm), Poznań area (340 thousand sqm.) and Central Poland (307 thousand sqm). High increase was recorded on rising markets like in Szczecin (338 thousand sqm) or Bydgoszcz and Toruń (128 thousand sqm).²⁾

The most active tenants are logistics operators (32% share in the market), FMCG sector (12% share), e-commerce (11% share), automotive branch (8% share) and light production industry (6% share).²⁾

¹⁾ Source: www.cushmanwakefield.pl

²⁾ Source: www.propertynews.pl

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

3.1 Key economic and financial data disclosed in the consolidated financial statements of the Group for the year 2016

3.1.1 Selected financial data from the consolidated statement of financial position

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

	31 December <i>as at</i> 2016	Share %	31 December 2015	Share %	Change %
ASSETS	1 177 981	100%	1 126 169	100%	5%
Non-current assets	1 042 700	89%	934 348	83%	12%
Including:					
Investment property	968 524	82%	845 153	75%	15%
Other long-term investments	65 964	7%	76 265	7%	-14%
Current Assets	135 281	11%	191 821	17%	-29%
Including:					
Short-term investments	22 884	2%	31 096	3%	-26%
Trade receivables and other	42 481	4%	19 333	2%	120%
Other short-term investments	6 984	1%	17 590	2%	-60%
Cash and cash equivalents	61 694	5%	122 978	11%	-50%

	31 December <i>as at</i> 2016	Share %	31 December 2015	Share %	Change %
EQUITY AND LIABILITIES	1 177 981	100%	1 126 169	100%	5%
Equity total*	675 726	57%	647 368	57%	4%
Long-term liabilities	435 140	37%	403 689	36%	8%
Including:					
Credits, loans, other debt instruments and other long-term liabilities	341 362	29%	323 793	29%	5%
Short-term liabilities	67 115	6%	75 112	7%	-11%
Including:					
Credits, loans and other debt instruments	13 810	1%	19 696	2%	-30%
Trade and other liabilities	43 965	4%	51 741	5%	-15%

* In May 2016 MLP Group S.A. paid a dividend in the amount of PLN 41.660 thousand.

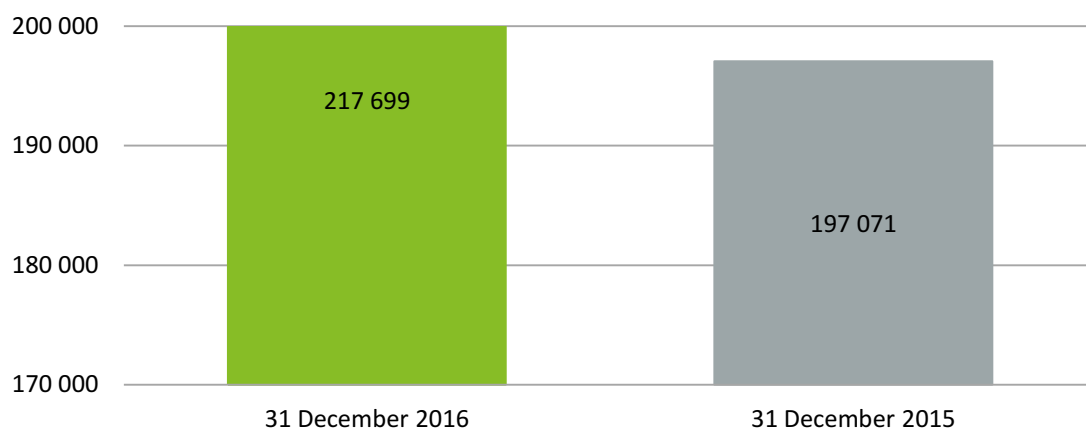
As at 31 December 2016 investment properties, including logistics parks belonging to the Group, constituted the main part of the Group's assets, i.e. 82 % of total assets (75% in 2015). The main items of equity and liabilities were: credits, loans, perpetual usufruct, other debt instruments, equity and trade and other liabilities, which as at 31st December 2016 respectively accounted for: equity 57%, liabilities from credits, loans, other debt instruments and other liabilities 30%. Increase of liabilities comprising credits, loans, other debt instruments and other long term liabilities resulted mainly due to new loans taken by the Group (new tranche of credit in MLP Lublin Sp. z o.o. taken in PKO BP S.A. bank, new tranche of credit in MLP Pruszków IV Sp. z o.o. in bank mBank S.A., and additional credit taken by MLP Teresin Sp. z o.o. in Pekao S.A. bank) which was partly offset by partial loan repayments granted from Fenix Polska Sp. z o.o.

Investment property

	31 December <i>as at</i> 2016 in EUR thousand	31 December 2016 in PLN thousand	31 December 2015 in EUR thousand	31 December 2015 in PLN thousand	Change in EUR thousand
MLP Pruszków I	80 210	354 848	80 610	343 519	(400)
MLP Pruszków II	73 506	325 191	68 319	291 141	5 187
MLP Poznań	24 963	110 436	23 123	98 539	1 840
MLP Lublin	13 220	58 485	11 095	47 281	2 125
MLP Teresin	8 380	37 073	3 850	16 407	4 530
MLP Gliwice	4 040	17 873	4 198	17 890	(158)
MLP Wrocław	7 980	35 304	5 876	25 041	2 104
MLP Czeladź	5 400	23 890	-	-	5 400
Value of investment property according to valuations	217 699	963 100	197 071	839 818	20 628

According to the valuations as at 31 December 2016, the total value of the investment property portfolio of the Group amounted to EUR 217,699 thousand (PLN 963.100 thousand) and increased by EUR 20,628 thousand in comparison to the value of the properties according to the valuations as at 31 December 2015. The change in the value of the investment property portfolio resulted mainly from the completion of the projects and handover of more than 29 thousand sqm of new rental space in 2016, the purchase of new land for construction of new logistics park MLP Czeladź, and beginning of new investments in parks: MLP Pruszków II, MLP Wrocław, MLP Lublin, MLP Poznań. As at 31 December 2016 the total area under lease agreements managed by the Group increased by 43.8 thousand sqm as compared to 2015.

**The value of the investment properties
 (in EUR thousand)**



Other Investments

	<i>as at</i>	31 December 2016	31 December 2015 <i>(restated)</i>
Other long-term investments		8 567	7 050
Long-term loans		57 397	69 215
Short-term loans		22 884	31 096
Other short-term investments		6 984	17 590
Total other investments		95 832	124 951

As at 31 December 2016, the amount of outstanding loans granted decreased by PLN 20,030 thousand in comparison to the end of 2015. This decrease results from repayments of loans of PLN 22,393 thousand by Fenix Polska Sp. z o.o.. The remaining PLN 2,363 thousand concerns foreign exchange differences on valuation and interests accrued in 2016.

Other long-term investments comprise restricted cash of PLN 8,567 thousand. The amount contains: (i) cash of PLN 7,031 thousand, which was separated in accordance with the credit agreements to secure payment of principal and interest instalments, (ii) amount of PLN 379 thousand of deposits retained from tenants, (iii) and other security deposits of PLN 1,157 thousand.

The Group has short-term restricted cash of PLN 6,245 thousand. Restricted cash consists of: PLN 5,068 thousand of guarantees given by MLP Pruszków I Sp. z o.o. in favour of Hapoalim Bank and short-term part of deposits of PLN 605 thousand PLN.

Other short-term investments also comprise funds on Escrow account of PLN 739 thousand, retained in connection with the sale of investment properties. These funds will be released when the Group's obligations under the contract of sale of investment properties are met. The Group expects that these obligations will be implemented within 12 months of the end of the reporting period.

Cash

	31 December <i>as at</i> 2016	31 December 2015 <i>(restated)</i>
Cash on hand	61	47
Cash in bank	20 153	54 485
Short-term deposits	41 480	68 446
Cash in transit	-	-
Cash and cash equivalents presented in the consolidated statement of financial position	61 694	122 978
Cash and cash equivalents, presented in the consolidated statement of cash flows	61 694	122 978

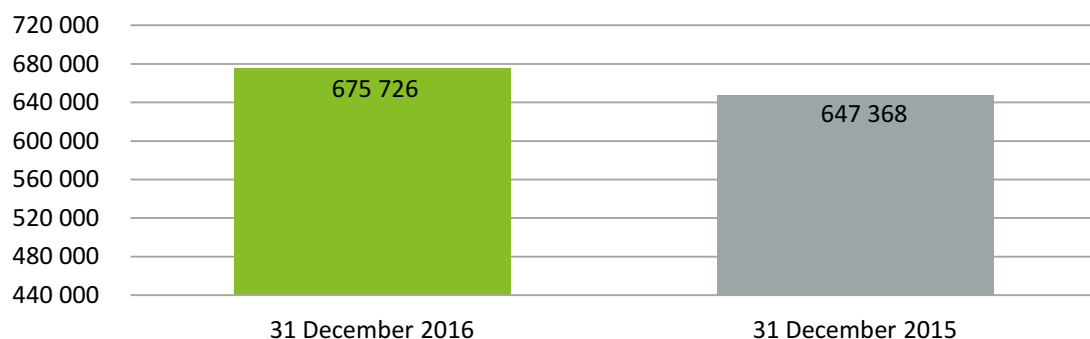
Cash and cash equivalents in the annual consolidated statement of financial position includes cash in hand and bank deposits with an initial maturity of up to 3 months.

The balance of cash as at 31 December 2016 amounted to PLN 61,694 thousand and decreased compared to PLN 122,978 thousand as at the end of the prior year. The decrease results mainly from the dividend payment of PLN 41,660 thousand made by MLP Group S.A. on 25 May 2016, and also due to capital expenditure regarding purchase of land in Czeladź and the construction of new facilities.

Equity

Net assets value (NAV)

Net assets value (PLN thousand)



Net assets value as at 31 December 2016 amounted to PLN 675,726 thousand, and increased by PLN 28,358 thousand (4.4%). Not taking into account dividend paid in 2016, net assets as at 31 December 2016 were higher by 10.8% compared to the value as at 31 December 2015.

The increase in NAV stems mainly from the net profit achieved in 2016 and valuation of hedging instruments recognized in equity.

Share capital

	31 December <i>as at</i> 2016	31 December 2015
Series A shares	11 440 000	11 440 000
Series B shares	3 654 379	3 654 379
Series C shares	3 018 876	3 018 876
Total	18 113 255	18 113 255
Par value of 1 share	0.25	0.25

As at 31 December 2016, share capital of the Parent Company amounted to PLN 4,528,313.75 and was divided into 18,113,255 shares entitling shareholders to 18,113,225 votes at the General Meeting. All shares have a par value of PLN 0.25 and have been fully paid.

Credits, loans, other debt instruments and other liabilities

	<i>as at</i>	31 December 2016	31 December 2015
Credits secured on the Group's assets		265 750	222 889
Loan liabilities		61 318	80 761
Total long-term credits, loans and other debt instruments		327 068	303 650
Finance lease liabilities		5 259	5 260
Liabilities concerning SWAP transactions		2 229	13 579
Investment guarantees, guarantees from tenants and other		6 789	1 304
Liabilities concerning CAP valuation		17	-
Total other long-term liabilities		14 294	20 143
Short-term credits and short term part of credits secured on the Group's assets		13 230	15 730
Loan liabilities		580	3 966
Liabilities concerning SWAP transactions		6 196	164
Total short-term liabilities		20 006	19 860
Credits, loans, other debt instruments and other liabilities		361 368	343 653

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

Value of long and short term credits increased as compared to the end of 2015. It is a result of new credits taken in March 2016 (new credit tranche - MLP Lublin Sp. z o.o. in PKO BP S.A. bank) and in August 2016 (new credit tranche - MLP Pruszków IV Sp. z o.o. in mBank S.A. bank, and new credit in MLP Teresin Sp. z o.o. in Pekao S.A. bank).

Value of long and short term loans decreased as compared to the end of 2015 due to a partial repayment of loans during the 2016 year.

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

Consolidated statement of profit or loss of the MLP Group S.A. Capital Group for the year ended 31 December 2016 compared to 2015:

<i>for the year ended 31 December</i>	2016	% sales	2015	% sales	Change %
Revenues	101 033	100%	102 091	100%	-1%
<i>including:</i>					
<i>Revenues generated on the grounds of the real estate development agreement</i>	17 340	17%	-	0%	-
<i>Revenues generated by logistics parks: MLP Tychy and MLP Bieruń</i>	-	0%	26 226	26%	-
Other operating income	1 276	1%	3 652	4%	-65%
Selling and administrative expenses	(54 675)	54%	(42 907)	42%	27%
<i>including:</i>					
<i>Costs regarding realization of investment resulting from the real estate</i>	(12 822)	13%	-	0%	-
Other operating costs	(3 586)	4%	(1 001)	1%	258%
Operating profit before gain on revaluation of investment property	44 048	44%	61 835	61%	-29%
Gain/(Loss) on revaluation of investment property	58 304	58%	19 700	19%	196%
Operating profit	102 352	101%	81 535	80%	26%
Net financial income/(cost)	(15 253)	15%	(31 573)	31%	-52%
Profit before taxation	87 099	86%	49 962	49%	74%
Corporate income tax	(20 684)	20%	24 666	-24%	-184%
<i>for the year ended 31 December</i>			2016	2015	
Earnings per share:					
- Basic (in PLN) earnings for the year attributable to the ordinary shareholders of the Parent Company			3,67	4,12	
- Diluted (in PLN) earnings for the year attributable to the ordinary shareholders of the Parent Company			3,67	4,12	

The main source of revenue of the Group's core activities includes rental revenues. In 2016, rental revenues of the Group increased steadily and increased by 10% as compared to the previous year (excluding revenues generated by MLP Tychy and MLP Bieruń in 2015). The change resulted from the fact that in 2016 the Group completed investment projects and leased more than 29 thousand sq.m. of new spaces.

Selling and administrative expenses in 2016 amounted to PLN 54,675 thousand and increased by PLN 11,768 thousand in comparison to 2015. Increase was mainly due to realization of investment project in Bieruń according to development agreement concluded by MLP Bieruń.

Due to the nature of the Group's operations, the largest position of selling and administrative expenses were costs of external services, materials and energy consumption, and tax charges, which in 2016 amounted to PLN 26,679 thousand, PLN 12,092 thousand, and PLN 10,261 thousand respectively - these costs are closely correlated to the volume of space in warehouses and manufacturing parks owned by the Group and their development and related maintenance costs. The significant increase in costs of external services was mainly due to realization of investment project in Bieruń according to development agreement concluded by MLP Bieruń.

Net financial costs of the Group decreased in 2016 (PLN 15,253 thousand) in comparison to the analogical period of the previous year (PLN 31,573 thousand). The decrease was mainly due to settlement of MLP Spółka z ograniczoną odpowiedzialnością SKA IRS hedge transactions in 2015. This decrease was partly offset by negative exchange differences.

In 2016, the Group achieved a gain of PLN 58,304 thousand on the valuation of investment properties, while the Group reported a gain of PLN 19,700 thousand in the analogous period of 2015. This change was primarily affected by completion of investment projects and release of more than 29 thousand sq.m. of new spaces, purchase of land for investment in MLP Czeladź and initiating new investments in logistics parks: MLP Pruszków II, MLP Wrocław, MLP Lublin, MLP Poznań. Total leased space in logistics parks owned by the Group as at 31 December 2016 increased as compared to the same period of 2015 by 43.7 thousand sq.m.

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

	<i>for the year ended 31 December</i>	2016	2015 <i>(restated)</i>
Net cash flows from operating activities		21 171	63 304
Net cash flows from investing activities		-55 583	223 641
Net cash flows from financing activities		-26 872	-199 556
Total net cash flow		-61 284	87 389
Cash and cash equivalents at the beginning of the period		122 978	35 530
Foreign exchange differences on cash		0	59
Cash and cash equivalents at the end of the period		61 694	122 978

At the beginning of 2016 cash and cash equivalents amounted to PLN 122,978 thousand, at the end of 2016 balance amounted to PLN 61,694 thousand. It means that between 1 January 2016 and 31 December 2016 balance of cash and cash equivalents decreased by PLN 61,284 thousand.

In the year 2016, the Group generated positive cash flows from operating activities of PLN 21,171 thousand. The lower inflow of cash from operating activities compared to 2015 is mainly due to the fact that the Group incurred in 2016 costs from the development agreement concluded by MLP Bieruń sp. z o.o., while the revenue and cash inflow will occur in 2017 when the contract will be settled. Lower level of cash flows also resulted from the settlement of tax liabilities relating to the previous period.

In 2016 the Group recorded negative cash flows from investing activities of PLN 55,583 thousand. In the previous year cash flows from investing activities were positive and amounted to PLN 223,641 thousand due to sale of investment property forming MLP Tychy and MLP Bieruń logistics parks. Negative cash flows from investing activities are associated with the Group's investment program. Main expenses incurred by the Group were investments in developing existing logistics parks and purchase of land in MLP Czeladź Sp. z o.o.

In 2016 the Group recorded negative cash flows from financing activities of PLN 26,872 thousand. This resulted mainly from the dividend payment made by MLP Group S.A (PLN 41,660 thousand), repayment of loans and interests in amount of PLN 33,417 thousand, which were partially offset by inflows due to credits and loans taken in current period of PLN 48,205 thousand.

Cash inflows from credits and loans received in 2016 were lower as compared to the previous year. In 2016 the Group took an additional credit tranche of PLN 9,081 thousand (credit taken by MLP Lublin Sp. z o.o.), credit tranche of PLN 14,851 thousand (credit taken by MLP Teresin Sp. z o.o.) and credit tranche of PLN 24,310 thousand (credit taken by MLP Pruszków IV Sp. z o.o.). Cash from credit received was intended for refinancing expenditures for construction of warehouse and office space in the Group's parks.

3. 2 Management's approach to published forecasts

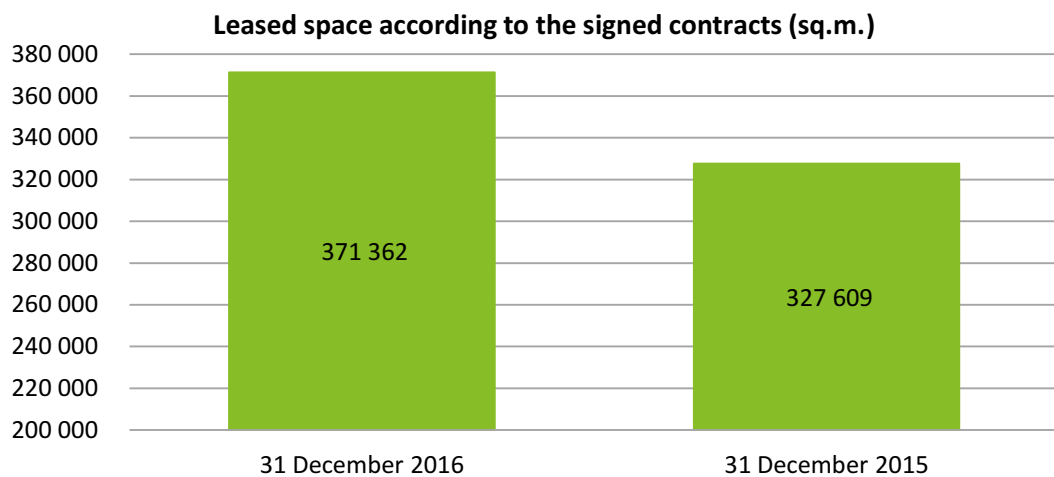
MLP Group S.A. Capital Group as well as MLP Group S.A. has not published forecasts of consolidated or individual financial results for 2016.

3.3 Group's financial management

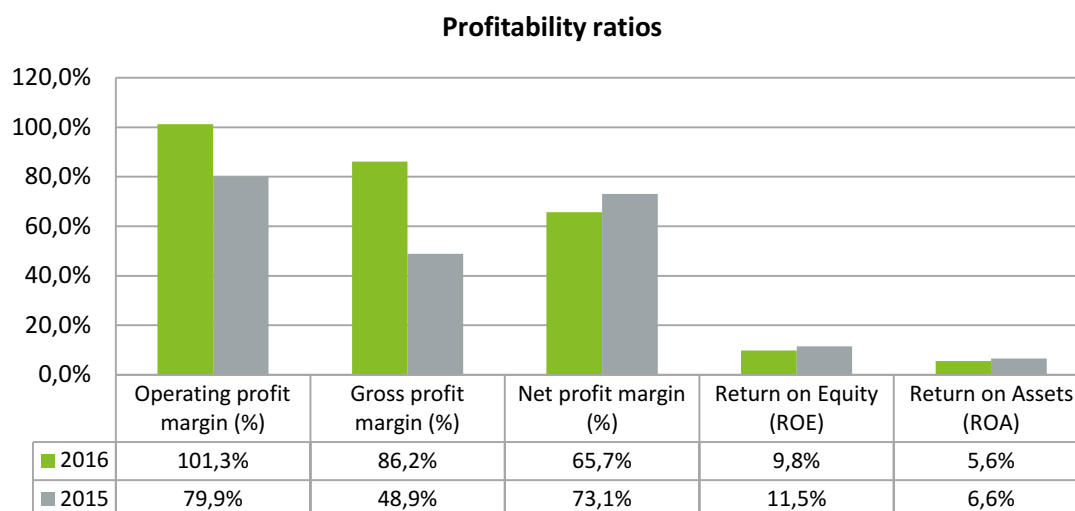
Management of financial resources of the MLP Group S.A. Capital Group in 2016, in connection with the ongoing investment projects for the development of warehouse and office space, focused primarily on acquiring and structuring appropriate financing sources, as well as maintaining safe liquidity ratios. The Management Board conducts regular analysis of the existing and future optimal financing structure in order to achieve the ratios and financial results while ensuring the liquidity of the Group and the wider financial security.

According to the Management Board, the Group's financial position and its performance as at 31 December 2016 proves a stable situation of the Group. This is achieved by the established position of the Group on the warehouse market, the accumulation of experience and operational capacity both in terms of implementation of investment projects as well as in the process of renting the facilities. The financial position and the performance of the Group is described by liquidity and debt ratios further in the report.

Taking into account the situation in the real estate market in Poland in recent years, the financial results achieved by the Group in 2016 are to be considered positive. As at 31 December 2016, the Group leased a total area of 371,362 sq.m, in comparison to 327,609 sq.m as at 31 December 2015.



3.3.1 Profitability ratios



Profitability analysis was based on the below defined indicators:

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

In 2016, the operating profit margin significantly increased in comparison to 2015. The level of operating profit margin in 2016 was mainly affected by increase of gain on revaluation of investment property of PLN 58,304 thousand (in 2015 the Group recognized a gain on revaluation of investment property of PLN 19,700 thousand).

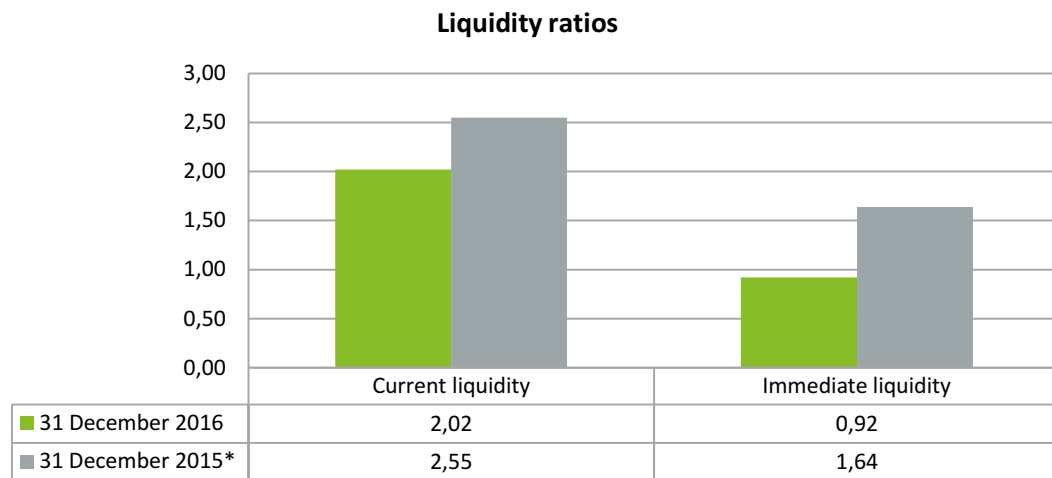
Gross profit margin ratio increased in 2016 by 37.3 p.p. and amounted to 86.2% as a result of increase of profit before tax (by 74.3% as compared to 2015).

Net profit margin decreased as compared to the previous year by 7.4 p.p. and amounted to 65.7% in 2016. This change was affected by a decrease of net result in comparison to the prior year (by 11%).

Return on equity in 2016 decreased as compared to the previous year (change of 1.7 p.p.). Decrease in net profit (by 11%) and higher equity in comparison to 2015 had the most significant impact on ROE.

Return on assets decreased slightly as compared to 2015 by 1.0 p.p.

3.3.2 Liquidity ratios



*Restated

Liquidity analysis was based on the below defined indicators:

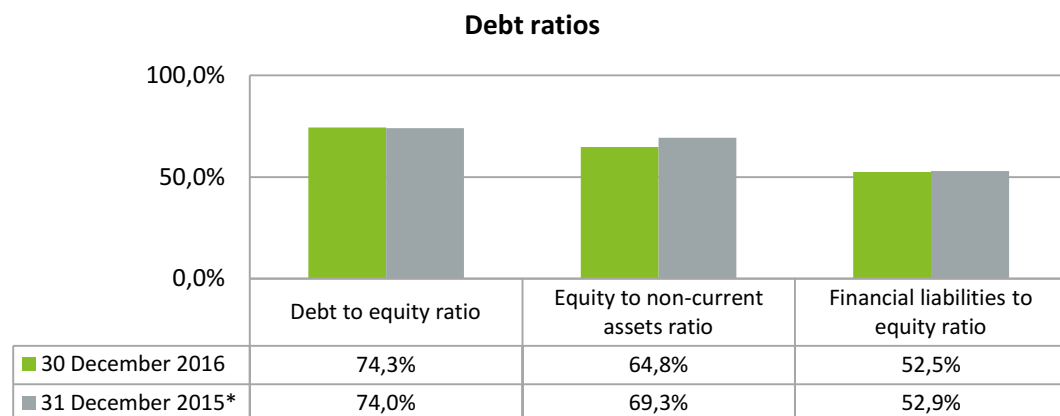
- **current ratio:** current assets / current liabilities;
- **immediate liquidity ratio:** cash and cash equivalents / current liabilities.

Current liquidity ratio as at 31 December 2016 decreased compared to 2015 (decrease of 0.53).

Cash and cash equivalents as at 31 December 2016 decreased significantly as compared to 31 December 2015 mainly due to the dividend payment made in May 2016.

Immediate liquidity ratio also decreased.

3.3.3 Debt ratios



* Restated

Debt analysis was performed based on the following ratios:

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

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

Equity to non-current assets ratio decreased in 2016 mainly due to increase of non-current assets.

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

3. 4.1 Concluded and terminated loan agreements

In 2016 the Group did not take any new loans.

In 2016 the Group repaid the following loans and interest on loans:

Borrower	Lender	Date of loan agreement	Amount of loan repaid	The amount of interest repaid
MLP Pruszków I Sp. z o.o.	Fenix Polska Sp. z o.o.	1998-05-22	693 818 USD	74 379 USD
MLP Pruszków I Sp. z o.o.	Cajamarca Holland B.V.	1998-12-23	0 USD	104 USD
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-11-21	1 438 336 PLN	0 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2015-01-19	150 000 PLN	0 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2009-01-13	1 273 970 PLN	0 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-12-22	150 000 PLN	0 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-04-11	1 172 906 PLN	0 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-11-07	0 PLN	12 489 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-11-18	0 PLN	6 532 PLN
MLP Pruszków IV Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-12-10	0 PLN	7 428 PLN
MLP Moszna I Sp. z o.o.	Fenix Polska Sp. z o.o.	2009-12-21	2 666 700 PLN	0 PLN
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-11-07	818 550 PLN	155 211 PLN
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-11-18	620 549 PLN	97 147 PLN
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-12-10	0 PLN	42 244 PLN
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-12-24	743 221 PLN	0 PLN
MLP Poznań Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-11-08	427 916 PLN	0 PLN
MLP Poznań Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-11-21	49 000 PLN	0 PLN
MLP Poznań Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-09-26	500 000 PLN	0 PLN
MLP Poznań Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-11-26	500 000 PLN	0 PLN
MLP Poznań West Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-10-30	5 200 000 PLN	0 PLN
MLP Poznań West Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-12-16	100 000 PLN	0 PLN
MLP Teresin Sp. z o.o.	Fenix Polska Sp. z o.o.	2014-05-15	150 000 PLN	0 PLN
Lokafof 201 Sp. z o.o. SKA	Fenix Polska Sp. z o.o.	2013-03-28	334 566 EUR	0 EUR
Lokafof 201 Sp. z o.o. SKA	Fenix Polska Sp. z o.o.	2014-05-05	2 814 113 PLN	0 PLN
Lokafof 201 Sp. z o.o. SKA	Fenix Polska Sp. z o.o.	2014-07-03	2 197 404 PLN	0 PLN

In 2016 year no loan agreements were terminated.

3. 4.2 Concluded and terminated bank credit agreements

- **New credit agreements in 2016**

In March 2016 the additional credit tranche was disbursed according to the agreement between MLP Lublin Sp. z o.o. and PKO BP S.A dated 13 April 2015.

On 29 April 2016, a new credit agreement between MLP Pruszków IV Sp. z o.o. and mBank S.A was signed (details were described in note 20.3 to the consolidated financial statements).

The payment of funds of EUR 12,071 thousand took place in August 2016.

On 31 May 2016, the credit agreement between MLP Teresin Sp. z o.o. and PEKAO S.A. was signed (details were described in note 20.3 to the consolidated financial statements).

Funds of EUR 3,298 thousand from construction credit and funds of PLN 715 thousand from revolving credit were disbursed through several tranches in 2016.

On 16 December 2016 MLP Pruszków I Sp. z o.o. concluded a new credit agreement with Raiffeisen Bank Polska S.A. in order to refinance previous debt (details were described in note 20.3 to the consolidated financial statements).

- **Credits repaid in 2016**

MLP Group S.A. Capital Group paid all credit installments according to the agreed schedules in 2016.

In 2016 no credit agreements were terminated.

3. 4.3 Bonds

The Group does not hold or issue bonds.

3. 4.4 Loans granted

In 2016 no loans were granted.

3. 4.5 Granted and received securities

As at 31 December 2016 the Group neither received nor granted securities.

3. 4.6 Granted and received guarantees

As at 31 December 2016 the Group granted the following guarantees:

- On 16 December MLP Group S.A. signed guarantee agreement (Cash Flow Back) 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 from 16 December 2016) will be reinstated to required level (to amount of additional tranche of credit in 2018).
- On 24 April 2016 MLP Pruszków I Sp. z o.o. granted a guarantee in favor of Mercantile Discount Bank of USD 1,000,000, which expires on 24 April 2017.
- On 10 May 2016 MLP Pruszków I Sp. z o.o. granted a guarantee in favor of Mercantile Discount Bank of USD 200,000, which expires on 10 May 2017.

3. 5 Assessment of the feasibility of the investment plans

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

The Group finances the investments, both those connected with the acquisition of new properties, as well as those connected with expanding currently held logistics parks from its own resources and through long-term debt financing in the form of bank credits and loans.

The Group assumes that the share of debt financing in the financing of the planned investment projects will be approximately 70%.

3. 6 Evaluation of factors and unusual events affecting consolidated financial result for the current period

In 2016 there were no factors and unusual events affecting consolidated financial result for the current period.

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

In 2016 the Group did not issue, repurchase or repay non-equity and equity securities.

3. 8 Concise description of significant successes achieved or failures occurred in 2016

There were no significant successes achieved or failures occurred other than described in the Management Board's report, and MLP Group S.A. financial statement.

3. 9 Seasonal or cyclical nature of operations

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

4. 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 complied with in the year ended 31 December 2016, 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 2016, all the principles of corporate governance set out in "Best Practice for Companies Listed on the Stock Exchange" were applied with the exception of:

I. 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

Reccomendation 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 reccomendation:

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 Share capital and the shareholders

4. 1.1 Shareholders

As at 31 December 2016, the Parent Company MLP Group S.A. was controlled by the majority shareholder of the Company, Cajamarca Holland B.V. headquartered in Delft, which holds 10.319.842 shares of the Company, representing 56.98% of the share capital of the Company and is entitled to 56.98% of the total number of votes at the General Meeting. Cajamarca Holland B.V. is a Dutch holding company.

The following table shows the list of shareholders as at 31 December 2016:

Shareholders	Number of shares	Share in capital	Share in total number of votes
Cajamarca Holland B.V	10 319 842	56,98%	56,98%
Thesinger Limited	1 920 475	10,60%	10,60%
MetLife OFE	948 387	5,24%	5,24%
Gracecup Trading Limited	641 558	3,54%	3,54%
MIRO B.V.	452 955	2,50%	2,50%
MIRO LTD.	99 170	0,55%	0,55%
Shareholders holding less than 5% of the votes	3 730 868	20,59%	20,59%
Total	18 113 255	100%	100%

The number of shares held by MIRO B.V. has decreased as a result of the settlement of the transaction dated 19 April 2016 which took place in Warsaw. The transaction was a contribution in kind of 552,000 shares, representing 3.05% of the share capital of the Company made by MIRO B.V. seated in Delft, Netherlands to MIRO Ltd. seated in Limassol, Cyprus in exchange for the shares in the Cypriot company.

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.

As a result of the settlement of the package transaction which took place on 26 April 2016, which was concluded through Pekao Investment Banking S.A. seated in Warsaw, Gracecup Trading Ltd. seated in Nicosia, Cyprus and MIRO Ltd. seated in Limassol, Cyprus, disposed of a total of 905,660 shares representing 5% of the share capital of the Company.

As a result of purchase of the Company's shares on 4 August 2016, MetLife Otworthy Fundusz Emerytalny increased its share in total voting rights on the General Meeting of Shareholders and in Company's share capital above 5%. Directly before the change of shares MetLife OFE had 870,706 shares representing 4.81% the share capital entitling to 870,706 voting rights on the General Meeting of Shareholders.

As a result of above described transaction MetLife OFE owns 948,387 shares representing 5.24% of the share capital entitling to 948,387 voting rights on the General Meeting of Shareholders, which constitutes 5.24% of the total number of votes.

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. falls 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.

Resolution of the General Meeting of Shareholders is not required for both the acquisition and disposal of investment property, perpetual usufruct or a share in property or perpetual usufruct, as well as the pledge of property or of perpetual usufruct.

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

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

- on its own initiative,
- at the request of the Supervisory Board,
- at the request of shareholders representing a total minimum of 5% of the share capital,
- based on a resolution of the General Meeting of Shareholders in accordance with the contents of the resolution and set its agenda.

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

- convening the General Meeting of Shareholders,

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

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

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

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

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

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

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

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

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

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

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

4. 3 Policy for amending the Articles of Association

Amendment of the Articles of Association of MLP Group S.A. in accordance with art. 430 § 1 and art. 415 § 1 of the Commercial Companies Code, requires a resolution adopted by a majority of three quarters of the vote and an entry to the register. In case of a resolution regarding the amendment of Articles of Association concerning increasing the benefits of 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 two 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 Competence of the Management Board

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

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

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

- issuance of bill of exchange,
- granting of security for any debt of an other entity, including a subsidiary,
- establishing a mortgage or other encumbrance on any assets of the Company,
- signing a contract, which imposes an obligation to provide or a risk to provide by the Company within one year items, services or cash of the amount of 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

4. 4.3 Composition of the Management Board

As at 31 December 2016, 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 June 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 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.

- 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 100,000 PLN 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. 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 2016, 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 Competence of the Supervisory Board

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

- giving consent to the issuance of shares within target capital, including the rules for the determination of the shares issue price and deprivation of pre-emptive rights if the resolution of the Management Board provides such possibility; ¹⁾
- approving annual budgets and development plans of the Company and the Group
- granting the Company the right to obtain contractual obligations or making expenditures in single or related transactions which are beyond the normal business activities with a value exceeding PLN 5.000.000
- approval of acquisition, disposal and liquidation of the Company's shares in other companies, with the exception of the transactions within MLP Group S.A. Capital Group and transactions included in the annual budget for Company's financial plan
- approving purchases or sales of investment property (including the right of perpetual usufruct) with a value exceeding PLN 1.000.000, with the exception of transactions included in the annual budget or the Company's financial plan
- appointing and dismissing members of the Management Board
- appointing the auditor to audit or review the financial statements of the Company, ¹⁾ concluding agreements between the Company and members of the Management Board
- adopting resolutions concerning consent for agreements between the Company and a shareholder of the Company holding, directly or indirectly, shares exceeding 5% of the total number of votes at the General Meeting
- expressing consent for the members of the Management Board to engage in the Company's competitive interests personally, as a partnership, as members of companies bodies, as well as shareholders of companies if their participation in the share capital of these companies is greater than 5%, or if the Article of Association or under an agreement are entitled to appoint at least one member of the Management Board or Supervisory Board
- adopting resolutions on determining the remuneration rules and amounts of the members of the Management Board, ¹⁾

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

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

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

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

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

4. 5.2 Principles of operation of the Supervisory Board

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

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

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

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

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

As at 31 December 2016 the composition of the supervisory bodies of the parent company was as follows:

Name	Surname	Position	Date of appointment	Expiry of the current term
Shimshon	Marfogel	Chairman of Supervisory Board	25 June 2016	25 June 2018
Eytan	Levy	Vice-Chairman of Supervisory Board	25 June 2016	25 June 2018
Yosef Zvi	Meir	Member of Supervisory Board	25 June 2016	25 June 2018
Guy	Shapira	Member of Supervisory Board	25 June 2016	25 June 2018
Jacek	Tucharz	Member of Supervisory Board	25 June 2016	25 June 2018
Maciej	Matusiak	Member of Supervisory Board	25 June 2016	25 June 2018

Shimshon Marfogel - Chairman of the Supervisory Board

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

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

Eytan Levy - Vice-Chairman of the Supervisory Board

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

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

Yosef Zvi Meir - Member of the Supervisory Board

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

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

Maciej Matusiak - Member of the Supervisory Board

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

Jacek Tucharz - Member of the Supervisory Board

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

Guy Shapira - Member of the Supervisory Board

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

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

4. 5.4 Committees of the Supervisory Board

On 15 January 2014, a meeting of the Supervisory Board was held where an Audit Committee was established which is responsible for overseeing the Company's financial situation. Detailed tasks and functioning of the audit committee were 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 2016 is as follows:

- Jacek Tucharz
- Eytan Levy,
- Maciej Matusiak.

As at 31 December 2016 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 2016, there is no remuneration committee in the Supervisory Board of the Issuer.

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

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

Remuneration of Management Board in 2016	In the Company	In other Group entities
• Remuneration and other benefits:		
Radosław T. Krochta	554	385
Michael Shapiro	393	26
Tomasz Zabost	188	319
Marcin Dobieszewski	220	-
• Cash settled share based payments		
	630	-
	1 985	730

Total remuneration due or received by the Management Board of the Company and other Group entities in 2016 amounted to PLN 2,715 thousand.

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

Remuneration of the Supervisory Board in 2016	
Maciej Matusiak	30
Jacek Tucharz	30
Eytan Levy	30
Shimshon Marfogel	30
Yosef Zvi Meir	30
Guy Shapira	30
	180

In 2016, the total value of remuneration due or received by the Supervisory Board was PLN 180 thousand.

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

The President of the Management Board Radosław T. Krochta is employed under 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.

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 entitles Mr. Michael Shapiro to receive a salary during the notice period.

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

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

Michael Shapiro is indirectly in possession, through a company MIRO B.V which he controls 100%, of 2.5% of the share capital of MLP Group S.A. and also through 25% of the share capital which MIRO B.V. holds of Cajamarca Holland B.V. which economic participation in the MLP Group S.A share capital of 14.25%. In total, the economic effective participation in MLP Group S.A. share capital is 16.75%.

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

4. 8 Management stock options program

In MLP Group S.A. there is no management stock option program. However in 2014 the Group introduced a cash settled share based payments program. Details of the program are disclosed in note 17 of the Consolidated Financial Statements for the year ended 31 December 2016.

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

In 2016, there were no major changes in the core principles of management. The development of the organization enforces improving management procedures applicable in MLP Group S.A. as well as other entities of the Group.

4. 10 The system of internal control and risk management

The Management Board is responsible for the internal control system and its effectiveness in the management of the financial statements and reports prepared and published in accordance with the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by law of Non-Member States (Official Journal 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 support the management of the entire Group.

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

- established organizational structure,
- qualified staff,
- direct supervision of management,

- verification of the financial statement by an auditor.

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

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

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

- construction projects,
- operational projects,
- general and administrative expenses and sales.

The financial and accounting system of the Group is the source of data for the entire reporting system of the Group, that is:

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

After the closure of the accounts, reports on the realization of budgets and forecasts are prepared. In respect of ended reporting periods, the Group's financial results are compared to the budget assumptions.

A key element of this process is to monitor 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 Audit firm

On 5 December 2016, the Supervisory Board, acting on the basis of article No. 21.2 g) of the Company's Articles of Association appointed KPMG Audit Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its seat in Warsaw, as the entity authorized to audit separate and consolidated financial statements for the years: 2016 and 2017, and perform the interim review of separate and consolidated financial statements for year 2017.

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 2016	31 December 2015
Audit of the annual financial statements		95	96
Audit of individual financial statements of subsidiaries		107	106
Review of the consolidated and unconsolidated financial statements		60	60
Other services, including review the of group reporting package		144	173
Total remuneration		406	435

Radosław T. Krochta
President of the Management Board

Tomasz Zabost
Member of the Management Board

Michael Shapiro
Vice-President of the Management Board

Pruszków, 14 March 2017