



MLP
GROUP



MLP Group S.A. Group
CONSOLIDATED
ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Dear Shareholders,

It is with great pleasure that on behalf of the Management Board I present to you the Annual Report of the MLP Group S.A. Group for 2018. Last year was another period of continued robust performance by the Group, during which we further strengthened our position on the rapidly growing warehouse market.

Macroeconomic environment

2018 saw Poland's economy grow much more rapidly than a year earlier, with the labour market significantly stronger. At 5.1%, real GDP growth in 2018 was the highest for 11 years, and the unemployment rate retreated by 0.7 pp y/y, to 5.9% at the end of December 2018, the lowest level since 1990. The economic growth was mainly driven by strong domestic demand supported by a rebound in investment activity. In 2019, the Polish economy is expected to slow down, in step with the global economy. The GDP growth rate is forecast at 3.8%, but Poland will continue as one of the fastest growing economies in the EU.

Warehouse market in Poland, Germany and Romania

2018 was another very successful year for the Group, confirming that the Polish warehouse market is in an excellent condition. The total area leased under contracts executed in 2018 was approximately 4.2 million m², a level broadly unchanged year on year. The strongest net demand (i.e. excluding contract renewals) was seen in three regions of the country, namely Warsaw, Upper Silesia and Central Poland; they accounted for more than half of the total demand.

Prompted by the growing demand for new warehouse space, developers have been undertaking new construction projects. In 2018, close to 2.2 million m² of new space was delivered, with a further 1.9 million m² currently under construction, nearly a third of which is being developed on a speculative basis, i.e. without any binding pre-lease contracts. Over the recent years, the total leasable warehouse space has been growing at a double-digit rate, to 15.7 million m² at the end of 2018.

At the end of last year, the vacancy rate was 5.1%, with no leasable area, however, readily available in western Poland.

The German and Romanian markets, where the Group is expanding its operations, also enjoy robust customer demand. Germany remains the largest warehouse market in Europe - the volume of transactions in 2018 reached the record high level of 7.2 million m², 20% above the five-year average. In the same period in Romania, lease contracts were signed for a total of 500 thousand m² of warehouse and logistics space, of which new space was 400 thousand m², and the total supply of space reached 3.75 million m².

Key developments at the Group in 2018

2018 was another year of the Group's continued strong growth. Last year, the total area of our projects under construction or in the pipeline was 140.8 thousand m², of which 87.5 thousand m² was completed during the period. As a result, as at year end our total leasable warehouse space stood at more than 537 thousand m², having increased by 22% on the previous year. We also maintain a land bank with a capacity of close to 973 thousand m² of target leasable space.

The Group's financial position remains strong. In 2018, its net asset value (NAV) increased by 12.21%, to PLN 815.35m, while net profit came in at PLN 92.4m, up nearly 100% on 2017. Consolidated revenue totalled PLN 141.5m, an increase of 36% year on year. The growth in revenue was largely attributable to expansion of the Group's business and settlement of the contract for completion and commercialisation of the MLP Bieruń logistics park, which was sold by the Group in 2015. In 2018, the Group's rental income, which is the Group's main revenue stream, increased by 23% on the previous year.

Currently, the Group runs eight operational logistics parks in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Czeladź and MLP Gliwice, and is developing one more facility, MLP Poznań West. In Germany, the Group currently operates one logistics park, MLP Unna, while in Romania it is constructing a new logistics park, MLP Bucharest West. The Group also owns, or has signed reservation agreements for the purchase of, plots of land for its planned logistics parks. Accordingly, MLP Group's existing and target portfolio of managed properties comprises a total of sixteen operational logistics parks across three European geographies.

MLP Group's plans for 2019

The Group's strategic objective is to consistently increase its leasable warehouse space in Poland and continue operations on foreign markets. Apart from Poland, Germany is the priority market for the Group, in particular five regions where the Group intends to locate its operations, i.e. Hamburg, Munich, Berlin, Frankfurt and the Ruhr. In the coming years, expansion in Germany will offer the Group the highest return on investment while ensuring geographical diversification of the business. We also believe that there is an opportunity for us to launch operations near Vienna, Austria, as early as 2019. The Romanian warehouse market also has a potential for growth, which is why in Chitila, a satellite town of Bucharest, we broke ground for a new speculative project with a total area of 10 thousand m². In all the geographies where we operate, demand for modern warehouse space remains high. Completion of new developments will ensure a further strong growth of the Group's value. In line with our 'build and hold' strategy, we have no plans to sell assets.

In the opinion of the Management Board, the Group's financial condition is excellent. We have a healthy capital structure able to support delivery of our long-term strategy, own land bank comprised of attractively located plots, and highly qualified management. All these factors, coupled with a favourable macroeconomic environment in Poland, are expected to help MLP Group deliver its long-term strategic objectives.

We would like to extend our thanks to all our shareholders for their unwavering support and trust. We will make every effort to effectively and consistently deliver our strategy, achieve strong financial results and ensure continuous growth of the MLP Group S.A. Group's value.

Radosław T. Krochta
Chief Executive Officer
President of the Management Board

II. Statement of the Management Board

The consolidated financial statements of the MLP Group S.A. Group (“the Group”) for the period from 1 January 2018 to 31 December 2018 and the comparative data for the period from 1 January 2017 to 31 December 2017 have been prepared in compliance with the applicable accounting policies described in Note 3 and present a true, accurate and fair view of the Group’s assets, financial condition and financial results. The Management Board's Report on the activities of the Issuer’s Group presents a true view of the development, achievements and condition of the Group, including a description of key threats and risks.

We also represent that the entity qualified to audit the financial statements that audited the consolidated financial statements of the Group for the 12 months ended 31 December 2018, i.e. KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa, was appointed in accordance with the law. The entity and the statutory auditor who performed the audit satisfied the conditions to issue an unbiased and independent opinion on the audit, in compliance with the applicable laws and professional standards.

Signed with qualified electronic signature.

Radosław T. Krochta
President of the Management Board

Michael Shapiro
Vice President of the Management Board

Tomasz Zabost
Member of the Management Board

Maria Ratajczyk
*Signature of the person preparing the
financial statements*

Pruszków, 15 March 2019

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

Average exchange rates of the Polish złoty against the euro during the period covered by the consolidated financial statements:

	31 December 2018	31 December 2017
Average exchange rate during the period*	4,2669	4,2447
Exchange rate at the last day of the period	4,3000	4,1709

*Arithmetic mean of the average exchange rates effective as at the last day of each month in the reporting period.

Key items of the consolidated statement of financial position converted into the euro:

	as at	31 December 2018		31 December 2017	
		PLN thousand	EUR thousand	PLN thousand	EUR thousand
Non-current assets		1 520 604	353 629	1 240 954	297 527
Current assets		137 362	31 945	117 396	28 146
Total assets		1 657 966	385 574	1 358 350	325 673
Non-current liabilities		756 966	176 039	569 226	136 476
Current liabilities		85 648	19 918	62 473	14 978
Equity, including:		815 352	189 617	726 651	174 219
Share capital		4 529	1 053	4 529	1 086
Total equity and liabilities		1 657 966	385 574	1 358 350	325 673
Number of shares		18 113 255	18 113 255	18 113 255	18 113 255
Book value per share and diluted book value per share attributable to the owners of the Parent (PLN)		45,01	10,47	40,12	9,62

The data in the consolidated statement of financial position was translated at the mid-rate quoted by the National Bank of Poland for the last day of the reporting period.

Key items of the consolidated statement of profit or loss and other comprehensive income converted into the euro:

	<i>for the year ended</i>		31 December 2018		31 December 2017*	
		PLN thousand	EUR thousand	PLN thousand	EUR thousand	
Revenue		141 502	33 163	103 807	24 456	
Other income		2 280	534	258	61	
Gain on revaluation of investment property		88 713	20 791	8 602	2 027	
Distribution costs and administrative expenses		(78 919)	(18 496)	(56 029)	(13 200)	
Operating profit		151 090	35 410	55 156	12 994	
Profit before tax		121 684	28 518	56 227	13 246	
Net profit		92 391	21 653	47 287	11 140	
Total comprehensive income		91 961	21 552	50 925	11 997	
Net profit attributable to the owners of the Parent		92 391	21 653	47 287	11 140	
Earnings per share and diluted earnings per share attributable to owners of the Parent (PLN)		5,10	1,20	2,61	0,61	

*restated data

The data in the consolidated statement of profit or loss and other comprehensive income was translated at the average euro exchange rate calculated as the arithmetic mean of the mid exchange rates quoted by the National Bank of Poland for the last day of each month in the reporting period.

Key items of the consolidated statement of cash flows converted into the euro:

	<i>for the year ended</i>		31 December 2018		31 December 2017	
		thousand PLN	thousand EUR	thousand PLN	thousand EUR	
Net cash from operating activities		36 013	8 440	55 034	12 965	
Cash from investing activities		(195 506)	(45 819)	(183 513)	(43 233)	
Cash from financing activities		139 909	32 789	133 938	31 554	
Total cash flows		(19 584)	(4 590)	5 459	1 286	

The data in the consolidated statement of cash flows was translated at the average euro exchange rate calculated as the arithmetic mean of the mid exchange rates quoted by the National Bank of Poland for the last day of each month in the reporting period.

	<i>as at</i>		31 December 2018		31 December 2017	
		PLN thousand	EUR thousand	PLN thousand	EUR thousand	
Cash at beginning of period		64 827	15 543	61 694	13 945	
Cash at end of period		46 106	10 722	64 827	15 543	

The following exchange rates were used to translate the presented data from the consolidated statement of cash flows:

- Item *Cash at end of period* – the mid exchange rate quoted by the National Bank of Poland (NBP) for the last day in the reporting period
- Item *Cash at beginning of period* – the mid exchange rate quoted by the National Bank of Poland (NBP) for the last day of the period preceding the reporting period.

The EUR/PLN exchange rate on the last day of the reporting period ended 31 December 2016 was 4.424.



MLP Group S.A.
Group

**Consolidated financial
statements**

**for the year ended 31 December 2018
prepared in accordance with IFRS EU**

IV. Consolidated financial statements

Authorisation of the consolidated financial statements for issue

On 15 March 2019, the Management Board of the Parent, i.e. MLP Group S.A., authorised for issue the consolidated financial statements (the "Consolidated Financial Statements") of the MLP Group S.A. Group (the "Group") for the period from 1 January 2018 to 31 December 2018.

The Consolidated Financial Statements for the period from 1 January 2018 to 31 December 2018 have been prepared in accordance with International Financial Reporting Standards as approved by the European Union ("IFRS EU"). In this report, information is presented in the following sequence:

1. Consolidated statement of profit or loss and other comprehensive income for the period from 1 January 2018 to 31 December 2018, showing net profit of PLN 92,391 thousand.
2. Consolidated statement of financial position as at 31 December 2018, showing total assets and total equity and liabilities of PLN 1,657,966 thousand.
3. Consolidated statement of cash flows for the period from 1 January 2018 to 31 December 2018, showing a PLN 18,721 thousand decrease in net cash.
4. Statement of changes in consolidated equity for the period from 1 January 2018 to 31 December 2018, showing a PLN 88,701 thousand increase in consolidated equity.
5. Notes to the Consolidated Financial Statements.

The Consolidated Financial Statements have been prepared in thousands of PLN, unless otherwise stated.

Signed with qualified electronic signature.

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	2018	2017 <i>(restated data)</i>
Revenue	6	141 502	103 807
Other income	7	2 280	258
Gain on revaluation of investment property	12	88 713	8 602
Distribution costs and administrative expenses	9	(78 919)	(56 029)
Other expenses	8	(2 486)	(1 482)
Operating profit		151 090	55 156
Finance income	10	1 196	16 662
Finance costs	10	(30 602)	(15 591)
Net finance income/(costs)		(29 406)	1 071
Profit before tax		121 684	56 227
Income tax	11	(29 293)	(8 940)
Net profit		92 391	47 287
Other comprehensive income			
Exchange differences on translating foreign operations		460	(540)
Effective portion of changes in fair value of cash flow hedges		(1 099)	5 158
Income tax on other comprehensive income		209	(980)
Other comprehensive income, net		(430)	3 638
Total comprehensive income		91 961	50 925
Net profit attributable to:			
Owners of the Parent		92 391	47 287
Net profit		92 391	47 287
Comprehensive income attributable to:			
Owners of the Parent		91 961	50 925
Total comprehensive income		91 961	50 925
Earnings per share			
- Basic and diluted earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent	19	5,10	2,61

Consolidated statement of financial position

	<i>as at 31 December</i>	Note	2018	2017
Non-current assets				
Property, plant and equipment			529	698
Intangible assets			678	12
Prepayments for intangible assets			-	726
Investment property	12		1 443 171	1 162 880
Other long-term investments	14		72 088	68 594
Other non-current assets			653	599
Deferred tax assets	13		3 485	7 445
Total non-current assets			1 520 604	1 240 954
Current assets				
Inventories			144	245
Short-term investments	14		22 291	22 139
Income tax receivable	15		516	1 125
Trade and other receivables	15		57 754	25 926
Other short-term investments	14		10 551	3 134
Cash and cash equivalents	16		46 106	64 827
Total current assets			137 362	117 396
TOTAL ASSETS			1 657 966	1 358 350
Equity				
	18			
Share capital			4 529	4 529
Other capital reserve			83 680	81 384
Share premium			71 121	71 121
Statutory reserve funds			153 963	153 963
Cash flow hedge reserve			(1 098)	(208)
Exchange differences on translating subsidiaries			(70)	(540)
Retained earnings			503 227	416 402
Total equity			815 352	726 651
Non-current liabilities				
Borrowings and other debt instruments	20.1		612 667	448 639
Deferred tax liability	13		119 474	100 253
Other non-current liabilities	20.1		24 825	20 334
Total non-current liabilities			756 966	569 226
Current liabilities				
Borrowings and other debt instruments	20.2		30 996	21 278
Other current liabilities	20.2		-	43
Employee benefit obligations	21		918	2 127
Income tax payable	22		2 959	1 065
Trade and other payables	22		50 775	37 960
Total current liabilities			85 648	62 473
Total liabilities			842 614	631 699
TOTAL EQUITY AND LIABILITIES			1 657 966	1 358 350

Consolidated statement of cash flows

	<i>for the year ended 31 December</i>	Note	2018	2017
Cash flows from operating activities				
Profit before tax			121 684	56 227
<i>Total adjustments:</i>				
Depreciation and amortisation			340	262
Change in fair value of investment properties			(88 713)	(8 602)
Net interest			16 295	13 775
Exchange differences			12 409	(16 220)
Other			100	(548)
Change in receivables		17.2	(31 047)	21 791
Change in current and other liabilities		17.3	8 345	(7 914)
Cash from operating activities			39 413	58 771
Income tax paid			(3 400)	(3 737)
Net cash from operating activities			36 013	55 034
Cash flows from investing activities				
Interest received			567	97
Repayment of loans			6 661	304
Purchase of investment property, property, plant and equipment and intangible assets			(185 778)	(178 474)
Disposal of intangible assets and property, plant and equipment			-	85
Other cash used in investing activities			(16 956)	(5 525)
Cash from investing activities			(195 506)	(183 513)
Cash flows from financing activities				
Increase in borrowings		17.1	146 703	85 596
Repayment of borrowings		17.1	(30 864)	(20 732)
Issue of debt securities			42 473	84 310
Dividends and other distributions to owners			(3 260)	-
Interest paid			(15 143)	(14 765)
Commission fee on bank borrowing			-	(471)
Cash from financing activities			139 909	133 938
Total cash flows			(19 584)	5 459
Cash and cash equivalents at beginning of period				
		16	64 827	61 694
Effect of exchange differences on cash and cash equivalents			863	(2 326)
Cash and cash equivalents at end of period		16	46 106	64 827

Statement of changes in consolidated equity

Equity attributable to the owners of the Parent

	Share capital	Other capital reserve	Share premium	Statutory reserve funds	Cash flow hedge reserve	Exchange differences on translating subsidiaries	Retained earnings	Total equity
Equity as at 1 January 2017	4 529	81 384	71 121	153 963	(4 386)	-	369 115	675 726
<u>Comprehensive income:</u>								
Net profit/(loss)	-	-	-	-	-	-	47 287	47 287
Total other comprehensive income	-	-	-	-	4 178	(540)	-	3 638
Total comprehensive income for the year ended 31 December 2017	-	-	-	-	4 178	(540)	47 287	50 925
Equity as at 31 December 2017	4 529	81 384	71 121	153 963	(208)	(540)	416 402	726 651
Equity as at 1 January 2018	4 529	81 384	71 121	153 963	(208)	(540)	416 402	726 651
<u>Comprehensive income:</u>								
Net profit/(loss)	-	-	-	-	-	-	92 391	92 391
Total other comprehensive income	-	-	-	-	(890)	460	-	(430)
Total comprehensive income for the year ended 31 December 2018	-	-	-	-	(890)	460	92 391	91 961
Interim dividend paid	-	-	-	-	-	-	(3 260)	(3 260)
Net profit distribution ¹⁾	-	2 296	-	-	-	10	(2 306)	-
Equity as at 31 December 2018	4 529	83 680	71 121	153 963	(1 098)	(70)	503 227	815 352

¹⁾ The net profit was distributed pursuant to a resolution passed by MLP Logistic Park Germany I Sp. z o.o. Co.&KG

Notes to the Consolidated Financial Statements

1. General information

1. 1 The Parent

The Parent of the Group is MLP Group S.A. (the "Company", the "Parent", or the "Issuer"), a listed joint-stock company registered in Poland. The Company's main registered office is located at ul. 3-go Maja 8 in Pruszków, Poland.

The Parent was established as a result of transformation of the state-owned enterprise Zakłady Naprawcze Taboru Kolejowego im. Bohaterów Warsaw into a state-owned joint-stock company. The deed of transformation was drawn up before a notary public on 18 February 1995. Pursuant to a resolution of the Company's General Meeting of 27 June 2007, the Company trades as MLP Group S.A.

At present, the Company is registered with the National Court Register maintained by the District Court for the Capital City of Warsaw, 14th Commercial Division, under No. KRS 0000053299.

As at the date of preparation of these consolidated financial statements, the composition of the Parent's Management and Supervisory Boards is as follows:

Management Board:

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

Supervisory Board:

- Shimshon Marfogel - Chairman of the Supervisory Board
- Eytan Levy - Deputy Chairman of the Supervisory Board
- Daniel Nimrodi - Member of the Supervisory Board
- Guy Shapira - Member of the Supervisory Board
- Piotr Chajderowski¹⁾ - Member of the Supervisory Board
- Maciej Matusiak - Member of the Supervisory Board

¹⁾ On 18 June 2018, the General Meeting appointed Mr. Piotr Chajderowski to the Supervisory Board for the next term of office. He replaced Mr. Jacek Tucharz, whose term of office as a Supervisory Board member expired.

1. 2 The Group

As at the reporting date, the MLP Group S.A. Group (the "Group") consisted of MLP Group S.A., i.e. the Parent, and 32 subsidiaries.

The higher level parent of the Group is CAJAMARCA HOLLAND B.V. of the Netherlands, registered address: 2 Martinus Nijhofflaan, 2624 ES Delft.

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

The Parent's and its subsidiaries' principal business activities comprise development, purchase and sale of own real estate, lease of own real estate, management of residential and non-residential real estate, general activities involving construction of buildings, and construction.

As at December 31st 2018, the Group comprised the following entities:

Entity	Country of registration	Parent's direct and indirect interest in equity		Parent's direct and indirect interest in voting rights	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
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 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.	Poland	100%	100%	100%	100%
MLP Czeladź Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Temp Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Dortmund LP Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Dortmund GP Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Logistic Park Germany I Sp. z o.o. &Co KG.	Germany	100%	100%	100%	100%
MLP Poznań West II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Bucharest West Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Bucharest West SRL	Romania	100%	100%	100%	100%
MLP Teresin II Sp. z o.o.	Poland	100%	100%	100%	100%
MLP Pruszków V Sp. z o.o. ¹⁾	Poland	100%	-	100%	-
MLP Germany Management GmbH ²⁾	Germany	100%	-	100%	-

1. 3 Changes in the Group

¹⁾ On 13 March 2018, MLP Pruszków V Sp. z o.o. was established pursuant to a deed of incorporation. On 4 April 2018, MLP Group S.A. acquired 50 shares in MLP Pruszków V Sp. z o.o. for a total amount of PLN 5,000, thus acquiring a direct 100% interest in the company's equity and voting rights. The shares were paid up in full with cash.

²⁾ On 5 July 2018, MLP Germany Management GmbH was established pursuant to a deed of incorporation. All shares in the company were acquired by MLP Group S.A. (25,000 shares with a total par value of EUR 25,000).

The Consolidated Financial Statements for the year ended 31 December 2018 includes financial statements of the Parent and of the subsidiaries controlled by the Parent ("the Group").

1. 4 Shareholding structure of the Parent

1. 4.1 Shareholders holding, directly or through subsidiaries, at least 5% of total voting rights in the Company

From the date of issue of the most recent interim report to the reporting date there were not changes in the group of shareholders holding, directly or through subsidiaries, 5% or more of total voting rights in the Company, and as at the end of the reporting period the shareholders were:

Shareholder	Number of shares and voting rights	% interest in equity and voting rights
CAJAMARCA Holland BV	10 319 842	56,98%
Other shareholders	2 581 093	14,24%
THESINGER LIMITED	1 771 320	9,78%
Aegon Powszechno Towarzystwo Emerytalne S.A.	1 149 775	6,35%
MetLife OFE	948 387	5,24%
GRACECUP TRADING LIMITED	641 558	3,54%
MIRO B.V.	452 955	2,50%
Shimshon Marfogel	149 155	0,82%
MIRO LTD.	99 170	0,55%
Total	18 113 255	100,00%

1. 4.2 Shares and rights to shares of the Parent owned by members of management and supervisory bodies

Michael Shapiro holds indirectly, through MIRO B.V. and MIRO Ltd., companies fully-controlled controlled by him, a 3.05% interest in MLP Group S.A.'s share capital, and, through a 25% interest in the share capital held by MIRO B.V. in Cajamarca Holland B.V., Mr Shapiro is the beneficial owner of 14.24% of the share capital of MLP Group S.A. Therefore, in aggregate, Mr Shapiro is the beneficial owner of a 17.29% interest in the share capital of MLP Group S.A.

Shimshon Marfogel, Chairman of the Supervisory Board, indirectly through a 7.86% interest held in the share capital of a company (Thesinger Limited) holding the Issuer's shares, is the beneficial owner of 0.77% of the share capital of MLP Group S.A., and directly through the shares acquired in September 2017 holds an 0.82% interest in the share capital of the Company. Therefore, in aggregate, Mr Marfogel is the beneficial owner of a 1.59% interest in the share capital of MLP Group S.A.

The other members of the Supervisory Board do not directly hold shares of the Company.

2. Basis of preparation of the consolidated financial statements

2. 1 Statement of compliance

The Group has prepared the consolidated financial statements in accordance with the accounting standards issued by the International Accounting Standards Board as endorsed by the European Union, referred to as the International Financial Reporting Standards ("EU IFRS"). The Group applied all Standards and Interpretations which are applicable in the European Union except those which are awaiting approval by the European Union and those Standards and Interpretations which have been approved by the European Union but are not yet effective.

2. 2 Status of Standards Approval in the European Union

2. 2. 1 Standards and Interpretations endorsed by the European Union which were not yet effective as at the reporting date

The Group intends to adopt, as of respective effective dates, standards and amendments to the existing standards and interpretations which were published by the International Accounting Standards Board but were not yet effective as at the date of authorisation of these consolidated financial statements.

Standards and interpretations endorsed by the European Union which are not yet effective for annual periods	Possible impact on the consolidated financial statements	Effective date for periods beginning on or after the date
IFRIC 23 (Uncertainty over Income Tax Treatments)	no impact	1 January 2019
Amendments to IFRS 9 Financial Instruments (2014)	no impact	1 January 2019
Amendments to IAS 28 Investments in Associates and Joint Ventures	no impact	1 January 2019
IFRS 16 Leases	Amount of lease liabilities before restatement: PLN 5,257 thousand Estimated value after restatement: PLN 10,679 thousand Estimated impact: PLN 5,421 thousand	1 January 2019

The following new standards are applied for the first time in the Group's consolidated financial statements for 2018:

IFRS 15 Revenue from Contracts with Customers

The Group applies the principles of IFRS 15, including the 5-step model:

- **Identify the contract with the customer**

A contract with a customer meets its definition if all the following criteria are met: the parties have concluded the contract and they are obligated to perform their duties; The Group can identify each party's rights regarding the goods or services to be transferred; the Group is able to identify the payment terms for the goods or services to be transferred; the contract has commercial substance; and it is probable that the Group will collect the consideration to which it will be entitled to in exchange for the goods or services that will be transferred to the customer.

- **Identify the performance obligations**

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either: a good or service (or bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

- **Determine the transaction price**

The Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes, fuel fee, excise tax). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

- **Allocate the transaction price to individual performance obligations**

The Group allocates transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

- **Recognize revenue when (or as) the entity satisfies a performance obligation**

The Group recognizes revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer (the client obtains control over that asset). Revenue is recognized in amounts equal to the transaction price allocated to a given performance obligation. The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the performance as it is performed,
- the performance creates or enhances an asset that the customer controls as the asset is created or enhanced,
- the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Effect of application of the new standard

The vast majority of the Group's revenue is represented by income from rent of real estate (rental income) which is not subject to the new standard and which falls within the scope of IAS 17 *Leases*. Other categories of income generated by the Group include mainly service charges and income from re-charge of utility bills. The income is recognised in the period in which the services are provided.

Where the Group acts as an agent, for the purposes of presentation in the consolidated financial statements for the financial year ended 31 December 2017, the Group offset service charges directly re-charged to tenants with corresponding operating expenses. In connection with the entry into force of IFRS 15 as of 1 January 2018, the Group revised its approach to the presentation of income and expenses in the consolidated financial statements for the financial year ended 31 December 2018 and presented them separately. For presentation of the restatement of comparative data for the financial year 2017, see Note 30. The effect on the current period data is as follows:

	Input data for the period ended 31 December 2018	Impact of IFRS 15	Verified data for the period ended 31 December 2018
Revenue	137 466	4 036	141 502
Distribution costs and administrative expenses	(74 883)	(4 036)	(78 919)

The Group has analysed the impact of the new standard on the other categories of income generated by the Group. In the opinion of the Group's management, the effect of adopting IFRS 15 on the data disclosed in the financial statements is immaterial.

IFRS 9 *Financial Instruments*

In the opinion of the Group’s management, the application of this standard has no material effect on the applied accounting policies with respect to the Group’s activities and its financial results. The classification of some of the Group’s financial instruments changed as a result of application of IFRS 9.

IFRS 9 *Financial Instruments*, effective for annual periods beginning after January 1st 2018, eliminates the previous classification of financial assets into:

- held to maturity,
- available-for-sale,
- loans and receivables

and replaces them with a new classification which comprises:

- financial assets measured at amortised cost,
- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income,
- hedging financial instruments.

Classification into a specific group of financial assets is decided by the “business model” of managing the asset portfolio and evaluation of the contractual terms of a given financial asset.

The following table presents the effect of implementing IFRS 9 and changes in the classification and measurement of the Group’s financial assets as at 1 January 2018:

Classes of financial instruments	Classification according to IAS 39	Classification according to IFRS 9
Unlisted equities	Loans and receivables	Financial assets at fair value through other comprehensive income
Loans	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost

Classification of financial liabilities according to IFRS 9 is as follows:

- financial liabilities measured at amortised cost,
- financial liabilities measured at fair value through profit or loss,
- hedging financial instruments.

IFRS 9 has also introduced a change with respect to measurement of impairment of financial assets. In accordance with the new standard, an entity is required to recognise and measure impairment based on expected losses rather than incurred losses.

The Group estimates that as at the date of first application, the guidelines did not materially affect the measurement of its financial instruments. The Group has not identified any significant changes in the classification of financial assets that would result in a change of their measurement method.

Moreover, with respect to credit risk assessment, the Group has analysed the existing provisioning methodology for trade and other receivables and loans, which takes into account the individual approach and a ratio-based approach based on historical repayment statistics, and estimates that as at the date of first application of the new standard, the value of trade and other receivables and loans did not change materially.

The Group opted to apply the modified retrospective approach. As permitted under IFRS, the Group chose not to restate the comparative data.

2. 2. 2 Standards and Interpretations pending approval by the European Union

Standards and interpretations pending approval by the European Union	Possible impact on the consolidated financial statements	Effective date for periods beginning on or after the date
IAS 19 Employee Benefits (Plan Amendments, Restrictions or Settlements)	no impact	1 January 2019
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 and Joint Ventures)	no impact	The European Commission has decided to indefinitely postpone endorsement of these amendments.
Amendments to IFRS 3 (Business Combinations)	no impact	1 January 2020
Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	no significant impact	1 January 2020
IFRS 17 Insurance Contracts	no impact	1 January 2021
Annual Improvements to IFRS 2015-2017 Cycle, including:	no significant impact	1 January 2019
<ul style="list-style-type: none"> - IFRS 3 Business Combinations - IFRS 11 Joint Arrangements - IAS 19 Employee Benefits 		

2. 3 **Basis of preparation of the Consolidated Financial Statements**

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future and in conviction that there are no circumstances which would indicate a threat to the Group's continuing 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,
- financial instruments at fair value through profit or loss 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.

Fair value measurement methods are presented in Note 3.

2. 4 **Functional currency and presentation currency of the financial statements; rules applied to translate financial data**

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

The data contained in these consolidated financial statements is presented in the Polish złoty (PLN), rounded to the nearest thousand. The Polish złoty is the functional currency of the Parent and the presentation currency of the consolidated financial statements.

2. 4. 2 **Rules applied to translate financial data**

The following exchange rates (in PLN) were used to measure items of the consolidated statement of financial position denominated in foreign currencies:

Consolidated statement of financial position:

	31 December 2018	31 December 2017
EUR	4,3000	4,1709
USD	3,7597	3,4813

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

The preparation of consolidated financial statements in accordance with the EU IFRS requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are based on experience and other factors deemed reasonable under the circumstances, and their results provide a basis for judgement about carrying amounts of assets and liabilities that are not directly attributable to other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. A change in accounting estimates is recognised in the period in which the estimate is revised, or in the current and future periods if the revised estimate relates to both the current and future periods. In material matters, the Management Board makes estimates based on opinions and valuations prepared by independent experts.

Material uncertainties related to estimates and judgements made in the application of the accounting policies which had the most significant impact on the amounts recognised in the condensed consolidated financial statements are presented 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 the Group include data of MLP Group S.A and its subsidiaries prepared as at the same reporting date.

Due to the fact that not all Group companies apply the same accounting policies as those applied by the Parent, appropriate restatement of the financial statements of such entities was made to ensure compliance with the accounting policies applied by the Parent in the preparation of these consolidated financial statements.

Subsidiaries are controlled by the Parent. The Parent 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 the entity.

Financial statements of subsidiaries are consolidated from the date of assuming control over subsidiaries to the date on which such control ceases to exist.

In preparing the consolidated financial statements, the financial statements of the Parent and its subsidiaries are aggregated by adding individual items of assets, liabilities, equity, income and expenses. In order to ensure presentation in the consolidated financial statements of the Group as if it were a single business entity, the carrying amount of the Parent's investment in each of the subsidiaries is eliminated. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated during the preparation of the consolidated financial statements.

3. 2 Foreign currencies

Foreign currency transactions

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

Exchange differences arising from settlements of transactions in foreign currencies and from valuation as at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3. 3 Financial instruments

3. 3. 1 Derivative financial instruments, including hedge accounting

Derivatives designated as hedging instruments whose fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item are recognised in accordance with fair value hedge accounting or cash flow hedge accounting.

The Group assesses the hedge effectiveness both at inception of the hedge and then at least at the end of each reporting period. Verification of the fulfilment of the conditions for the effectiveness of the relation is made on a prospective basis, based on qualitative analysis. If necessary, the Group uses quantitative analysis (linear regression) to confirm the existence of an economic relationship between the hedging instrument and the hedged item.

If the Group applies cash flow hedge accounting then:

- the portion of the gain or loss on the hedging instrument that is designated to be an effective hedge of the hedged risk is recognised in other comprehensive income;
- the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. If cash flows from operating activities are hedged, the ineffective portion is recognised in other income/expenses, and where the hedging covers cash flows from financing activities – in finance income/costs,
- capital gains or losses are reclassified to the statement of profit or loss, in the line item in which the hedged item is presented,
- capital gains or losses are derecognised and the initial value of the hedged item is adjusted.

For fair value hedges (operating activities), changes in the fair value of the hedging instrument and the hedged item are recognised in profit or loss as other income/expenses.

If a hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or its designation is changed, the Group ceases to apply hedge accounting. Any accumulated gains or losses previously recognised in other comprehensive income until the planned transaction is completed and recognised are recognised as profit or loss for the current period.

3. 3. 2 Financial instruments measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, the Group classifies equity instruments, i.e. shares in other entities, as financial instruments measured at fair value through other comprehensive income.

Gains and losses on a financial asset which is an equity instrument for which the option to measure at fair value through other comprehensive income is applied are recognised in other comprehensive income, except for dividend income.

3. 3. 3 Financial instruments measured at amortised cost

A financial asset is classified as measured at amortised cost when the following two conditions are met:

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

The Group's financial assets measured at amortised cost include cash and cash equivalents, loans, and trade and other receivables.

Cash and cash equivalents in the consolidated statement of financial position include cash in hand and bank deposits with initial maturities of up to three months. The balance of cash and cash equivalents disclosed in the consolidated statement of cash flows comprises the same cash and cash equivalent items, less all outstanding overdrafts which form an integral part of the Group's cash management system.

The Group uses the effective interest rate method to measure financial assets measured at amortised cost.

After initial recognition, trade receivables are measured at amortised cost using the effective interest rate method, less impairment losses, where trade receivables maturing in less than 12 months from the date of origination (i.e. not containing a financing element) are not discounted and are measured at nominal value.

The Group classifies trade payables, borrowings and bonds as liabilities measured at amortised cost. Interest income is recognised in the period to which it relates, and is measured using the effective interest rate method.

3. 3. 4 Financial instruments measured at fair value through profit or loss

Current financial assets measured at fair value through profit or loss include assets acquired to obtain economic benefits from short-term price changes. Current financial assets are initially recognised at cost and measured at fair value as at the reporting date. Fair value is determined through individual analysis based on discounted cash flows. The result of measurement is recognised in profit or loss.

Gains or losses on measurement of a financial asset classified as measured at fair value through profit or loss are recognised as finance income or costs, in profit or loss in the period in which they arise. Gains or losses on measurement of items measured at fair value through profit or loss also include interest income and dividend income.

The Group classifies derivative instruments which are not designated for hedge accounting as assets at fair value through profit or loss.

Liabilities under derivative instruments not designated for hedge accounting are classified by the Group as measured at fair value through profit or loss. After initial recognition, such liabilities are measured at fair value.

3. 4 Equity

Equity is recognised in the accounting books by categories, in accordance with the rules set forth in applicable laws and in the Parent's Articles of Association.

3. 4. 1 Share capital

Share capital is disclosed at the amount specified in the Articles of Association and entered in the court register. The Group's 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'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 at the request of a holder of the shares, or if the dividend payments are not discretionary.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are presented as a separate item of equity, with a negative sign.

3. 4. 2 Statutory reserve funds

Statutory reserve funds are created from distribution of profits earned in previous years. Statutory reserve funds also include amounts transferred in accordance with the applicable laws.

3. 4. 3 Share premium

Share premium is presented as a separate item of equity. Costs directly attributable to the issue of ordinary shares and share options reduce equity.

3. 4. 4 Cash flow hedge reserve

Cash flow hedge reserve includes an effective portion of the gain or loss on a financial instrument that meets the hedge accounting requirements.

3. 4. 5 Reserve capital

Reserve capital comprises retained earnings from prior years.

3. 4. 6 Retained earnings

Retained earnings include both the profit earned in the current year and undistributed profits from previous years.

3. 5 Property, plant and equipment

Property, plant and equipment comprises items of property, plant and equipment, leasehold improvements, property, plant and equipment under construction, and property, plant and equipment adopted for use by the Group where the terms of the agreement transfer substantially all the potential benefits and risks and the assets are used for the Group's own needs, and their expected useful life exceeds one year.

3. 5. 1 Measurement of property, plant and equipment

Items of property, plant and equipment are recognised at cost, less depreciation charges and impairment losses. Items of property, plant and equipment which were remeasured to fair value as at 1 January 2006, i.e. the date of first-time application of EU IFRS by the Group, are measured at deemed cost equal to the fair value at the date of the remeasurement.

Acquisition cost includes purchase price of an item of property, plant and equipment and costs directly attributable to bringing the item to a condition necessary for it to be capable of operating, including expenses relating to transport, loading, unloading, and storage. Rebates, discounts and other similar concessions and returns reduce the cost of an asset. Cost of a self-constructed item of property, plant and equipment under construction comprises all costs incurred by the Group during its construction, installation and assembly, adaptation and improvement, as well as interest expense on borrowings taken out to finance the item of property, plant and equipment directly attributable to the production of the item of property, plant and equipment, until the date of its acceptance for use (or, if the item has not yet been commissioned for use, until the end of the reporting period). The cost also includes, where required, a preliminary estimate of costs of dismantling and removing the items of property, plant and equipment and restoring them to their original condition. Purchased software, necessary for the proper operation of related equipment, is capitalised as a part of this equipment.

If an item of property, plant and equipment consists of separate and significant parts with different economic useful lives, such components are treated as separate items of property, plant and equipment.

3. 5. 2 Subsequent expenditure

Subsequent expenditure on replacement of significant parts of property, plant and equipment is capitalised only when it can be measured reliably and it is probable that the Group will derive economic benefits from such replaced essential components of property, plant and equipment. Other expenditure is expensed in profit or loss as and when incurred.

3. 5.3 Depreciation

Items of property, plant and equipment or their significant and separate parts are depreciated on a straight-line basis over the estimated useful life, allowing for the expected net selling price of an asset (residual value). Land is not depreciated. Depreciation is based on the cost of an item of property, plant and equipment, less its residual value, based on the adopted by the Group and periodically reviewed useful life of the item of property, plant and equipment. Property, plant and equipment are depreciated from the date when they are available for use until the earlier of: the day an item of property, plant and equipment is classified as held for sale, is derecognised from the consolidated statement of financial position, the residual value of the asset exceeds its carrying amount, or when the asset has been fully depreciated. The Group has adopted the following useful lives for particular classes of property, plant and equipment:

Buildings	10 – 40 years
Machinery	3 – 16 years
Motor vehicles	5 – 7 years
Furniture and fixtures	1 – 5 years.

The Group reviews the useful economic lives, depreciation methods and residual values (unless insignificant) of property, plant and equipment on a periodic basis.

3. 6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance whose cost has been reliably measured which is expected to generate future economic benefits to the Group.

Intangible assets acquired by the Group are recognised at cost less amortisation charges and impairment losses.

Intangible assets are amortised on a straight-line basis over their estimated useful lives, unless such useful life is indefinite. Intangible assets are amortised from the date they are available for use until the earlier of: the day an item of intangible assets is classified as held for sale, is derecognised from the consolidated statement of financial position, the residual value of the asset exceeds its carrying amount, or when the asset has been fully amortised.

3. 7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or for use in operating activities. Investment property is initially recognised at cost, increased by transaction costs. Following initial recognition, investment property is carried at fair value, with gains or losses from changes in the fair value recognised in profit or loss in the period in which they arise.

Investment property is derecognised from the consolidated statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any resulting gain or loss is recognised in profit or loss in the period in which the investment property was liquidated or sold.

Investment property is depreciated for tax purposes.

Perpetual usufruct

The Group recognises perpetual usufruct rights to land as finance leases.

3. 8 Investment property under construction

Investment property under construction is recognised as investment property.

Throughout the construction process the Group measures the investment property using the fair value method or the cost method. The cost method can be used in the following two cases:

- it is not possible to determine the fair value of the investment property under construction, but it is expected that such property may be measured at fair value after completion of the work,
- it is not possible to measure such property at fair value even after the construction process is completed.

Gains and losses arising from fair value measurement are recognised directly in profit or loss.

3. 9 Leased assets - the Group as the lessee

Lease contracts under which the Group assumes substantially all risks and benefits resulting from the ownership of property, plant and equipment are classified as finance lease contracts. Property, plant and equipment acquired under finance lease contracts are initially recognised at the lower of their fair value or present value of the minimum lease payments, less any depreciation charges and impairment losses.

Lease payments are apportioned between finance costs and the reduction of the remaining balance of liabilities using the effective interest rate method. The finance cost is recognized directly in profit or loss. If there is no reasonable probability that items of property, plant and equipment used under finance lease contracts will be acquired as at the end of the lease term, they are depreciated over the shorter of the lease term and the useful life. Otherwise, property, plant and equipment are depreciated over their useful lives.

Lease contracts which are not finance leases are treated as operating leases. Assets used under operating leases are not recognised in the Group's consolidated statement of financial position.

3. 10 Impairment of assets

3. 10. 1 Financial assets

IFRS 9 establishes a new approach to estimating impairment of financial assets measured at amortised cost or fair value through other comprehensive income (except for investments in equity and contract assets). The impairment model is based on the calculation of expected losses, as opposed to the previous model under IAS 39 which was based on the concept of incurred losses.

At each reporting date, the Group measures expected credit losses of a financial instrument in a way that reflects:

- a) an unbiased and probability-weighted amount of credit losses that is determined by evaluating a range of possible outcomes;
- b) time value of money; and
- c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group estimates the expected credit losses on trade receivables using a case-by-case and indicator-based approach, based on historical payment/recoverability statistics. The Group regularly reviews the methodology and assumptions used to estimate expected credit losses in order to reduce any differences between the estimates and the actual credit losses.

Changes in impairment losses are recognised in the statement of profit or loss and recognised as other expenses or finance costs, as appropriate, depending on the type of receivables for which an impairment loss is recognised.

3. 10.2 Non-financial assets

Carrying amounts of non-financial assets other than biological assets, investment property, inventories and deferred tax assets are tested for impairment as at each reporting date. If any indication of impairment exist, the Group estimates the recoverable amount of particular assets. The recoverable amount of goodwill, intangible assets with infinite lives and intangible assets which are not yet fit for use is estimated at the end of each reporting period.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit 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 groups of assets. Impairment losses are recognised in profit or loss. Impairment of a cash-generating unit is first recognised as impairment of goodwill allocated to that unit (group of units), and subsequently as impairment of carrying amount of other assets of that unit (group of units) on pro-rata basis.

The recoverable amount of an asset or a cash-generating unit is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, projected cash flows are discounted at a pre-tax rate which reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate independent cash flows, value in use is estimated for the smallest identifiable cash generating units to which those assets are allocated.

Goodwill impairment losses are not reversed. For other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that impairment loss has decreased or no longer exists. Impairment losses are reversed if the estimates applied to the assessment of the recoverable amount have changed. An impairment loss is reversed only up to the carrying amount of an asset, less depreciation/amortisation charges that would have been made if the impairment loss had not been recognised.

3. 11 Employee benefits

Defined benefit plans

Under current regulations all the Group companies have an obligation to withhold and pay social security contributions for their employees. Under IAS 19, these benefits constitute a state plan and are a defined contribution plan. Accordingly, the Group companies' obligations for each period are estimated based on the amounts to be contributed for a given year.

3. 12 Cash-settled share-based payments

Employees are entitled to receive annual share-based bonuses which are settled exclusively in cash.

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

The fair value of the amount payable to employees in respect of their cash-settled right to participate in share appreciation is recognised as an expense, with a corresponding increase in liabilities. The fair value is initially estimated as at the grant date and spread over the period in which employees acquire an unconditional right to payment. The liability is remeasured at each reporting date and at settlement date. Changes in the fair value of the liability are recognised as personnel costs in profit or loss of the period.

3. 13 Provisions

Provisions are recognised when the Group has a liability resulting from a past event 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 estimated by discounting expected future cash flows at a pre-tax rate which reflects current market estimates of changes in the time value of money and the risks associated with a given item of liabilities.

3. 14 Borrowings

Initially, bank and non-bank borrowings are recognised at cost equal to the fair value of the instrument. In subsequent periods, borrowings are measured at amortised cost, using the effective interest rate method, which includes the cost of obtaining the borrowing as well as discounts or premiums obtained in settlement of liabilities.

3. 15 Revenue

3. 15. 1 Provision of construction services

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the construction services provided at the end of the reporting period. The stage of completion is determined by reference to the amount of costs incurred. The outcome of the transaction is considered reliable if all of the following conditions are met: the revenue amount can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, the degree of completion of the transaction as at the end of the reporting period can be reliably measured, and the costs incurred in connection with the transaction, as well as the costs of completion of the transaction may be measured reliably.

3. 15. 2 Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease contract. Incentives offered to entered into a leased contract are recognised together with rental income.

3. 16 Lease payments

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

Minimum lease payments made under finance leases are apportioned between finance expense and the reduction of the outstanding liability. The finance charge 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. Contingent payments are accounted for by adjusting the minimum lease payments over the remaining term of the lease, when the lease adjustment is confirmed.

3. 17 Finance income and 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, foreign exchange gains, and such gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. Dividend income is recognised in profit or loss when the Group acquires the right to receive the dividend.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign exchange losses, fair value losses on financial instruments through profit or loss, impairment losses on financial assets, and gains and losses on hedging instruments recognised in profit or loss. Interest expense is recognised using the effective interest rate method.

3. 18 *Income tax*

The calculation of current income tax is based on the tax profit for a given period determined in accordance with the applicable tax laws.

Income tax disclosed in profit or loss comprises current and deferred tax. Income tax is recognised in profit or loss, except for items that are settled directly with other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the tax payable on the taxable income or loss for the year, using tax rates enacted as at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is determined using the balance-sheet liability method, based on temporary differences between the carrying amounts of assets and liabilities as determined for accounting purposes and the amounts used for tax purposes. Deferred tax liability is not recognised for the following temporary differences: goodwill whose amortisation is not treated as tax-deductible cost, initial recognition of assets or liabilities that do not affect accounting profit or taxable income, and differences associated with investments in subsidiaries to the extent it is not probable that they will be realised in the foreseeable future. The measurement of deferred tax reflects the expectations as to the manner in which the carrying amount of assets and liabilities is to be realised, using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Income tax on dividend is recognised when the obligation to pay such dividend arises.

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 is calculated taking into account the profit attributable to holders of ordinary shares, the average number of ordinary shares, including notes or bonds convertible into shares, and options for shares 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 in providing products or services within a particular economic environment (geographical segment), which is exposed to other risks and derives other benefits than the other segments. The primary and sole business activity of the Group is construction and management of logistics space. The Group's revenue is derived from renting of own property and from revaluation of such property. The Group operates in Poland, Germany and Romania.

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 provides information on the Group's exposure to a given risk, the objectives, policies and procedures adopted by the Group to manage that risk and the way in which the Group manages its capital. The required data has been presented further in the consolidated financial statements.

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 analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor the risks and adherence to the limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Using such tools as training, management standards and procedures, the Group seeks to build an environment in which all employees understand their respective roles and responsibilities.

4. 1 Credit risk

Credit risk is the risk of financial loss to the Group if a trading partner or counterparty to a transaction fails to meet its contractual obligations. Credit risk arises principally from the Group's receivables from customers, loans 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 customer base, including the default risk of the industry in which the customers operate, have less significant effect on credit risk.

There are no significant concentrations of credit risk with respect to the Group's customers. The Group manages the risk by demanding that customers provide bank guarantees to secure rental payments. In some cases, tenants also provide security deposits.

In only few cases has the Group incurred losses as a result of a customer's failure to pay.

4. 1. 2 Loans

The Group's credit risk from loans 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.

4. 2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to pay its financial liabilities when they become due.

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.

Cash and cash equivalents are maintained at a level sufficient to cover operating expenses. This excludes the potential impact of extreme circumstances that cannot be predicted, such as natural disasters.

4. 3 Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the rate of return.

4. 3. 1 Currency risk

Currency risk arises in connection with sale, purchase, credit and loan transactions which are denominated in currencies (chiefly the euro) other than the functional currency of the Group companies.

The Group contracts bank borrowings denominated in the euro, while construction works are invoiced in the zloty. Therefore, in the period between the launch of a credit line and its full utilisation, the Group is exposed to the risk of appreciation of the Polish currency against the euro. A significant change in the relative strength the zloty against the euro means that the credit lines provided by the bank at start of project execution may prove insufficient to finance the total cost of construction of a logistics park.

The Group uses natural hedging as its main financing and operating cash flows are denominated in the same currency, i.e. both bank borrowings and lease contracts are denominated in the euro.

The Group holds available cash in PLN, EUR and USD in proportion which allows achieving an effect of natural hedging.

4. 3. 2 Interest rate risk

The main objective of the interest rate risk management is to protect the Company from variable market conditions and to enable precise planning of costs in individual periods. Accordingly, the effect of hedging activities should be recognised in a manner that does not affect profit or loss as hedging effects are not of operating nature.

A way to satisfy the above condition, i.e. to precisely define the level of interest expense, is to conclude an interest rate swap contract with a bank. To mitigate interest rate risk, the Group entered into a number variable-to-fixed interest rate swap contracts with banks. The purpose is to hedge interest cash flows exposed to interest rate risk. The hedging contracts cover the reference rate 1M EURIBOR and 3M EURIBOR. Bank margins are not covered by the hedging arrangements. At MLP Pruszków I Sp. z o.o., MLP Poznań II Sp. z o.o., MLP Pruszków IV Sp. z o.o., MLP Lublin Sp. z o.o., MLP Pruszków III Sp. z o.o., MLP Teresin Sp. z o.o., MLP Gliwice Sp. z o.o., MLP Wrocław Sp. z o.o. and MLP Poznań Sp. z o.o., future interest payments under on variable-rate facilities are effectively converted into interest payments calculated according to the relevant swap contract schedules. The companies receive from the banks amounts equivalent to the product of the reference rate and the facility amount equal to the amount which the companies would pay if a floating rate was applied.

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

4. 4 Capital management

Capital corresponds to the equity presented in the consolidated statement of financial position.

The Management Board seeks to secure a strong capital structure to maintain the trust and confidence of investors, lenders and the broad market, and to maintain the Group's further growth.

The Management Board monitors return on capital, defined as operating profit divided by equity, excluding non-redeemable preferred shares and non-controlling interests. The Management Board also monitors the level of dividends to ordinary shareholders.

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

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

5. Segment reporting

The primary and sole business activity of the Group is construction and management of logistics space. The Group's revenue is derived from renting of own property and from revaluation of such property.

The Group operates in Poland, in Germany (since April 2017) and Romania (since October 2017). Locations of the Group's assets coincide with the location of its customers. Operating segments are the same as the Group's geographical segments.

As at 31 December 2018 and in the reporting period then ended the Group had three geographical segments - Poland, Germany and Romania.

Operating segments

	<i>for the year ended</i>				
	31 December 2018				
	Poland	Germany	Romania	eliminations	Total
Revenue					
Sales to external customers	137 885	3 617	-	-	141 502
Gain/(loss) on investment property revaluation	92 130	(3 686)	269	-	88 713
Total segment revenue	230 015	(69)	269	-	230 215
Segment's operating profit/(loss)	153 952	(2 774)	118	-	151 296
Segment's other income/(expense)	(261)	55	-	-	(206)
Net profit/(loss) before tax and finance costs	153 691	(2 719)	118	-	151 090
Net finance income/(costs)	(29 369)	(429)	(36)	428	(29 406)
Profit/(loss) before tax	124 322	(3 148)	82	428	121 684
Income tax	(29 202)	146	(237)	-	(29 293)
Net profit/(loss)	95 120	(3 002)	(155)	428	92 391

	<i>for the year ended</i>				
	31 December 2017 *				
	Poland	Germany	Romania	Inter-segment eliminations	Total
Revenue					
Sales to external customers	99 950	3 857	-	-	103 807
Gain/(loss) on investment property revaluation	(6 695)	2 111	13 186	-	8 602
Total segment revenue	93 255	5 968	13 186	-	112 409
Segment's operating profit/(loss)	38 096	5 102	13 182	-	56 380
Segment's other income/(expense)	(1 224)	-	-	-	(1 224)
Net profit before tax and finance costs	36 872	5 102	13 182	-	55 156
Net finance income/(costs)	1 418	(308)	(341)	302	1 071
Profit before tax	38 290	4 794	12 841	302	56 227
Income tax	(6 528)	(377)	(2 035)	-	(8 940)
Net profit	31 762	4 417	10 806	302	47 287

*restated data

	<i>as at</i> 31 December 2018				
	Poland	Germany	Romania	Inter-segment eliminations	Total
Assets and liabilities					
Segment's assets	1 640 266	26 412	32 452	(41 164)	1 657 966
Total assets	1 640 266	26 412	32 452	(41 164)	1 657 966
Segment's liabilities	837 047	24 853	21 878	(41 164)	842 614
Equity	803 219	1 559	10 574	-	815 352
Total equity and liabilities	1 640 266	26 412	32 452	(41 164)	1 657 966
Expenditure on property	184 559	3 300	2 047	-	189 906

	<i>as at</i> 31 December 2017*				
	Poland	Germany	Romania	Inter-segment eliminations	Total
Assets and liabilities					
Segment's assets	1 340 910	31 353	29 474	(43 387)	1 358 350
Total assets	1 340 910	31 353	29 474	(43 387)	1 358 350
Segment's liabilities	628 988	27 015	19 083	(43 387)	631 699
Equity	711 922	4 338	10 391	-	726 651
Total equity and liabilities	1 340 910	31 353	29 474	(43 387)	1 358 350
Expenditure on property	146 619	22 914	16 221	-	185 754

**restated data*

Inter-segment eliminations concern intercompany loans advanced by the Group's Polish companies to the companies in Germany and Romania.

6. Revenue

	<i>for the year ended 31 December</i>	2018	2017
			<i>(restated data)</i>
Rental income		92 954	75 548
Other revenue		26 431	24 470
Revenue from development contract concluded by MLP Bieruń Sp. z o.o. ¹⁾		22 117	3 789
Total revenue		141 502	103 807

	<i>for the year ended 31 December</i>	2018	2017
			<i>(restated data)</i>
Re-charge of utility bills		25 219	21 945
Rental income from apartments		34	34
Services provided to tenants		947	1 846
Other revenue		231	645
Other revenue		26 431	24 470

¹⁾ Together with the agreement to sell property forming part of the MLP Bieruń logistics park, MLP Bieruń Sp. z o.o. signed a developer contract whereby it undertook to complete the construction and to commercialise the park. In performance of the contract, MLP Bieruń Sp. z o.o. leased 11.340 m² of the space to Auto Partner and finished the project, with Stage 1 completed in 2017. On this account, in 2017 the Group recognised revenue of PLN 3,789 thousand, calculated based on the percentage of completion of the work.

In 2018, MLP Bieruń Sp. z o.o. leased the remaining area of 11,560 m² to the same tenant and commenced construction of the warehouse. On this account, in 2018 the Group recognised revenue of PLN 22,117 thousand, calculated based on the percentage of completion of the work.

7. Other income

	<i>for the year ended 31 December</i>	2018	2017
Reversal of impairment losses on receivables		81	19
Contractual penalties received		711	184
Other		918	55
Gain on disposal of non-financial non-current assets		166	-
Reversal of provision for future costs		404	-
Other income		2 280	258

8. Other expenses

	<i>for the year ended 31 December</i>	2018	2017
Loss on disposal of non-financial non-current assets		(40)	(83)
Impairment losses on receivables		(1 067)	-
Court fees		(91)	(32)
Costs of insurance policies		(375)	(141)
Other		(358)	(363)
Cost of capital expenditure		-	(269)
Cost of gas infrastructure		-	(594)
Damages and contractual penalties paid		(555)	-
Other expenses		(2 486)	(1 482)

9. Distribution costs and administrative expenses

<i>for the year ended 31 December</i>	2018	2017 <i>(restated data)</i>
Depreciation and amortisation	(340)	(262)
Raw materials and consumables used	(22 148)	(18 144)
Services	(35 547)	(19 871)
Taxes and charges	(14 823)	(11 190)
Wages and salaries	(3 698)	(4 141)
Social security and other employee benefits	(417)	(349)
Other expenses by nature	(1 943)	(2 000)
Merchandise and materials sold	(3)	(72)
Distribution costs and administrative expenses	(78 919)	(56 029)

Distribution costs and administrative expenses for the period ended December 31 2018 were PLN 78,919 thousand and mainly included expenses related to the maintenance of the revenue-generating investment properties. The costs which were not directly related to these properties comprised depreciation charges on property, plant and equipment which are used in the operating activities and do not generate rental income, as well as the portion of property tax corresponding to undeveloped land.

Cost of services also includes PLN 14,047 thousand (2017: PLN 2,824 thousand) incurred in connection with the execution of Stage 2 of the project under the development contract executed in September 2015 between MLP Bieruń Sp. z o.o. and WestInvest Gesellschaft für InvestmentfonmbH.

10. Finance income and costs

<i>for the year ended 31 December</i>	2018	2017
Interest income on loans	1 084	1 198
Net interest income on cash flow hedge instruments (CAP)	-	14
Ineffective portion of remeasurement of cash flow hedging instruments (CAP)	-	18
Interest income on bank deposits	72	117
Other interest income	15	-
Net exchange differences	-	15 302
Interest on receivables	25	13
Total finance income	1 196	16 662

<i>for the year ended 31 December</i>	2018	2017
Interest expense on borrowings	(9 704)	(7 416)
Other interest expense	(37)	(6)
Interest paid on SWAP	(2 505)	(6 913)
Net interest income on cash flow hedge	(31)	1 602
Ineffective portion of remeasurement of cash flow hedging instruments	(1 823)	(597)
Net exchange differences	(12 009)	-
Interest expense on bonds	(3 316)	(1 681)
Other finance costs	(273)	(89)
Debt management costs	(904)	(491)
Total finance costs	(30 602)	(15 591)

Exchange differences are mainly attributable to the effect of measurement of liabilities under EUR-denominated and USD-denominated borrowings at the end of the reporting period. Between 31 December 2017 and 31 December 2018, the Polish currency depreciated by PLN 0.13, or 3.10%. The depreciation of the zloty against the euro resulted in foreign exchange losses of PLN 12,009 thousand, which contributed to the Group's net finance income/(costs).

11. Income tax

	<i>for the year ended 31 December</i>	2018	2017
Current income tax		5 967	3 709
Origination/ reversal of temporary differences		23 326	5 231
Income tax		29 293	8 940

Effective tax rate

	<i>for the year ended 31 December</i>	2018	2017
Profit before tax		121 684	56 227
<i>Tax at the applicable tax rate (19%)</i>		<i>(23 120)</i>	<i>(10 683)</i>
Non-taxable income in the previous year		(1 232)	-
Non-taxable income		39	203
Difference resulting from different tax rates at MLP Logistic Park Germany I Sp. z o.o. Co.&KG and at MLP Bucharest West SRL		79	945
Unrecognised asset for tax loss		(4 457)	-
Written off, unrecognised deferred tax asset for tax loss		(46)	-
Use of previously written off assets		356	595
Non-tax-deductible costs		(912)	-
Income tax		(29 293)	(8 940)

Tax laws relating to value added tax, corporate and personal income tax, and social security contributions are subject to amendments. Therefore, often no reference can be made to established regulations or legal precedents. The laws tend to be unclear, thus leading to differences in opinions as to legal interpretation of fiscal regulations, both between state authorities themselves and between state authorities and businesses. Tax and other settlements (customs duties or foreign exchange settlements) may be inspected by authorities empowered to impose significant penalties, and any additional amounts assessed following an inspection must be paid with interest. Consequently, tax risk in Poland is higher than in countries with more mature tax systems.

Tax settlements may be subject to inspection over a period of five years following the end of the following tax year. As a result, the amounts disclosed in the financial statements may change at a later date, once they are determined as final by the tax authorities.

12. Investment property

	<i>as at 31 December</i>	2018	2017
Gross amount at beginning of period		1 162 880	968 524
Expenditure on properties		189 906	185 754
Currency translation differences		1 672	-
Change in fair value		88 713	8 602
Gross amount at end of period		1 443 171	1 162 880

Investment property includes warehouses and undeveloped land. Rental income from warehouses is the key source of the Group's revenue.

Between 31 December 2017 and 31 December 2018, the value of the investment properties increased by EUR 56,926 thousand, to EUR 334,255 thousand at the end of December 2018. The change was mainly attributable to the expenditure on the construction work at new parks, execution of new contracts for lease of space in the new facilities, and obtaining a building permit for new facilities, which involved application of the residual method in the measurement (instead of the comparative method applied to the valuation of land in 2017). Another contributing factor was the depreciation of the Polish currency against the euro by PLN 0.13 (3.10%), which affected the value of the investment properties in euro terms. The depreciation of the Polish currency against the euro contributed to a positive change in fair value, of PLN 35,803 thousand, which in turn had an effect on the value of the properties as at 31 December 2018.

Investment property by Parks:

	<i>as at 31 December</i>	2018	2017
MLP Pruszków I			
Fair value of property - MLP Pruszków I		351 997	336 405
Perpetual usufruct - MLP Pruszków I		2 639	2 640
		354 636	339 045
MLP Pruszków II			
Fair value of property - MLP Pruszków II		461 790	351 402
Perpetual usufruct - MLP Pruszków II		2 616	2 630
		464 406	354 032
MLP Poznań			
Fair value of property - MLP Poznań		133 188	118 091
		133 188	118 091
MLP Lublin			
Fair value of property - MLP Lublin		88 498	73 812
		88 498	73 812
MLP Teresin			
Fair value of property - MLP Teresin		70 004	57 684
		70 004	57 684
MLP Gliwice			
Fair value of property - MLP Gliwice		99 459	76 161
		99 459	76 161
MLP Wrocław			
Fair value of property - MLP Wrocław		84 994	58 780
		84 994	58 780
MLP Czeladź			
Fair value of property - MLP Czeladź		59 000	29 947
		59 000	29 947

<i>as at 31 December</i>	2018	2017
MLP Poznań West¹⁾		
Fair value of property - MLP Poznań	32 035	-
	32 035	-
MLP Unna		
Fair value of property - MLP Unna	24 639	25 025
	24 639	25 025
MLP Bucharest West		
Fair value of property - MLP Bucharest West	31 723	29 407
	31 723	29 407
Expenditure on new projects	454	733
MLP Energy - apartments	135	163
Gross amount at end of period	1 443 171	1 162 880

¹⁾ On 30 May 2018, the Group purchased land with an area of 18.5 ha for development of MLP Poznań West, a new logistics park.

Granted security interests in investment properties are presented in Note 26.

In line with the applied accounting policy, interest expense on borrowings in the part attributable to unsettled investment expenditure is capitalised and increase the value of the property.

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

The fair value of the property was calculated based on expert reports issued by independent expert appraisers, with recognised professional qualifications and with experience in property valuations (based on inputs that are not directly observable - Level 3).

The valuations were prepared in accordance with Royal Institution of Chartered Surveyors (RICS) standards and conform with the International Valuation Standards (IVS) as published by the International Valuation Standards Committee (IVSC).

The valuations were prepared using the income approach for the existing buildings and land with building permits, and with the market approach for undeveloped land.

Due to the different locations and characteristics of the Group's investment properties, the yield rates assumed by the appraisers for the individual logistics parks vary from 6.25% to 8.25%.

The Group measures the fair value of its property portfolio twice a year, i.e. as at 30 June and 31 December. The experts determined the fair value of the properties located in Poland, including the land reserve, using the market approach, and in the reports the fair value is expressed in the Polish złotys (PLN). The fair value of the other properties is expressed in the euro and is subsequently translated at the mid rates quoted by the National Bank of Poland at the end of the reporting period.

The valuation method did not change relative to previous periods.

In the year ended 31 December 2018, there were no reclassifications between levels.

Fair value measurement using significant unobservable inputs (Level 3)

	Fair value as at 31 December 2018	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
MLP Pruszków I Logistics Park					
(i) warehouse and office buildings	EUR 81,860 thousand	Income approach	Monthly rent rate per 1 m ²	EUR 1.30-9.25/m ² (EUR 3.25/m ²)	The higher the rent, the higher the fair value
			Yield rate	7.50% - 8.50% (8.00%)	The lower the yield rate, the higher the fair value
EUR 81,860 thousand					
MLP Pruszków II Logistics Park					
(i) warehouse and office buildings	EUR 81,420 thousand	Income approach	Monthly rent rate per 1 m ²	EUR 2.03 - 9.58/m ² (EUR 3.4/m ²)	The higher the rent, the higher the fair value
			Yield rate	6.5% - 7% (7.02%)	The lower the yield rate, the higher the fair value
(ii) stack	EUR 4,177 thousand	Income approach	Monthly rent	29,31 tys. EUR	The higher rent, the higher the fair value
			Yield rate	8,25%	The lower the yield rate, the higher the fair value
(iii) parking lot	EUR 2,756 thousand	Income approach	Monthly rent	8 - 9,662 tys. EUR (8,831 tys. EUR)	The higher rent, the higher the fair value
			Yield rate	8,25%	The lower the yield rate, the higher the fair value
(iv) land reserve	EUR 5,580 thousand	Market approach	Price per 1 m ²	56.98 EUR/m (PLN 274.00/m ²)	The higher the price per 1 m ² , the higher the fair value
(v) land with building permit	EUR 13,460 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
EUR 107,393 thousand					

	Fair value as at 31 December 2018	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
MLP Poznań Logistics Park					
(i) warehouse and office buildings	EUR 27,994 thousand	Income approach	Monthly rent rate per 1 m ²	EUR 3.28 - 4.66/m ² (EUR 3.97/m ²)	The higher the rent, the higher the fair value
			Yield rate	7% - 7.25% (7.13%)	The lower the yield rate, the higher the fair value
(ii) land with building permit	EUR 2,980 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
EUR 30,974 thousand					
MLP Lublin Logistics Park					
(i) warehouse and office buildings	EUR 17,071 thousand	Income approach	Monthly rent rate per 1 m ²	EUR 3.19 - 3.91/m ² (EUR 3.55/m ²)	The higher the rent, the higher the fair value
			Yield rate	7% - 7.27% (7.14%)	The lower the yield rate, the higher the fair value
(ii) land reserves	EUR 100 thousand	Market approach	Price per 1 m ²	EUR 31.71/m ² (PLN 140.00/m ²)	The higher the price per 1 m ² , the higher the fair value
(iii) land with building permit	EUR 3,410 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
EUR 20,581 thousand					

	Fair value as at 31 December 2018	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
MLP Teresin Logistics Park					
(i) warehouse and office buildings	EUR 16,280 thousand	Income approach	Monthly rent rate per 1 m ²	EUR 2.92/m ²	The higher the rent, the higher the fair value
			Yield rate	7,05%	The lower the yield rate, the higher the fair value
EUR 16,280 thousand					
MLP Gliwice Logistics Park					
(i) warehouse and office buildings	EUR 20,260 thousand	Income approach	Monthly rent rate per 1 m ²	EUR 3.27 - 3.83/m ² (EUR 3.55/m ²)	The higher the rent, the higher the fair value
			Yield rate	6,25%	The lower the yield rate, the higher the fair value
(ii) land with building permit	EUR 2,870 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
EUR 23,130 thousand					
MLP Wrocław Logistics Park					
(i) warehouse and office buildings	EUR 14,406 thousand	Income approach	Monthly rent rate per 1 m ²	EUR 3.29 - 4.28/m ² (EUR 3.79/m ²)	The higher the rent, the higher the fair value
			Yield rate	(6.25%)	The lower the yield rate, the higher the fair value
(ii) land with building permit	EUR 5,360 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
EUR 19,766 thousand					

	Fair value as at 31 December 2018	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
MLP Czeladź Logistics Park					
(i) warehouse and office buildings	EUR 5,911 thousand	Income approach	Monthly rent rate per 1 m ²	(EUR 4.28/m ²)	The lower the estimated capitalised net income, the lower the fair value.
			Yield rate	(6.25%)	The higher the estimated construction costs, the lower the fair value
(ii) land with building permit	EUR 7,810 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
	EUR 13,721 thousand				
MLP Unna Logistics Park					
(i) land with building permit	EUR 5,730 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
	EUR 5,730 thousand				
MLP Bucharest West Logistics Park					
(i) land reserve	EUR 7,370 thousand	Mixed approach	Price per 1 m ²	EUR 30.00/m ²	The higher the price per 1 m ² , the higher the fair value
	EUR 7,370 thousand				

	Fair value as at 31 December 2018	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
MLP Poznań West Logistic Park					
(i) land with building permit	EUR 7,450 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
	EUR 7,450 thousand				
	EUR 334,255 thousand				

(a) Estimated net capitalised income: calculated based on estimated rental rates and yield rates

(b) Estimated construction cost: project construction costs calculated based on cost estimates for this type of project

Fair value measurement using significant unobservable inputs (Level 3)

	Fair value as at 31 December 2017	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship between unobservable inputs and fair value
MLP Pruszków I Logistics Park					
(i) warehouse and office buildings	EUR 80,655 thousand	Income approach	Monthly rent rate per 1 m ²	EUR 2.52 - 7.29/m ² (EUR 3.25/m ²)	The higher the rent, the higher the fair value
			Yield rate	7.50% - 8.50% (8.00%)	The lower the yield rate, the higher the fair value
EUR 80,655 thousand					
MLP Pruszków II Logistics Park					
(i) warehouse and office buildings	EUR 55,798 thousand	Income approach	Monthly rent rate per 1 m ²	EUR 2.28 - 3.99/m ² (EUR 3.13/m ²)	The higher the rent, the higher the fair value
			Yield rate	6.75% - 8.51% (7.44%)	The lower the yield rate, the higher the fair value
(ii) stack	EUR 4,351 thousand	Income approach	Monthly rent	EUR 31.45 thousand	The higher rent, the higher the fair value
			Yield rate	(8.50%)	The lower the yield rate, the higher the fair value
(iii) parking lot	EUR 1,132 thousand	Income approach	Monthly rent	EUR 7.9 - 10.4 thousand (EUR 9.17 thousand)	The higher rent, the higher the fair value
			Yield rate	(8.50%)	The lower the yield rate, the higher the fair value
(iv) land reserve	EUR 14,230 thousand (PLN 59,344 thousand)	Market approach	Price per 1 m ²	EUR 44.83/m ² (PLN 187.00/m ²)	The higher the price per 1 m ² , the higher the fair value
(v) land with building permit	EUR 8,740 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
EUR 84,251 thousand					

	Fair value as at 31 December 2017	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship between unobservable inputs and fair value
MLP Poznań Logistics Park					
(i) warehouse and office buildings	EUR 22,573 thousand	Income approach	Monthly rent rate per 1 m ²	EUR 2.81 - 4.66/m ² (EUR 3.74/m ²)	The higher the rent, the higher the fair value
			Yield rate	7.00% - 7.26% (7.13%)	The lower the yield rate, the higher the fair value
(ii) land reserves	EUR 1,830 thousand (PLN 7,630 thousand)	Market approach	Price per 1 m ²	EUR 35.57/m ² (PLN 150.00/m ²)	The higher the price per 1 m ² , the higher the fair value
(iii) land with building permit	EUR 3,910 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
EUR 28,313 thousand					
MLP Lublin Logistics Park					
(i) warehouse and office buildings	EUR 15,577 thousand	Income approach	Monthly rent rate per 1 m ²	EUR 3.07 - 3.66/m ² (EUR 3.37/m ²)	The higher the rent, the higher the fair value
			Yield rate	7.51% - 7.52% (7.52%)	The lower the yield rate, the higher the fair value
(ii) land with building permit	EUR 2,120 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
EUR 17,697 thousand					

	Fair value as at 31 December 2017	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship between unobservable inputs and fair value
MLP Teresin Logistics Park					
(i) warehouse and office buildings	EUR 13,830 thousand	Income approach	Monthly rent rate per 1 m ²	(EUR 2.20/m ²)	The higher the rent, the higher the fair value
			Yield rate	(7.00%)	The lower the yield rate, the higher the fair value
	EUR 13,830 thousand				
MLP Gliwice Logistics Park					
(i) warehouse and office buildings	EUR 13,320 thousand	Income approach	Monthly rent rate per 1 m ²	(EUR 3.83/m ²)	The higher the rent, the higher the fair value
			Yield rate	(6.75%)	The lower the yield rate, the higher the fair value
(ii) land with building permit	EUR 4,940 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
	EUR 18,260				
MLP Wrocław Logistics Park					
(i) warehouse and office buildings	EUR 5,383 thousand	Income approach	Monthly rent rate per 1 m ²	(EUR 4.28/m ²)	The higher the rent, the higher the fair value
			Yield rate	(6.75%)	The lower the yield rate, the higher the fair value
(ii) land with building permit	EUR 8,710 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
	EUR 14,093 thousand				

	Fair value as at 31 December 2017	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship between unobservable inputs and fair value
MLP Czeladź Logistics Park					
(i) land with building permit	EUR 7,180 thousand	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
	EUR 7,180 thousand				
MLP Unna Logistics Park					
(i) land with building permit	EUR 6,000 thousand	Market approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value.
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
	EUR 6,000 thousand				
MLP Bucharest West Logistics Park					
(i) land reserve	EUR 5,600 thousand	Market approach	Price per 1 m ²	EUR 30.00/m ²	The higher the price per 1 m ² , the higher the fair value
(ii) electricity infrastructure	EUR 1,450 thousand	Historical cost approach			
	EUR 7,050 thousand				
	EUR 277,329 thousand				

(a) Estimated net capitalised income: calculated based on estimated rental rates and yield rates

(b) Estimated construction cost: project construction costs calculated based on cost estimates for this type of project

13. Deferred tax

	Deferred tax assets		Deferred tax liabilities		Net amount	
	31 December	31 December	31 December	31 December	31 December	31 December
	<i>as at</i>	2018	2017	2018	2017	2018
Investment property	-	-	121 282	99 307	121 282	99 307
Borrowings and loans	861	-	-	1 748	(861)	1 748
Derivatives	995	433	-	-	(995)	(433)
Other	-	-	522	99	522	99
Tax losses deductible in future periods	3 862	7 846	-	-	(3 862)	(7 846)
Interest on bonds	97	67	-	-	(97)	(67)
Deferred tax assets / liabilities	5 815	8 346	121 804	101 154	115 989	92 808

	<i>as at</i>	31 December 2018	31 December 2017
Including:			
Deferred tax asset		(3 485)	(7 445)
Deferred tax liability		119 474	100 253
		115 989	92 808

Unrecognised deferred tax asset for tax loss as at 31 December 2018 was PLN 8,105 thousand.

Based on the tax budgets prepared by the Group, the Management Board considers it justified to recognise a deferred tax asset on tax loss in the amount disclosed in the statement of financial position.

	1 January 2017	changes recognised in profit or loss	changes recognised in other comprehensive income	currency translation differences	31 December 2017
Investment property	95 689	3 618	-	-	99 307
Borrowings and loans	(3 467)	5 215	-	-	1 748
Derivatives	(1 602)	189	980	-	(433)
Other	990	(891)	-	-	99
Tax losses deductible in future periods	(5 013)	(2 833)	-	-	(7 846)
Interest on bonds	-	(67)	-	-	(67)
	86 597	5 231	980	-	92 808

	1 January 2018	changes recognised in profit or loss	changes recognised in other comprehensive income	currency translation differences	31 December 2018
Investment property	99 307	21 930	-	45	121 282
Borrowings and loans	1 748	(2 609)	-	-	(861)
Derivatives	(433)	(353)	(209)	-	(995)
Other	99	404	-	19	522
Tax losses deductible in future periods	(7 846)	3 984	-	-	(3 862)
Interest on bonds	(67)	(30)	-	-	(97)
	92 808	23 326	(209)	64	115 989

14. Investments and other investments

<i>as at 31 December</i>	2018	2017
Other long-term investments	22 295	12 742
Long-term loans to related parties	49 793	55 852
Other long-term investments	72 088	68 594
Short-term loans to related parties	152	-
Short-term loans to third parties	22 139	22 139
Short-term investments	22 291	22 139
Escrow account	-	418
Restricted cash	10 551	2 716
Other short-term investments	10 551	3 134

Other long-term investments include the long-term portion of restricted cash of PLN 22,295 thousand, which comprises: (i) PLN 10,312 thousand in cash earmarked to secure principal and interest payments under credit facility agreements, (ii) PLN 3,195 thousand interest-bearing deposit made from a security deposit paid by a tenant, and (iii) other retained security deposits of PLN 8,774 thousand and CAP valuation of PLN 14 thousand.

Other short-term investments include the short-term portion of restricted cash of PLN 10,551 thousand, which comprises a PLN 5,927 thousand security deposit paid to secure the bank guarantee for the access road to MLP Czeladź, the short-term portion of retained security deposits of PLN 28 thousand, and the short-term portion of cash restricted under credit facility agreements of PLN 4,596 thousand.

14. 1 Change in financial assets attributable to financing and other activities

	<i>Loan assets</i>
Amount as at 31 December 2017	77 991
Interest accrued on loan	1 086
Payment of interest on loan	(567)
Loan advanced	-
Payment of loan principal	(7 226)
Realised foreign exchange gains/(losses)	361
Change in carrying amount	439
Amount as at 31 December 2018	72 084

15. Trade and other receivables

<i>as at 31 December</i>	2018	2017
Trade receivables	14 503	11 017
Investment settlements	1 579	189
Prepayments and accrued income	2 376	1 141
Accrued income from the development contract concluded by MLP Bieruń Sp. z o.o.	22 304	25
Advance payment for purchase of land	2 040	-
Other receivables	-	5 214
Taxes and social security receivable	14 952	8 340
Trade and other receivables	57 754	25 926
Income tax receivable	516	1 125
Short-term receivables	58 270	27 051

Receivables from related parties are presented in Note 27.

Aging of trade and other receivables, as well as impairment losses are presented in the table below.

<i>as at 31 December</i>	2018		2017	
	Gross receivables	Impairment loss	Gross receivables	Impairment loss
Not past due	4 936	-	3 965	-
Past due:				
1 to 90 days	6 776	(1)	6 097	-
91 to 180 days	2 589	-	322	-
over 180 days	5 728	(5 525)	5 185	(4 552)
Total receivables	20 029	(5 526)	15 569	(4 552)

16. Cash and cash equivalents

<i>as at 31 December</i>	2018	2017
Cash in hand	61	64
Cash at bank	41 654	59 069
Short-term deposits	4 391	5 694
Cash and cash equivalents in the Consolidated statement of financial position	46 106	64 827
Cash and cash equivalents in the Consolidated statement of cash flows	46 106	64 827

Cash at bank bears interest at variable rates linked to the overnight interest rate. Short-term deposits are placed for various maturities, depending on the Group's current cash requirements, and bear interest at individually agreed interest rates.

Cash and cash equivalents in the Consolidated Statement of Financial Position include cash in hand and bank deposits with initial maturity of up to 3 months.

17. Notes to the consolidated statement of cash flows

17. 1 Cash flows from borrowings

<i>for the year ended 31 December</i>	2018	2017
Proceeds from bank borrowings	146 703	85 596
Cash flows from borrowings	146 703	85 596
Cash flows from borrowings - amount disclosed in the consolidated statement of cash flows	146 703	85 596

<i>for the year ended 31 December</i>	2018	2017
Repayment of principal instalments on bank borrowings	(23 860)	(17 582)
Repayment of non-bank borrowings	(7 569)	(4 989)
Total cash flows from borrowings	(31 429)	(22 571)
Elimination of borrowings repaid to Fenix Polska Sp. z o.o.	565	1 839
Cash flows from repayment of borrowings	(30 864)	(20 732)
Cash flows from repayment of borrowings - amount disclosed in the consolidated statement of cash flows	(30 864)	(20 732)

<i>for the year ended 31 December</i>	2018	2017
Cash flows from repayment of loans	7 226	2 143
Elimination of borrowings repaid to Fenix Polska Sp. z o.o.	(565)	(1 839)
Total cash flows from repayment of loans	6 661	304
Total cash flows from repayment of loans - amount disclosed in the consolidated statement of cash flows	6 661	304

17. 2 Change in trade and other receivables

<i>for the year ended 31 December</i>	2018	2017
Change in inventories	101	22
Change in trade and other receivables	(26 614)	16 555
Elimination of advance payment for land purchase	680	-
Other adjustments	(5 214)	5 214
Change in trade and other receivables	(31 047)	21 791
Change in trade and other receivables disclosed in the consolidated statement of cash flows	(31 047)	21 791

17. 3 Change in current liabilities and other obligations

	<i>for the year ended 31 December</i>	2018	2017
Change in trade and other payables		12 815	(6 005)
Change in employee benefit obligations		(1 209)	(78)
Change in current liabilities under performance bonds and guarantee deposits		1 509	6 056
Change in finance lease liabilities		(14)	11
Elimination of changes in investment commitments		(4 756)	(7 898)
Change in current liabilities and other obligations		8 345	(7 914)
Change in current liabilities and other obligations disclosed in the consolidated statement of cash flows		8 345	(7 914)

18. Equity

18. 1 Share capital

	<i>as at 31 December</i>	2018	2017
Share capital			
Series A ordinary shares		11 440 000	11 440 000
Series B ordinary shares		3 654 379	3 654 379
Series C ordinary shares		3 018 876	3 018 876
		18 113 255	18 113 255
Par value per share		0,25	0,25

As at 31 December 2018, the Parent's share capital amounted to PLN 4,528,313.75 and was divided into 18,113,255 shares conferring 18,113,225 voting rights in the Company. All shares have the par value of PLN 0.25 and have been fully paid up.

In the year ended 31 December 2018 there were no changes in share capital.

19. Earnings and dividend per share

Earnings per share for each reporting period are calculated as quotient of the net profit attributable to owners of the Parent for the period and the weighted average number of shares in the reporting period.

	<i>for the year ended 31</i>	2018	2017
Net profit/(loss) for the period		92 391	47 287
Number of shares in issue(units)		18 113 255	18 113 255
Weighted average number of shares in issue (units)		18 113 255	18 113 255
Earnings per share attributable to owners of the Parent during the reporting period (PLN per share):			
- basic		5,10	2,61
- diluted		5,10	2,61

There were no dilutive factors in the presented periods.

Dividend per share for each reporting period is calculated as quotient of the dividend paid in the period and the weighted average number of shares outstanding in the reporting period.

	<i>for the year ended 31 December</i>	2018	2017
Interim dividend paid		3 260	-
Weighted average number of shares in issue (units)		18 113 255	18 113 255
Interim dividend per share for the period (PLN per share):		0,18	-

20. Liabilities under borrowings and other debt instruments, and other liabilities

20. 1 Non-current liabilities

	<i>as at 31 December</i>	2018	2017
Borrowings secured on the Group's assets		433 592	309 231
Bonds ¹⁾		129 000	83 418
Non-bank borrowings		50 075	55 990
Non-current liabilities under borrowings and other debt instruments		612 667	448 639

¹⁾In addition to the Series A bonds issued in 2017, on 11 May 2018, the Company issued, by way of private placement, 10,000 Series B bearer bonds with a nominal value of EUR 1,000 per bond and the total value of the issue of EUR 10,000,000.

The Bonds were issued as unsecured instruments and pay variable interest at 6M EURIBOR plus margin. The objective of the issue was not specified. The Series B bonds mature on 11 May 2023, with an early redemption option at the Company's discretion. The Bonds were issued as uncertificated securities.

The bonds were registered with Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) under ISIN number PLMLPGR00041.

By Resolution No. 847/2018 of 9 August 2018, the WSE Management Board decided to introduce 10,000 Series B bearer bonds of MLP Group S.A., with a nominal value of EUR 1,000 per bond, to the Catalyst alternative trading system. 13 August 2018 was the first day of trading in the Bonds on Catalyst. The Bonds will be listed in the continuous trading system under the abbreviated name "MLP0523".

	<i>as at 31 December</i>	2018	2017
Finance lease liabilities		5 256	5 270
Liabilities from measurement of SWAP transactions		5 215	2 219
Performance bonds		10 379	8 935
Security deposits from tenants and other deposits		3 975	3 910
Other non-current liabilities		24 825	20 334

20. 2 Current liabilities

	<i>as at 31 December</i>	2018	2017
Short-term bank borrowings and short-term portion of bank borrowings secured on the Group's assets		30 482	20 516
Bonds		514	355
Liabilities under non-bank borrowings		-	407
Current liabilities under borrowings and other debt instruments		30 996	21 278

Liabilities under borrowings secured on the Group's assets and under borrowings not secured on the Group's assets comprise liabilities to both related and unrelated parties.

	<i>as at 31 December</i>	2018	2017
Liabilities from measurement of SWAP transactions		-	43
Other current liabilities		-	43

20. 3 Change in financial liabilities attributable to financing and other activities

	Bonds
Amount as at 31 December 2017	83 773
Issue of bonds	42 473
Interest accrued on bonds	3 316
Interest paid on bonds	(3 167)
Change in carrying amount	3 119
Amount as at 31 December 2018	129 514

	Liabilities under non-bank borrowings
Amount as at 31 December 2017	56 397
Increase in non-bank borrowings	-
Repayment of principal	(7 569)
Interest accrued	1 112
Interest paid	(609)
Interest capitalised	-
Realised foreign exchange gains/(losses)	349
Change in carrying amount	395
Amount as at 31 December 2018	50 075

	Liabilities under bank borrowings
Amount as at 31 December 2017	329 747
<i>including derecognised commission fee as at 31 December 2017</i>	897
Interest accrued	8 590
Interest paid	(8 985)
IRS interest accrued	2 505
IRS interest paid	(2 381)
increase in bank borrowings	146 703
repayment of principal	(23 860)
Realised foreign exchange gains/(losses)	(73)
Unrealised foreign exchange gains/(losses)	11 494
Interest capitalised	163
Amount as at 31 December 2018	464 074
<i>including derecognised commission fee as at 31 December 2018</i>	726

20. 4 Liabilities under bonds

Instrument	Currency	Nominal value	Maturity date	Interest rate	Guarantees and collateral	Listing venue
Private bonds – Series A	EUR	20 000 000	2022-05-11	6M EURIBOR + margin	none	Catalyst
Private bonds – Series B ¹⁾	EUR	10 000 000	2023-05-11	6M EURIBOR + margin	none	Catalyst ¹⁾

¹⁾ By Resolution No. 847/2018 of 9 August 2018, the WSE Management Board decided to introduce 10,000 Series B bearer bonds of MLP Group S.A., with a nominal value of EUR 1,000 per bond, to the Catalyst alternative trading system. 13 August 2018 was the first day of trading in the Bonds on Catalyst. Bonds will be quoted in the continuous trading system under the abbreviated name of "MLP0523".

20. 5 Borrowings secured and not secured on the Group's assets

	currency	effective rate (%)	as at matures in	31 December 2018		as at matures in	31 December 2017	
				in currency	in PLN		in currency	in PLN
Bank borrowings secured on the Group's assets								
Investment loan mBank S.A.	EUR	1M EURIBOR + margin	2021	12 445	53 439	2021	13 163	54 798
Investment loan PEKAO S.A.	EUR	1M EURIBOR + margin	2025	6 468	27 813	2025	6 856	28 597
Investment loan PEKAO S.A.	EUR	1M EURIBOR + margin	2028	3 540	15 218	-	-	-
Construction loan PEKAO S.A.	EUR	1M EURIBOR + margin	2029	2 939	12 638	2028	3 543	14 771
Working capital (VAT) facility PKO BP S.A.	PLN	1M WIBOR +margin	2019	-	1 956	-	-	-
Investment loan Raiffeisen Bank Polska S.A.	EUR	3M EURIBOR + margin	2023	34 252	146 891	2023	27 399	113 808
Investment loan BGŻ BNP Paribas S.A.	EUR	3M EURIBOR + margin	2022	7 112	30 335	2022	7 641	31 570
Investment loan BGŻ BNP Paribas S.A.	EUR	3M EURIBOR + margin	2024	6 730	28 941	-	-	-
Construction loan BGŻ BNP Paribas S.A.	EUR	3M EURIBOR + margin	2024	4 971	21 377	2024	6 301	26 281
Working capital (VAT) facility BGŻ BNP Paribas S.A.	PLN	1M EURIBOR + margin	2019	-	985	-	-	-
Investment loan PKO BP S.A.	EUR	3M EURIBOR + margin	2030	7 252	31 184	2030	7 527	31 396
Working capital (VAT) facility PKO BP S.A.	PLN	1M WIBOR +margin	-	-	-	2018	-	779
Investment loan ING Bank Śląski S.A.	EUR	1M EURIBOR + margin	2024	1 925	8 264	2020	5 001	20 837
Investment loan ING Bank Śląski S.A.	EUR	3M EURIBOR + margin	2024	4 565	19 632	2020	1 642	6 850
Working capital (VAT) facility ING Bank Śląski S.A.	PLN	1M WIBOR +margin	-	-	-	2018	-	60
Investment loan ING Bank Śląski S.A.	EUR	1M EURIBOR + margin	2024	5 561	23 912	-	-	-
Investment loan PEKAO S.A.	EUR	1M EURIBOR + margin	2030	8 300	35 689	-	-	-
Construction loan PEKAO S.A.	EUR	1M EURIBOR + margin	2030	1 349	5 800	-	-	-
Total bank borrowings:					464 074			329 747

			<i>as at</i>	31 December 2018		<i>as at</i>	31 December 2017	
	currency	effective rate (%)	matures in	in currency	in PLN	matures in	in currency	in PLN
Non-bank borrowings not secured on the Group's assets:								
Fenix Polska S.A.	PLN	3M WIBOR + margin	2021	-	2 905	2021	-	2 841
Fenix Polska S.A.	PLN	3M WIBOR + margin	2020	-	8 116	2020	-	8 102
Fenix Polska S.A.	PLN	3M WIBOR + margin	2025	-	12	2020	-	12
Fenix Polska S.A.	PLN	3M WIBOR + margin	2029	-	253	2029	-	253
Fenix Polska S.A.	PLN	3M WIBOR + margin	2027	-	1 632	2026	-	1 632
Fenix Polska S.A.	PLN	3M WIBOR + margin	2021	-	148	2021	-	145
Fenix Polska S.A.	PLN	3M WIBOR + margin	2030	-	465	2030	-	465
Fenix Polska S.A.	PLN	3M WIBOR + margin	2020	-	21 951	2020	-	21 320
Fenix Polska S.A.	PLN	3M WIBOR + margin	2025	-	115	2025	-	115
Fenix Polska S.A.	PLN	3M WIBOR + margin	2025	-	300	2024	-	300
Fenix Polska S.A.	PLN	3M WIBOR + margin	2028	-	7	2028	-	7
Fenix Polska S.A.	EUR	3M EURIBOR + margin	2029	1 943	8 354	2029	1 919	8 005
Fenix Polska S.A.	EUR	3M EURIBOR + margin	2020	1 353	5 817	2020	3 067	12 793
Fenix Polska S.A.	USD	R USD Libor + margin	-	-	-	2018	117	407
Total non-bank borrowings:					50 075			56 397
Total borrowings secured and not secured on the Group's assets					514 149			386 144

21. Employee benefit obligations

	<i>as at 31 December</i>	2018	2017
Special funds		157	157
Provision for bonuses		761	-
Cash-settled share-based payments		-	1 970
Employee benefit obligations		918	2 127

Pursuant to a resolution of the Supervisory Board of MLP Group S.A., employees of the Group companies were covered by a phantom share programme in 2014–2017.

Under the programme, each eligible employee was granted a number of phantom shares which depended on the Group delivering predetermined financial targets in each a given year.

Following approval of the full-year financial statements for 2017 by the General Meeting, the Supervisory Board approved and communicated the list of eligible persons and the number of phantom shares allocated to each of them. The cash equivalent of phantom shares was paid to the employees.

The total amount paid in June and July 2018 for phantom shares for the previous financial was PLN 1,623 thousand.

The value of per phantom share is based on the current share price of MLP Group S.A.

The phantom share program ended in 2018.

22. Trade and other payables

	<i>as at 31 December</i>	2018	2017
Trade payables		12 531	6 824
Liabilities for execution of development contract		30	15
Accrued expenses and deferred income		415	432
Taxes and social security receivable		2 833	2 100
Unbilled trade payables		4 123	1 986
Investment commitments, guarantee deposits and other obligations		30 843	26 603
Trade and other payables		50 775	37 960
Income tax payable		2 959	1 065
Current liabilities		53 734	39 025

As at 31 December 2018, the Group did not carry any outstanding liabilities towards related parties.

The table below presents the aging of trade and other payables:

	<i>as at 31 December</i>	2018	2017
Not past due		56 097	44 622
Past due from 1 to 90 days		3 120	2 969
Past due from 91 to 180 days		213	19
Pas due over 180 days		2 451	663
Total trade and other payables		61 881	48 273

The aging structure presented above also includes non-current liabilities.

Trade payables are non-interest bearing and are usually settled within 30 to 60 days. Other payables are non-interest bearing, with the average maturity of one month. Amounts resulting from the difference between input and output value added tax are paid to the relevant tax authorities in the periods prescribed by the relevant tax laws. Interest payable is usually settled on the basis of accepted interest notes.

23. Financial instruments

23. 1 Measurement of financial instruments

The fair value of financial assets and financial liabilities as at 31 December 2018 and 31 December 2017 was equal to the respective amounts disclosed in the consolidated statement of financial position.

The following assumptions were made for the purpose of fair value measurement:

- **cash and cash equivalents:** the carrying amount of these financial instruments represents the fair value due to their short maturities,
- **trade receivables, other receivables, trade payables, and accrued expenses:** the carrying amount approximates the fair value due to the short-term nature of these instruments,
- **loans:** the carrying amount corresponds to the fair value because the variable interest rates of these instruments are close to market interest rates,
- **borrowings and bonds:** the carrying amount of these instruments is comparable with the fair value because of their variable interest rates which are based on market rates,
- **liabilities from measurement of SWAP transactions:** the fair value determined by reference to instruments traded on an active market.

23. 1. 1 Financial assets

<i>as at 31 December</i>	2018	2017
Financial assets measured at amortised cost:		
Cash and cash equivalents	46 106	64 827
Loans and receivables, including:		
• Trade and other receivables	38 386	16 445
• Loans	72 084	77 991
• Other long-term investments	22 295	12 742
• Other short-term investments	10 551	3 134
	189 422	175 139
Total financial assets	189 422	175 139

23. 1. 2 Financial liabilities

<i>as at 31 December</i>	2018	2017
Hedging financial instruments:		
Liabilities from measurement of SWAP transactions	5 215	2 262
	5 215	2 262
Financial liabilities measured at amortised cost:		
Bank borrowings	464 074	329 747
Non-bank borrowings	50 075	56 397
Trade and other payables	61 881	48 273
Lease liabilities	5 256	5 270
Bonds	129 514	83 773
	710 800	523 460
Total financial liabilities	716 015	525 722

The fair value of hedging financial instruments (31 December 2018: PLN 5,215 thousand) is measured based on other directly or indirectly observable quoted prices (level 2). Such inputs are provided by banks and are referenced to instruments the prices of which are quoted in an active market.

In the reporting period, no inputs were reclassified.

23. 2 Other disclosures relating to financial instruments

Hedging

For information on hedging, see Note 26.

Hedge accounting

On 1 March 2018, MLP Poznań II Sp. z o.o. entered into two variable-to-fixed interest rate swap contracts with ING Bank Śląski S.A.

On 14 March 2018, MLP Lublin Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with PKO BP S.A.

On 29 March 2018, MLP Pruszków I Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with Raiffeisen Bank Polska S.A.

On 9 April 2018, MLP Pruszków III Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with BGŻ BNP Paribas S.A.

On 17 April 2018, MLP Wrocław Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with Bank Polska Kasa Opieki S.A.

On 4 July 2018 and 6 September, MLP Poznań Sp. z o.o. entered variable-to-fixed interest rate swap contracts with ING Bank Śląski S.A.

On 28 September 2018, MLP Gliwice Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with Bank Polska Kasa Opieki S.A.

With these contractual arrangements in place, future interest payments on variable-rate facilities will be effectively converted into interest payments calculated according to schedules defined in the swap contracts.

Hedging instruments and hedged position

Entity	Hedged position - debt as at 31 December 2018 of:*		Hedging instrument – amortised interest rate swap:		Fair value of the hedging instrument (EUR thousand) as at 31 December		Fair value of the hedging instrument (PLN thousand) as at 31 December	
	EUR thousand	PLN thousand	EUR thousand	PLN thousand	2018	2017	2018	2017
MLP Pruszków I Sp. z o.o.	34 252	147 284	31 767	136 598	(554)	(201)	(2 382)	(839)
MLP Wrocław Sp. z o. o.	3 540	15 222	2 555	10 987	(51)	-	(221)	-
MLP Pruszków III Sp. z o.o.	13 842	59 521	6 988	30 048	(117)	(51)	(504)	(211)
MLP Gliwice Sp. z o. o.	8 300	35 690	5 877	25 271	(121)	-	(522)	-
MLP Poznań Sp. z o. o.	5 561	23 912	3 893	16 740	(86)	-	(371)	-
MLP Teresin Sp. z o.o.	6 468	27 812	2 620	11 266	(43)	(24)	(186)	(99)
MLP Poznań II Sp. z o.o.	6 490	27 907	5 702	24 519	(53)	(89)	(229)	(370)
MLP Pruszków IV Sp. z o.o.	12 445	53 514	8 735	37 561	(90)	(83)	(389)	(345)
MLP Lublin Sp. z o.o.	7 252	31 184	4 999	21 496	(96)	(95)	(411)	(398)
	98 150	422 046	73 136	314 486	(1 211)	(543)	(5 215)	(2 262)

Hedged position and hedging instrument - amortised Interest Rate Swap as at 31 December 2018.

*Borrowing amounts are presented inclusive of commission fees.

Amounts recognized in the consolidated statement of profit or loss and other comprehensive income in 2018:

Entity	Amounts recognized as finance costs - ineffective portion	Amounts recognised as finance costs - net interest income	Amounts recognised in other comprehensive income
MLP Pruszków I Sp. z o.o.	(1 543)	-	-
MLP Pruszków III Sp. z o.o.	(123)	8	(179)
MLP Pruszków IV Sp. z o.o.	157	(1)	(201)
MLP Teresin Sp. z o.o.	-	-	(87)
MLP Poznań II Sp. z o.o.	5	-	136
MLP Poznań Sp. z o.o.	(302)	-	(69)
MLP Gliwice Sp. z o. o.	-	(1)	(521)
MLP Wrocław Sp. z o. o.	-	-	(221)
MLP Lublin Sp. z o.o.	(17)	(37)	43
	(1 823)	(31)	(1 099)

Amounts recognized in the consolidated statement of profit or loss and other comprehensive income in 2017:

Entity	Amounts recognized as finance costs - ineffective portion	Amounts recognised as finance costs - net interest income	Amounts recognised in other comprehensive income
MLP Pruszków I Sp. z o.o.	(802)	1 631	4 529
MLP Pruszków III Sp. z o.o.	107	1	50
MLP Pruszków IV Sp. z o.o.	77	1	247
MLP Teresin Sp. z o.o.	-	(1)	(99)
MLP Poznań II Sp. z o.o.	20	-	224
MLP Lublin Sp. z o.o.	1	(30)	207
	(597)	1 602	5 158

23. 3 Nature and extent of risks arising from financial instruments

The Group's business involves primarily 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 primarily the risk that the Group will encounter difficulty in meeting its future obligations under long-term borrowings.

The below table presents the maturity analysis of bank borrowings, including interest payment cash flows:

Bank borrowings - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
2018	40 092	291 488	178 159	509 739
2017	26 789	178 467	142 492	347 748

The following table presents the maturity analysis for derivative interest payments:

Derivative instruments - expected payments		up to 1 year	from 1 to 5 years	over 5 years	Total
2018	inflows	32	67 134	32 103	99 269
	outflows	(1 184)	(71 197)	(32 103)	(104 484)
		(1 152)	(4 063)	-	(5 215)
2017	inflows	26	519	208	753
	outflows	(32)	(2 720)	(263)	(3 015)
		(6)	(2 201)	(55)	(2 262)

The below table presents the maturity analysis of non-bank borrowings, including interest payment cash flows:

Loans - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
2018	-	40 947	12 260	53 207
2017	429	48 463	11 946	60 838

23. 3. 2 Currency risk

The Group is exposed to significant currency risk as a large portion of its financial assets and liabilities is denominated in EUR and USD.

The table below presents the currency structure of financial instruments in the each of years:

Currency structure of financial instruments as at 31 December 2018 (PLN thousand):

Financial assets	PLN	EUR	other	Total
Financial assets measured at amortised cost:				
Cash and cash equivalents	32 896	12 985	225	46 106
Loans and receivables, including:				
Trade and other receivables	38 006	380	-	38 386
Loans	57 947	14 137	-	72 084
Other long-term investments	899	21 396	-	22 295
Other short-term investments	10 032	519	-	10 551
	139 780	49 417	225	189 422

Financial liabilities	PLN	EUR	other	Total
Hedging financial instruments:				
Liabilities from measurement of SWAP transactions	-	5 215	-	5 215
Financial liabilities measured at amortised cost:				
Bank borrowings	2 941	461 133	-	464 074
Non-bank borrowings	35 904	14 171	-	50 075
Trade and other payables	21 260	40 609	12	61 881
Lease liabilities	5 256	-	-	5 256
Bonds	-	129 514	-	129 514
	65 361	650 642	12	716 015

Currency structure of financial instruments as at 31 December 2017 (PLN thousand):

Financial assets	PLN	EUR	other	Total
Financial assets measured at amortised cost:				
Cash and cash equivalents	24 633	37 330	2 864	64 827
Loans and receivables, including:				
• Trade and other receivables	11 012	5 433	-	16 445
• Loans	57 235	20 756	-	77 991
• Other long-term investments	1 731	11 011	-	12 742
• Other short-term investments	2 716	418	-	3 134
	97 327	74 948	2 864	175 139

Financial liabilities	PLN	EUR	other	Total
Hedging financial instruments:				
Liabilities from measurement of SWAP transactions	-	2 262	-	2 262
Financial liabilities measured at amortised cost:				
Bank borrowings	839	328 908	-	329 747
Non-bank borrowings	35 192	20 798	407	56 397
Trade and other payables	13 779	34 491	3	48 273
Lease liabilities	5 270	-	-	5 270
Bonds	-	83 773	-	83 773
	55 080	470 232	410	525 722

Due to its open short currency position, the Group is particularly exposed to changes in the EUR/PLN exchange rate. The table below presents the potential impact of a 5% depreciation of PLN against EUR and USD on the Group's results and equity.

Impact of PLN depreciation on the Group's result and equity (PLN thousand)

	as at 31 December	2018	2017
Increase in the EUR/PLN exchange rate by 5%		(30 061)	(19 764)
Increase in the USD/PLN exchange rate by 5%		11	123

A 5% depreciation of the Polish currency against the euro adversely affects the Group's results, causing an increase in debt service costs due to the Group's short currency position.

A 5% depreciation of the Polish currency against the US dollar has a positive impact on the Group's results, causing an increase in interest income from loans denominated in USD.

23. 3. 3 Interest rate risk

Interest rate risk arises chiefly from borrowings as well as issued bonds bearing interest at variable rates. Interest rate movements affect debt-service cash flows. In order to mitigate the interest rate risk, the Group entered into interest rate swaps contracts with its financing banks.

The table below presents the potential impact of a 50 basis points increase in interest rate on the Group's debt-service cash flows.

Effect of interest rate movements on interest cash outflows from borrowings and issued bonds:

	<i>as at 31 December</i>	2018	2017
EURIBOR + 50 p.b.		(1 037)	(724)
US LIBOR + 50bp		-	(2)
WIBOR + 50 bp		(194)	(180)

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

Effect of interest rate movements on interest cash inflows from loans:

	<i>as at 31 December</i>	2018	2017
EURIBOR + 50 p.b.		71	104
WIBOR + 50 bp		290	286

The sensitivity analysis presents how much interest income from loans would increase at the end of the reporting period assuming a 50 basis points increase in interest rates.

The table below presents a potential impact on cash flows from monetary assets of a 50 basis points increase in interest rates.

Effect of interest rate changes on cash flows from monetary assets:

	<i>as at 31 December</i>	2018	2017
EURIBOR + 50 p.b.		175	244
WIBOR + 50 bp		219	145
US LIBOR + 50bp		1	14

The sensitivity analysis presents how much interest income from cash and other short- and long-term investments would increase at the end of the reporting period assuming a 50 basis points increase in interest rates.

23. 3. 4 Credit risk

Credit risk is defined as the risk of financial loss to the Group if a trading partner or a counterparty in a transaction fails to meet its contractual obligations. Credit risk arises chiefly from receivables and cash and cash equivalents.

The Group's maximum exposure to credit risk corresponds to the carrying amount of these financial instruments.

The Group reduces the exposure by demanding that tenants provide security deposits and bank guarantees supporting timely performance of their rental obligations.

	<i>as at 31 December</i>	2018	2017
Security deposits from tenants at end of reporting period		4 254	4 412

24. Operating leases

The Group enters into operating lease contracts for lease of warehouse and office space. Contracts are concluded for periods from three to ten years, usually for five years. A typical contract provides for the following types of payments: (a) rentals for leased space denominated in EUR (and occasionally in USD and PLN), with amounts varying depending on type and standard of space, (b) property management fees to cover running costs, denominated in PLN and charged per square metre of leased space, (c) contributions to the property tax and (d) re-charge of utility bills.

As at 31 December 2018, the aggregate amount of rental income (assuming the EUR/PLN and USD/PLN exchange rates are constant and the rental rates are not indexed) was PLN 512.5 million, of which PLN 81.3 million was receivable within one year, PLN 271.5 million in two to five years, and PLN 159.7 million after five years.

As at 31 December 2017, the aggregate amount of rental income (assuming the EUR/PLN and USD/PLN exchange rates are constant and the rental rates are not indexed) was PLN 400.3 million, of which PLN 66.3 million was receivable within one year, PLN 195.1 million in two to five years, and PLN 138.9 million after five years.

25. Contractual investment commitments

	<i>as at 31 December</i>	2018	2017
Contractual investment liabilities		54 670	29 011

Contractual investment commitments represent the value of executed investment contracts, less any expenditure incurred as at the last day of the financial year.

26. Contingent liabilities and security interests

As at 31 December 2018 the following security interests were established in the Group's assets:

26. 1. Mortgages

Entity	Land register number	Details	Mortgage charge
MLP Pruszków I Sp. z o.o. ⁶⁾	WA1P/00036973/9	Joint contractual mortgage established to secure repayment of credit facility to Raiffeisen Bank S.A. under credit facility agreement of 16 December 2016	EUR 54,750 thousand
	WA1P/00038590/4		
	WA1P/00038589/4		
	WA1P/00038595/9		
MLP Pruszków III Sp. z o.o. ¹⁾	WA1P/00038591/1	Joint contractual mortgage established to secure of Raiffeisen Bank S.A. under credit facility agreement of 16 December 2016	EUR 14,426 thousand
	WA1P/00038596/6		
	WA1P/00038593/5		
MLP Pruszków III Sp. z o.o. ¹⁾		Joint contractual mortgage established to secure claims of BGŻ BNP PARIBAS S.A. under credit facility of 5 November 2015	EUR 32,179 thousand
		Joint contractual mortgage established to secure claims of BGŻ BNP PARIBAS S.A., pursuant to risk hedging documentation, under credit facility agreement of 5 November 2015, as amended.	EUR 3,930 thousand
	WA1P/00079808/5		
	WA1P/00101970/5		

Entity	Land register number	Details	Mortgage charge
MLP Pruszków III Sp. z o.o. ¹⁾		Joint contractual mortgage established to secure claims (under VAT facility) of BGŻ BNP PARIBAS S.A., pursuant to credit facility agreement of 5 November 2015, as amended.	PLN 4,500 thousand
		Joint contractual mortgage established in favour of mBank S.A. to secure repayment of credit facility pursuant to credit facility agreement of 29 April 2016	EUR 18,107 thousand
MLP Pruszków IV Sp. z o.o.	WA1P/00111450/7	Joint contractual mortgage established in favour of mBank S.A. to secure repayment of credit facility pursuant to credit facility agreement of 29 April 2016 (Tranche A3b)	EUR 3,473 thousand
		Joint contractual mortgage established in favour of mBank S.A. to secure the bank's claims under Collateral Agreements executed for the purposes of credit facility agreement of 29 April 2016.	EUR 7,600 thousand
		Joint contractual mortgage established in favour of ING Bank Śląski S.A. to secure repayment of credit facility pursuant to credit agreement no. 11/0002 of 8 August 2011, as amended; the mortgage secures repayment of tranches A, C, investment tranche A3 (including tranches E and F), tranche G, tranche A5, and payment of interest	EUR 9,357 thousand
MLP Poznań Sp. z o.o.	PO1D/00041539/8	Joint contractual mortgage established in favour of ING Bank Śląski S.A. to secure repayment of credit facility pursuant to credit agreement no. 11/0002 of 8 August 2011, as amended, and credit agreement of 9 February 2017, as amended; the mortgage secures repayment of tranches B, D, H, and payment of interest	EUR 1,354 thousand
MLP Poznań II Sp. z o.o. ²⁾	PO1D/00050729/3 PO1D/00041540/8 PO1D/00050728/6 PO1D/00051882/0	Joint contractual mortgage established in favour of ING Bank Śląski S.A. to secure payment of claims under hedging transactions (Transactions 1, 2, 3, 4 and 5), pursuant to credit facility agreement No. 11/0002 of 8 August 2011, as amended, executed by MLP Poznań II Sp. z o.o.	EUR 1,415 thousand
		Joint contractual mortgage established in favour of ING Bank Śląski S.A. to secure repayment of VAT facility and variable rate payments under VAT facility	PLN 3,750 thousand
MLP Lublin Sp. z o.o.	LU1S/00012867/9	Contractual mortgage established to secure claims of PKO B.P. S.A. under: investment facility agreement, working capital (VAT) facility agreement of 13 April 2015, as amended, and claims under concluded IRS transactions	EUR 25,502 thousand
MLP Teresin Sp. z o.o. ³⁾	WA1G/00076402/9	Contractual mortgage established in favour of PEKAO BP S.A. to secure repayment of credit facility under credit facility agreement of 31 May 2016	EUR 10,796 thousand

Entity	Land register number	Details	Mortgage charge
		Contractual mortgage established in favour of PEKAO BP S.A. to secure repayment of VAT facility under credit facility agreement of 31 May 2016	PLN 6,000 thousand
MLP Teresin Sp. z o.o. ³⁾	WA1G/00076402/9	Contractual mortgage in favour of PEKAO BP S.A. to secure repayment of any receivables due to the bank under Collateral Agreements concluded for the purposes of credit agreement dated 31 May 2018.	PLN 5,600 thousand
		Contractual mortgage established in favour of PEKAO BP S.A. to secure repayment of principal, interest, late payment interest, CAP transactions, and claims under IRS transactions, under credit facility agreement of May 31st 2016	PLN 5,600 thousand
			EUR 27,638 thousand
MLP Wrocław Sp. z o.o. ⁴⁾	WR1E/00102562/6	Contractual mortgage established in favour of PEKAO BP S.A. to secure credit facility under credit facility agreement of 11 October 2017	PLN 4,500 thousand
			PLN 12,000 thousand
		Contractual mortgage established in favour of PEKAO BP S.A. to secure the bank's claim for payment of final closing amount, pursuant to framework agreement of 11 October 2017, as amended by Annex 1 of 12 April 2018.	PLN 12,000 thousand
		Contractual mortgage established in favour of PEKAO BP S.A. to secure credit facility under credit facility agreement of 13 March 2018	EUR 29,915 thousand
MLP Gliwice Sp. z o.o. ⁵⁾	GL1T/00099961/3	Contractual mortgage established in favour of PEKAO BP S.A. to secure VAT facility under credit facility agreement of 13 March 2018	PLN 4,500 thousand
		Contractual mortgage in favour of PEKAO BP S.A. to secure repayment of any receivables due to the bank under Collateral Agreements concluded for the purposes of the credit agreement dated 13 March 2018.	PLN 12,000 thousand

¹⁾ Following disbursement of further tranches of the credit facility to MLP Pruszków III Sp. z o.o., the mortgage charge was increased from EUR 12,975 thousand to EUR 32,179 thousand, and from PLN 2,895 thousand to PLN 3,930 thousand.

The changes were recorded in the land and mortgage register in December 2018.

²⁾ In January 2019, contractual mortgages of up to the aggregate amount of EUR 27,410 thousand were entered in the land and mortgage registers of MLP Poznań Sp. z o.o. and MLP Poznań II Sp. z o.o., in favour of ING Bank Śląski S.A., as security for Refinanced Facility with interest, Construction and Investment Facility (following conversion of the construction facility into to the investment facility) with interest; and up to PLN 6,000 thousand as security for the VAT facility. In February 2019, the total amount of joint mortgage was changed from EUR 1,354 thousand to EUR 1,788 thousand.

³⁾ In February 2018, a contractual mortgage of up to PLN 5,600 thousand was entered in the land and mortgage register of MLP Teresin Sp. z o.o. as security for repayment of principal, interest, CAP transactions and claims under IRS transactions.

⁴⁾ In January 2018, contractual mortgages of up to EUR 27,638 thousand, PLN 4,500 thousand, and PLN 12,000 thousand, and then in October 2018 – of up to PLN 12,000 thousand were entered in the land and mortgage registers of MLP Wrocław Sp. z o.o., as security for repayment of the credit facility granted by Pekao BP S.A. Contractual mortgage in favour of PEKAO BP S.A.

⁵⁾ In May 2018, contractual mortgages of up to PLN 29,915 thousand, EUR 4,500 thousand, and PLN 9,000 thousand were entered in the land and mortgage register of MLP Gliwice Sp. z o.o., as security for repayment of the credit facility and the VAT facility provided by Pekao BP S.A., and for the bank's claims under the Collateral Agreements. In October 2018, the total amount of joint mortgage was changed from EUR 9,000 thousand to EUR 12,000 thousand.

⁶⁾ In June 2018, contractual capped mortgages of EUR 4,950 thousand, EUR 1,500 thousand and EUR 80,000 thousand were deleted from the land and mortgage registers of MLP Pruszków I Sp. z o.o., originally established to secure repayment to Raiffeisen Bank S.A. of a credit facility provided under the agreement of 4 December 2007. The mortgages were deleted from the register following complete repayment of the facility.

26. 2. **Financial and registered pledges on shares**

Type of security interest	Secured claims	Value of security interest
<u>Security interests in MLP Group S.A.'s shares in the following companies:</u>		
<i>Registered pledges on shares:</i>		
MLP Pruszków I Sp. z o.o.	claims of Raiffeisen Bank Polska S.A under facility no. CRD/25846/07 provided to MLP Pruszków I Sp. z o.o.	EUR 80,000 thousand
MLP Poznań II Sp. z o.o.	claims of ING Bank Śląski S.A. under facility no. ING 11/0002 provided to MLP Poznań II Sp. z o.o.	EUR 14,047 thousand
<i>Registered and financial pledges on shares</i>		
MLP Pruszków III Sp. z o.o. ¹⁾	claims of BGŻ BNP Paribas S.A. under facility of 5 November 2015 provided to MLP Pruszków III Sp. z o.o.	EUR 34,370 thousand
MLP Pruszków III Sp. z o.o.	claims of BGŻ BNP Paribas S.A. under facility of 5 November 2015 provided to MLP Pruszków III Sp. z o.o.	PLN 4,500 thousand
MLP Wrocław Sp. z o.o.	claims of PEKAO S.A. under facility of 11 October 2017 provided to MLP Wrocław Sp. z o.o.	PLN 4,500 thousand
MLP Wrocław Sp. z o.o.	claims of PEKAO S.A. under facility of 11 October 2017 provided to MLP Wrocław Sp. z o.o.	EUR 27,638 thousand
MLP Gliwice Sp. z o.o. ²⁾	claims of PEKAO S.A. under facility of 13 March 2017 provided to MLP Gliwice Sp. z o.o.	EUR 29,915 thousand
MLP Gliwice Sp. z o.o. ²⁾	claims of PEKAO S.A. under working capital (VAT) facility of 13 March 2017 provided to MLP Gliwice Sp. z o.o.	PLN 4,500 thousand

Type of security interest	Secured claims	Value of security interest
MLP Czeladź Sp. z o.o. ³⁾	claims of PKO BP S.A. under Collateral Agreements executed for the purposes of credit facility agreement of 14 December 2018 granted to MLP Czeladź Sp. z o.o.	EUR 15,450 thousand
MLP Czeladź Sp. z o.o. ³⁾	claims of PKO BP S.A. under credit facility agreement of 14 December 2018 granted to MLP Czeladź Sp. z o.o.	EUR 32,156 thousand
MLP Pruszków I Sp. z o.o.	claims of Raiffeisen Bank Polska S.A under facility no. CRD/25846/07 provided to MLP Pruszków I Sp. z o.o.	EUR 54,750 thousand
<u>Security interests in MLP Property Sp. z o.o.'s shares in the following companies:</u>		
<i>Registered pledges on shares:</i>		
MLP Lublin Sp. z o.o.	claims of PKO BP S.A. under investment credit facility	EUR 19,221 thousand
<i>Financial pledges on shares:</i>		
MLP Poznań II Sp. z o.o.	claims of ING Bank Śląski S.A. under facility no. ING 11/0002	EUR 14, 047 thousand
<i>Registered and financial pledges on shares</i>		
MLP Pruszków IV Sp. z o.o.	claims of mBank S.A. under facility agreement of 17 December 2014 executed with MLP Pruszków IV Sp. z o.o	EUR 10,579 thousand
MLP Pruszków IV Sp. z o.o.	claims of mBank S.A. under facility agreement of 17 December 2014 executed with MLP Pruszków IV Sp. z o.o. (VAT facility)	PLN 3,750 thousand
MLP Pruszków IV Sp. z o.o.	claims of mBank S.A. facility agreement of 29 December 2016	EUR 21,579 thousand
MLP Pruszków III Sp. z o.o. ¹⁾	claims of BGŻ BNP Paribas S.A. under credit facility of 5 November 2015 granted to MLP Pruszków III Sp. z o.o.	EUR 34,370 thousand
MLP Pruszków III Sp. z o.o.	claims of BGŻ BNP Paribas S.A. under credit facility of 5 November 2015, amended by subsequent amending agreements, granted to MLP Pruszków III Sp. z o.o.	PLN 4,500 thousand
MLP Teresin Sp. z o.o.	claims of PEKAO S.A. under credit facility of 31 May 2016 granted to MLP Teresin Sp. z o.o.	EUR 10,796 thousand
MLP Teresin Sp. z o.o.	claims of PEKAO S.A. under credit facility of 31 May 2016 provided to MLP Teresin Sp. z o.o. (VAT facility)	PLN 6,000 thousand

Type of security interest	Secured claims	Value of security interest
<u>Security interests in MLP Poznań Sp. z o.o.'s shares in the following companies:</u>		
<i>Registered and financial pledges on shares</i>		
MLP Poznań II Sp. z o.o.	claims of ING Bank Śląski S.A. under facility no. ING 11/0002 provided to MLP Poznań II Sp. z o.o.	EUR 14,047 thousand
<u>Security interests in MLP Pruszków II Sp. z o.o.'s shares in the following companies:</u>		
<i>Registered pledges on shares:</i>		
MLP Pruszków III Sp. z o.o. ¹⁾	claims of BGŻ BNP Paribas S.A. under facility of 5 November 2015 provided provided to MLP Pruszków III Sp. z o.o.	EUR 34,370 thousand
<i>Registered and financial pledges on shares</i>		
MLP Pruszków IV Sp. z o.o.	claims of mBank S.A. under facility agreement of 17 December 2014 executed with MLP Pruszków IV Sp. z o.o.	EUR 21,579 thousand
MLP Pruszków IV Sp. z o.o.	claims of mBank S.A. under facility agreement of 17 December 2014 executed with MLP Pruszków IV Sp. z o.o. (working capital facility)	PLN 3,750 thousand
MLP Pruszków III Sp. z o.o.	claims of BGŻ BNP Paribas S.A. under credit facility of 5 November 2015, amended by subsequent amending agreements, granted to MLP Pruszków III Sp. z o.o.	PLN 4,500 thousand

¹⁾ Following disbursement of another tranche of the facility to MLP Pruszków III Sp. z o.o., in the third quarter of 2018 the amount of financial and registered pledges was increased from EUR 26,595 thousand to EUR 34,370 thousand; the pledges were established on the shares held by MLP Group S.A., MLP Pruszków II Sp. z o.o. and MLP Property Sp. z o.o. in MLP Pruszków III Sp. z o.o.

²⁾ In connection with the facility agreement executed on 13 March 2018 by MLP Gliwice Sp. z o.o. with Pekao S.A., registered and financial pledges were established on shares held by MLP Group S.A. in MLP Wrocław Sp. z o.o., up to the amount of EUR 29,915 thousand and PLN 4,500 thousand. The pledges were entered in the pledge register in March 2018.

³⁾ In connection with the facility agreement executed on 14 December 2018 by MLP Czeladź Sp. z o.o. with PKO BP S.A., registered and financial pledges were established on shares held by MLP Group S.A. in MLP Czeladź Sp. z o.o., up to the aggregate amount of EUR 47,606 thousand. The pledges were entered in the pledge register in December 2018.

26. 3. Pledges on cash receivables

In June 2018, registered pledges were established (and entered in the pledge register) on cash receivables up to the amount of EUR 25,910 thousand, to secure repayment of amounts due to ING Bank Śląski S.A. under the facility of 9 February 2017 provided to MLP Poznań Sp. z o.o.

In connection with the credit agreement executed on 14 December 2018 between MLP Czeladź Sp. z o.o. and PKO BP S.A. bank, in December 2018 registered and financial pledges were established (and entered in the pledge register) on cash receivables, up to EUR 15,450 thousand and EUR 32,156 thousand, as security of repayment of the credit facility provided by PKO BP S.A. to the company. Furthermore, in December 2018 pledges were established (and entered in the pledge register) over an organised set of movables and rights, up to EUR 15,450 thousand and EUR 32,156 thousand.

26. 4. Guarantees

In the first half of 2017, all guarantees provided by MLP Pruszków I Sp. z o.o. to Mercantile Discount Bank expired.

As at 31 December 2018 the Group did not provide any guarantees.

26. 5. Sureties

As at 31 December 2018 the Group did not provide any sureties.

26. 6. Other security interests

- **Other security interests created in favour of Bank mBank S.A.:**

- Assignment of claims under insurance policy,
- Assignment of rights under lease contracts,
- Power of attorney to all accounts of the borrower,
- Loan subordination agreement,
- Blank promissory note,
- Declaration on voluntary submission to enforcement.

- **Other security interests created in favour of Raiffeisen Bank Polska S.A.:**

- Assignment of rights under lease contracts,
- Power of attorney to all accounts of the borrower,
- Debt service reserve,
- Assignment of rights under construction contracts,
- Assignment of rights under insurance policy,
- Loan subordination agreement.

- **Other security interests created in favour of Bank BGŻ BNP Paribas S.A.:**

- Power of attorney to all accounts of the borrowers,
- Assignment of rights under assignment agreement,
- Declaration on voluntary submission to enforcement by each borrower;
- Declaration on voluntary submission to enforcement by each shareholder of any of the borrowers;
- Subordination of claims under subordination agreement
- Deposit in debt service reserve account,
- Assignment of claims under insurance policy,

- **Other security interests created in favour of Bank ING Bank Śląski S.A.:**

- Assignment of claims under insurance policy,
- Security deposit of EUR 85,000,
- Assignment of rights under lease contracts,
- Power of attorney to all accounts of the borrower,
- Agreement on establishment of cash security deposit in favour of ING Bank Śląski S.A. to secure repayment of the bank's claims under credit facility provided to MLP Poznań II Sp. z o.o., as well as related interest, commissions, fees and expenses
- Signed annex to agreement on creation of financial and registered pledge over shares in MLP Poznań II Sp. z o.o.

- **Other security interests created in favour of PKO BP S.A.:**

- Borrower's blank promissory note with promissory note declaration,
- Set-off clause with respect to borrower's accounts maintained with the bank;
- Assignment of monetary claims under insurance contracts in respect of real property under construction and after its completion (throughout the lending period),

- Assignment of cash receivables under lease contracts,
- Assignment of cash receivables under guarantees issued to the borrower as security for lease contracts,
- Surety under civil law for the full amount of the facility, provided by MLP Group S.A. and effective until the decision on registration of the mortgage becomes final,
- Assignment of cash receivables under a management contract concluded with MLP Group S.A. or another entity;
- Assignment of claims under the contract/s concluded with the general contractor and assignment of cash receivables under the performance bond,
- Payment into the bank's account of cash collateral to secure repayment of the facility,
- Assignment of cash receivables under insurance policy for loss of profit before tax by the borrower,

Other security interests created in favour of PEKAO S.A.:

- Power of attorney to all bank accounts,
- Obligations under support agreements,
- Assignment by way of security under assignment agreement,
- Statement of voluntary submission to enforcement,
- Subordination of claims under subordination agreement
- Deposit in debt service account,

26. 7. Other contingent liabilities and commitments

- Under an agreement of May 2018, Bank BKO BP S.A. provided to MLP Czeladź Sp. z o.o. a bank guarantee for the performance of the company's obligations towards the Municipality of Czeladź and the State Treasury, concerning reconstruction of a traffic circulation system in Czeladź as part of construction of a logistics park. The guarantee amount was PLN 5,927 thousand.
- MLP Pruszków I Sp. z o.o., MLP Pruszków II Sp. z o.o. and MLP Pruszków III received decisions concerning change of perpetual usufruct charge. According to the decisions, as at 31 December 2018 the total amount potentially due was PLN 13,474 thousand. The management board of the companies does not accept the amount of the charge, and therefore the case was referred to the court.

The Group did not recognise any additional provisions for potential claims of the Pruszków Starost in connection with the of the perpetual usufruct charge.

27. Related-party transactions

27. 1 Loans and non-bank borrowings

The outstanding balances of loans to and non-bank borrowings from related parties as at 31 December 2018 were as follows:

	Loans	Non-bank borrowings
Other related parties		
Fenix Polska Sp. z o.o.	49 912	50 075
MLP FIN Spółka z ograniczoną odpowiedzialnością Sp.k.	33	-
Total	49 945	50 075

27. 2 Income and expenses

The table below presents costs and expenses under related-party transactions for the 12 months to 31 December 2018:

	Revenue	Procurement of services and cost of salaries	Interest income	Interest expense
Parent				
The Israel Land Development Company Ltd., Tel-Awiw	152	(152)	-	-
	152	(152)	-	-
Other related parties				
Fenix Polska Sp. z o.o.	4	(4)	1 084	1 113
MLP FIN Spółka z ograniczoną odpowiedzialnością Sp.k.	4	(4)	1	-
	8	(8)	1 084	1 113
Key management personnel				
RTK CONSULTING, Radosław T. Krochta	-	(605)	-	-
ROMI CONSULTING, Michael Shapiro	-	(450)	-	-
PROFART, Tomasz Zabost	-	(434)	-	-
PEOB, Marcin Dobieszewski	-	(242)	-	-
Other key management personnel	-	(815)	-	-
	-	(2 546)	-	-
Total	160	(2 706)	1 084	1 113

Fenix Polska Sp. z o.o. is related to the Group through Cajamarca Holland B.V., which as at 31 December 2018 held all shares in Fenix Polska Sp. z o.o. and a 56.98% interest in the Group's share capital.

28. Significant litigation and disputes

28. 1 Czerwona Torebka S.A.

Until January 29th 2016, the condition precedent to acquisition by MLP Poznań West Sp. z o.o. from „Trzecia – Czerwona Torebka spółka akcyjna” sp.k. of a property located in Więckowice (Dopiewo commune, Poznań county, province of Poznań) and comprising a plot of land (Land and Mortgage Register entry No. KW PO1P/00295155/9 maintained by the District Court for Poznań-Stare Miasto in Poznań, 5th Land and Mortgage Register Division) was not satisfied. The condition precedent was not satisfied in lease contracts concluded with the following entities: "Dyskont Czerwona Torebka" S.A. (formerly „Dziewiąta – Czerwona Torebka spółka akcyjna” S. K. A.); "Małpka" S.A. (at the time of execution of the lease contract, the company was a part of the „Czerwona Torebka” Group).

The condition was not satisfied as the seller failed to secure a satisfactory legal status of the property.

As "Trzecia – Czerwona Torebka spółka akcyjna” sp.k. did not return a loan of PLN 20,729,455 to MLP Poznań West Sp. z o.o., on 29 January 2016 the company filed a lawsuit with the District Court in Poznań against:

- "Trzecia – Czerwona Torebka spółka akcyjna” sp.k. for payment PLN 21,888,674.51 plus statutory interest for late payment accrued from the day of filing the lawsuit to date of payment;
- Czerwona Torebka S.A. for payment of PLN 21,258,766.01 plus statutory interest for late payment accrued from the day of filing the lawsuit to date of payment;

with the proviso that with respect to the amount of PLN 21,258,766,01 plus statutory interest for late payment accrued from the day of filing the lawsuit to date of payment the responsibility of the respondents is joint and several, or that payment of the amount by one of the respondents releases the other respondent from the responsibility.

The loan is secured with a contractual mortgage of PLN 31,094,182.50, entered in Section IV of land and mortgage register No. PO1P/00295155/9 maintained by the District Court for Poznań-Stare Miasto in Poznań, 5th Land and Mortgage Register Division, for plots nos. 319/1, 319/2 and 319/3, with an aggregate area of 45.9807 ha.

On 16 July 2018, the final judgement was passed in favour of MLP Poznań West Sp. z o.o. against "Trzecia - Czerwona Torebka S.A." sp.k. and Czerwona Torebka S.A., awarding to the claimant the payment of PLN 21,888,674.51 plus statutory interest for late payment accrued from 29 January 2016 to the payment date and costs of the proceedings. In July 2018, the final judgment was passed in enforcement proceedings.

28. 2 CreditForce Holding B.V

On 12 January 2012, the Regional Court of Warsaw issued a judgment awarding payment of PLN 2,005 thousand to MLP Tychy Sp. z o.o. (currently MLP Sp. z o.o. SKA) with accrued contractual interest from CreditForce Holding B.V. of Houten, the Netherlands, jointly and severally with European Bakeries Sp. z o.o., which was appealed next to the judgment on March 16th 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 was submitted to the complaint by European Bakeries Sp. z o.o. to renew the proceedings, which were then discontinued on 12 August 2016.

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. No ruling has been passed in the case.

29. Significant events during the financial year and subsequent events

- In February 2018, ING Bank Śląski S.A. disbursed another tranche of the credit facility to MLP Poznań II Sp. z o.o.
- On 13 March 2018, MLP Gliwice Sp. z o.o. executed a credit facility agreement with PeKaO S.A. The facility was disbursed in the second quarter of 2018.
- On 29 March 2018, Bank Raiffeisen Bank Polska S.A. disbursed another tranche of the credit facility to MLP Pruszków I Sp. z o.o.
- On 9 February 2017, MLP Poznań executed a credit facility agreement with ING Bank Śląski S.A. The facility was disbursed in the second quarter of 2018.
- On 13 March 2018, MLP Pruszków V Sp. z o.o. was established pursuant to a deed of incorporation. On 4 April 2018, MLP Group S.A. acquired 50 shares in MLP Pruszków V Sp. z o.o. for a total amount of PLN 5,000, thus acquiring a direct 100% interest in the company's equity and voting rights. The shares were paid up in full with cash.
- On 11 May 2018, the Company issued, by way of private placement, 10,000 Series B bearer bonds with a nominal value of EUR 1,000 per bond and the total value of the issue of EUR 10,000,000.
- For details on the issue of Series B bonds is discussed, see Note 20.1 to these consolidated financial statements.
- On 2 August 2018, the Management Board of the Warsaw Stock Exchange decided to introduce 10,000 (ten thousand) B-series bearer bonds of MLP Group S.A. with the nominal value of EUR 1,000 (one thousand euro) each to the alternative trading system on Catalyst.
- On 9 August, the Management Board of the Warsaw Stock Exchange set the date of first listing of the Company's B-series bearer bonds in the alternative trading system on Catalyst for 13 August 2018.
- Pursuant to a notary deed of 30 May 2018, MLP Poznań West II Sp. z o.o., a subsidiary, purchased a land property located in the village of Dąbrówka, Dopiewo township, Poznań county, wielkopolskie voivodship, with a surface area of 18.4462 ha, for the net amount of PLN 28,674 thousand.
- On 5 September 2018, the Company's Supervisory Board passed a resolution approving payment of interim dividend of PLN 3,260,385.90, i.e. PLN 0.18 per share. The interim dividend was paid out on 8 October 2018.

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>	2018	2017
Remuneration of the Management Board:		
• Remuneration and other benefits:		
Radosław T. Krochta	605	698
Michael Shapiro	450	407
Tomasz Zabost	434	463
Marcin Dobieszewski	242	218
	1 731	1 786
• Cash settled share based payment and other compensation paid or due in the period	1 104	1 011
	2 835	2 797
Remuneration of the Supervisory Board:		
• Remuneration and other benefits		
Maciej Matusiak	30	30
Jacek Tucharz	13	30
Eytan Levy	30	30
Shimshon Marfogel	30	30
Daniel Nimrodi	30	-
Guy Shapira	30	30
Piotr Chajderowski	17	-
Yosef Zvi Meir	-	30
	180	180
Total remuneration paid or due to Management Board, Supervisory Board and Key Management Personnel	3 015	2 977
<i>for the year ended 31 December</i>	2018	2017
Other Key Management Personnel:		
• Remuneration and other benefits	815	790
• Cash settled share based payment paid or due in the period	464	521
	1 279	1 311
Total remuneration paid or due to Management Board, Supervisory Board and Key Management Personnel	4 294	4 288

The note presents remuneration of members of management and supervisory bodies for discharging the functions of Management or Supervisory Board Members, as well as the costs of services provided to other companies in the Group, and other management personnel.

Apart from the consideration for the transactions disclosed in the relevant note above, no member of the Management Board, Supervisory Board or Key Management Personnel received any other benefits from any of the Group companies.

31. Employment structure

	<i>for the year ended 31 December</i>	2018	2017
Average headcount in the period		23	19

32. Change resulting from the entry into force of IFRS 15 Revenue from Contracts with Customers *Reinvoicing of utilities*

The Group verified the manner of presentation of revenues from reinvoicing of utilities pursuant to IFRS 15 *Revenue from Contracts with Customers*, which entered into force on 1 January 2018. In the approved consolidated financial statements of the MLP Group S.A. Group for 2017, sales revenues were reduced by the costs of utilities invoiced directly to tenants. In compliance with IFRS 15, the data for 2018 were presented as separate items.

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

	Data according to approved financial statements for the period ended 31 December	Restatement	Restated data for the period ended 31 December 2017
Revenue	100 311	3 496	103 807
Note no. 6 Revenue			
Rental income	75 548	-	75 548
Other revenue	20 974	3 496	24 470
Revenue from development contract concluded by MLP Bieruń Sp. z o.o.	3 789	-	3 789
Total revenue	100 311	3 496	103 807
Re-charge of utility bills	18 449	3 496	21 945
Rental income from apartments	34	-	34
Services provided to tenants	1 846	-	1 846
Other revenue	645	-	645
Other revenue	20 974	3 496	24 470
Distribution costs and administrative	(52 533)	(3 496)	(56 029)
Note no. 9 Distribution costs and administrative expenses			
Depreciation and amortisation	(262)	-	(262)
Raw materials and consumables used	(14 845)	(3 299)	(18 144)
Services	(19 674)	(197)	(19 871)
Taxes and charges	(11 190)	-	(11 190)
Wages and salaries	(4 141)	-	(4 141)
Social security and other employee benefits	(349)	-	(349)
Other expenses by nature	(2 000)	-	(2 000)
Merchandise and materials sold	(72)	-	(72)
Distribution costs and administrative expenses	(52 533)	(3 496)	(56 029)

Signed with qualified electronic signature.

Radosław T. Krochta
President of the Management Board

Michael Shapiro
Vice President of the Management Board

Tomasz Zabost
Member of the Management Board

Maria Ratajczyk
*Signature of the person preparing the
financial statements*

Pruszków, 15 March 2019



Management Boards's Report on the activities of the MLP Group S.A. Group

**for the 12 months ended
31 December 2018**

This Management Board's Report on the activities of the MLP Group S.A. for the 12 months ended December 31st 2018 has been prepared pursuant to the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of an on-member state, dated March 29th 2018 (Dz.U.of 2018, item 757).

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Authorisation for issue of the Management Board's Report on the activities of the MLP Group S.A. Group in the 12 months ended 31 December 2018

This Management Board's Report on the activities of the MLP Group S.A. Group in the 12 months ended 31 December 2018 was prepared as at and authorised for issue by the Company's Management Board on 15 March 2019.

Signed with a qualified electronic signature.

Radosław T. Krochta
President of the Management Board

Michael Shapiro
Vice President of the Management Board

Tomasz Zabost
Member of the Management Board

Pruszków, 15 March 2019

Introduction

MLP Group S.A. (the "Company", the "Issuer", the "Parent") is the parent of the MLP Group S.A. (the "Group"). The Company is entered in the National Court Register under No. 0000053299, the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register. The Company's main registered office is located at ul. 3-go Maja 8 in Pruszków, Poland.

The Company was established on 18 February 1995 (deed of transformation) and was incorporated for an indefinite term.

The Parent's and its subsidiaries' business activities comprise development, purchase and sale of own real estate, lease of own real estate, management of residential and non-residential real estate, general activities involving construction of buildings, and construction. The PKD code of the principal business activity is: 7032Z, i.e. property management services.

The higher level parent of the Group is CAJAMARCA HOLLAND B.V. of the Netherlands, registered address: 2 Martinus Nijhofflaan, 2624 ES Delft.

The ultimate parent of 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. General information on the Group and MLP Group S.A.

1.1 Structure of the Group

As at 31 December 2018, the Group comprised the following entities:

No.	Entity	Country of registration	Parent's direct and indirect interest in equity	Parent's direct and indirect interest in voting rights
1	MLP Pruszków I Sp. z o.o.	Poland	100%	100%
2	MLP Pruszków II Sp. z o.o.	Poland	100%	100%
3	MLP Pruszków III Sp. z o.o.	Poland	100%	100%
4	MLP Pruszków IV Sp. z o.o.	Poland	100%	100%
5	MLP Poznań Sp. z o.o.	Poland	100%	100%
6	MLP Lublin Sp. z o.o.	Poland	100%	100%
7	MLP Poznań II Sp. z o.o.	Poland	100%	100%
8	MLP Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%
9	MLP Energy Sp. z o.o.	Poland	100%	100%
10	MLP Property Sp. z o.o.	Poland	100%	100%
11	MLP Bieruń Sp. z o.o.	Poland	100%	100%
12	MLP Bieruń I Sp. z o.o.	Poland	100%	100%
13	MLP Sp. z o.o.	Poland	100%	100%
14	MLP Teresin Sp. z o.o.	Poland	100%	100%
15	MLP Poznań West Sp. z o.o.	Poland	100%	100%
16	MLP FIN Sp. z o.o.	Poland	100%	100%
17	LOKAFOP 201 Sp. z o.o.	Poland	100%	100%
18	LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%
19	MLP Wrocław Sp. z o.o.	Poland	100%	100%
20	MLP Gliwice Sp. z o.o.	Poland	100%	100%
21	MLP Łódź Sp. z o.o.	Poland	100%	100%
22	MLP Czeladź Sp. z o.o.	Poland	100%	100%
23	MLP Temp Sp. z o.o.	Poland	100%	100%
24	MLP Dortmund LP Sp. z o.o.	Poland	100%	100%
25	MLP Dortmund GP Sp. z o.o.	Poland	100%	100%
26	MLP Logistic Park Germany I Sp. z o.o. &Co KG.	Germany	100%	100%
27	MLP Poznań West II Sp. z o.o.	Poland	100%	100%
28	MLP Bucharest West Sp. z o.o.	Poland	100%	100%
29	MLP Bucharest West SRL	Romania	100%	100%
30	MLP Teresin II Sp. z o.o.	Poland	100%	100%
31	MLP Pruszków V Sp. z o.o. ¹⁾	Poland	100%	100%
32	MLP Germany Management GmbH ²⁾	Germany	100%	100%

Changes in the Group

¹⁾ On 13 March 2018, MLP Pruszków V Sp. z o.o. was established pursuant to a deed of incorporation. On April 4th 2018, MLP Group S.A. acquired 50 shares with a total value of PLN 5,000 in MLP Pruszków V Sp. z o.o., thus acquiring 100% of the share capital and voting rights in that company. The shares were paid up in full with cash.

²⁾ On 5 July 2018, MLP Germany Management GmbH was established pursuant to a deed of incorporation. All shares in the company were acquired by MLP Group S.A. (25,000 shares with a total par value of EUR 25,000).

1. 2 Principal business of the Company and the Group

MLP Group is one of the leading industrial developers in Europe. Since 1998, MLP Group has been operating on the commercial real estate market, specialising in the construction of modern warehouse and production parks, offering its tenants warehouse and logistics space, as well as production space suitable for light industrial production. The Group operates on the Polish, German and Romanian market as an industrial developer, consultant and property manager, providing comprehensive solutions to numerous Polish and international logistics, distribution and production companies, enabling them to optimise their 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 solutions and support given to tenants during the lease term. In the opinion of the Management Board, the attractiveness of the locations of 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 transport nodes,
- easy access to the logistics parks by public transport.

At present, the Group operates eight operational logistics parks in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Czeladź, MLP Gliwice, and one logistics park under construction, i.e. MLP Poznań West. Under a property development contract, the Group was also responsible for the commercialisation of the MLP Bieruń logistics park, which was sold in 2015. In the first quarter of 2019, the commercialisation process was completed. In Germany, the Group currently operates one logistics park (MLP Unna). In Romania, the Group owns a logistics park under construction (MLP Bucharest West). The total areas of the land bank held is 97.3 ha. The Group has also executed reservation agreements to purchase new plots of land for its planned logistics parks. As a result, the current and potential portfolio of properties managed by MLP Group includes a total of sixteen operational logistics parks located in Europe in the three markets served.

1.3 Group's property portfolio

The Group classifies its portfolio properties into two main categories:

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

The table below presents the structure of the Group's property portfolio by category as at 31 December 2018:

Logistics parks in Poland	Location	Target area (m ²)	Existing leassable space (m ²)	Space under construction (m ²)	Land bank (m ²)
MLP Pruszków I	Pruszków	170 695	168 370	-	-
MLP Pruszków II	Brwinów	283 897	137 740	22 327	260 647
MLP Poznań	Poznań	89 935	48 449	-	87 598
MLP Lublin	Lublin	47 567	27 867	17 810	4 178
MLP Teresin	Teresin	37 833	37 832	-	-
MLP Gliwice	Szalsza	66 124	35 564	-	68 906
MLP Wrocław	Mirków	66 795	25 404	-	80 815
MLP Czeladź	Czeladź	76 258	8 788	9 863	124 474
MLP Poznań West ¹⁾	Dąbrówka	96 844	-	-	184 462
MLP Unna ²⁾	Unna	56 700	48 096	-	19 087
MLP Bucharest	Bucharest	97 590	-	23 468	143 077
Total		1 090 238	538 110	73 468	973 244

¹⁾ On 30 May 2018, the Group purchased land with an area of 18.5 ha for development of MLP Poznań West, a new logistics park.

²⁾ On 4 April 2017, MLP Logistic Park Germany I Sp. z o.o. &Co KG. purchased a land property with an area of 12.5 ha, developed with warehouse and office buildings. The MLP Unna Logistics Park is located on the land and comprises buildings which are planned to be demolished as the Group intends to build new storage facilities instead. Currently, the Group is in advanced discussions concerning lease of the entire area, i.e. 53,000 m², by one customer.

Subsequent to the reporting date and until the date of issue of this Report, MLP concluded two short-term agreements:

with VanEupen on 26 February 2019 (10,306 m²) and Finsterwalder on 5 March 2019 (6,096 m²).

¹⁾ Together with the agreement to sell property forming part of the MLP Bieruń logistics park, MLP Bieruń Sp. z o.o. signed a property development contract whereby it undertook to complete the construction and to commercialise the park.

In performance of the contract, in 2017 MLP Bieruń Sp. z o.o. completed construction of Stage 1 of the building for Auto Partner. In 2018, the Company leased the remaining target area of 11,560 m² to the tenant and commenced construction of the warehouse. For details, see Note 2.1.2 in this Management Board's Report.

Summary of leasable area owned by the Group in Poland as at 31 December 2018 (m²):

	Target developed space upon completion (m ²)	Developed space (m ²)	Space under construction (m ²)	Developed and leased space (m ²)	Pre-leased space under construction (m ²)	Unleased developed space (m ²)
POLAND:	935 948	490 014	50 000	472 301	43 570	17 713
GERMANY:	56 700	48 096	-	-	-	48 096
ROMANIA	97 590	-	23 468	-	-	-
	1 090 238	538 110	73 468	472 301	43 570	65 809

Types of rental space offered:

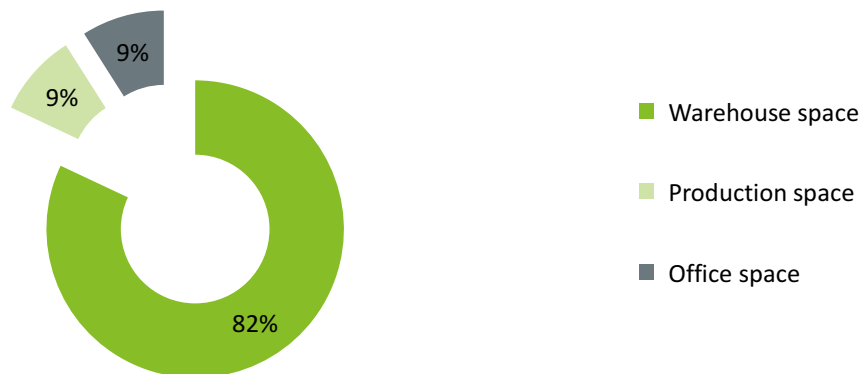
The Group offers two types of space to its tenants:

- warehouse space, i.e. as space for storing goods, and
- production space, i.e. space designated for light industrial production.

The Group also provides its tenants with support office space. The final division of leased space depends on tenants' requirements.

The chart below presents the structure of the Group's total developed space as at 31 December 2018:

Group's developed space by type as at 31 December 2018



Fair value of the Group's property portfolio as at 31 December 2018:

Logistics park	Fair value EUR thousand	Fair value PLN thousand
MLP Pruszków I	81 860	351 997
MLP Pruszków II	107 393	461 790
MLP Poznań	30 974	133 188
MLP Lublin	20 581	88 498
MLP Teresin	16 280	70 004
MLP Gliwice	23 130	99 459
MLP Wrocław	19 766	84 994
MLP Czeladź	13 721	59 000
MLP Poznań West	7 450	32 035
MLP Unna	5 730	24 639
MLP Bucharest West	7 370	31 723
Total	334 255	1 437 327

The value of investment property portfolio disclosed in the consolidated financial statements as at 31 December 2018 included: (i) market value of investment property of PLN 1,437,327 thousand, (ii) perpetual usufruct right to land of PLN 5,255 thousand, and expenditure on future investment projects of PLN 454 thousand in new locations of interest to the Group.

1. 4 Market, customers and suppliers

The Group's property portfolio comprises eight operational logistics parks located in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, MLP Czeladź, and logistics facilities under construction - MLP Poznań West. In Germany, the Group currently operates one logistics park (MLP Unna). In Romania, the Group owns a logistics park under construction (MLP Bucharest West).

1. 4.1 Structure of the Group's sales

The Group earns revenue from lease of investment property in logistics parks in Poland, and from April 2017 also in Germany. The table below presents the types of revenue derived from lease of the properties.

Revenue in the year ended 31 December	2018	2017 (restated data)	change (%)
Sales to external customers:			
Rent from lease of investment property	71 839	59 574	20,6%
Re-charge of service charges	21 115	15 974	32,2%
Re-charge of utility bills	25 219	21 945	14,9%
Other revenue	1 212	2 525	-52,0%
Revenue from property development contract concluded by MLP Bieruń Sp. z o.o.¹⁾	22 117	3 789	483,7%
Total	141 502	103 807	36,3%

The structure of the Group's tenants is highly diversified and therefore the Group is not exposed to any material risk related to a single tenant or group of tenants. As at 31 December 2018, the average space of income-generating properties leased to one tenant was approximately 6.2 thousand m² (31 December 2017: 6.8 thousand m²).

As at 31 December 2018, the 10 largest tenants occupied about 45% of the total leased space in all of the Group's (31 December 2017: 54%).

The increase in rental income (by PLN 12,265 thousand), income from re-charge of operating expenses (by PLN 5,141 thousand), and income from re-charge of utility bills (by PLN 3,274 thousand) was mainly attributable to the fact that in 2018 a total of 89,760 m² of leased area was constructed, compared with 2017 when 85,001 m² was leased out, including 61,442 m² in the second half of the year (in MLP Wrocław, MLP Teresin, MLP Lublin, and MLP Poznań parks). In addition, 35,542 m² of space was handed over to tenants in the first quarter of 2018. In 2018, two new and logistic parks, MLP Gliwice and MLP Czeladź, started to generate rental income.

¹⁾ Together with the agreement to sell property forming part of the MLP Bieruń logistics park, MLP Bieruń Sp. z o.o. signed a property development contract whereby it undertook to complete the construction and to commercialise the park. In performance of the contract, in 2017 MLP Bieruń Sp. z o.o. completed construction of Stage 1 of the building for Auto Partner. In 2018, the company leased the remaining target area of 11,560 m² to the tenant and commenced construction of the warehouse. In 2018, the Group recognised revenue from the park of PLN 22,177 thousand (2017: PLN 3,789 thousand), proportionately to the costs incurred, which represented 97% of the total planned construction costs.

1. 4.2 Key trading partners

In the reporting period the Group's companies cooperated mainly with providers of the following services:

- construction services (as part of investment and development projects),
- utilities,
- consulting and advisory services – business and legal,
- maintenance of the properties,
- security services.

For construction services, general contractors are selected through internally organised tender procedures. In 2018, the Group worked with two construction companies, Mirbud S.A. and Firma Budowlana Antczak Marek Sp. z o.o., on a general contractor basis. During the reporting period, turnover with these companies exceeding 10% of the Group's revenue.

The other services are procured from a broad base of suppliers, and therefore the Group is not dependent on a single supplier. In 2018, none of the Group's other suppliers accounted for more than 10% of the Group's revenue.

2. Activities of the MLP Group S.A. Group

2.1 Activities of the MLP Group S.A. Group in 2018

In 2018, the Group continued its principal business activity consisting in the construction and lease of warehouse and office space. The construction work was mainly carried out in the general contractor system, outsourced to specialist third-party service providers.

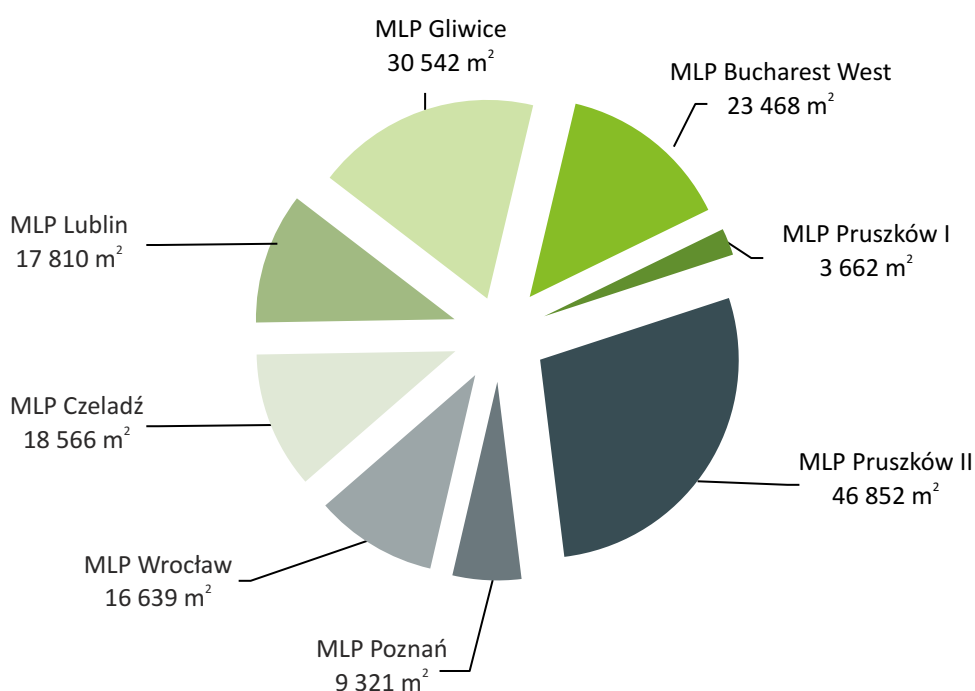
In the period under review, the Group carried out several property development projects and leased more than 516,000 m² of existing warehouse and office space. The Company's Management Board reviewed and assessed on an ongoing basis:

- current construction projects in terms of their progress,
- actual and expected revenue,
- use of the Group's existing land resources and its ability to tailor the offering to meet the anticipated market expectations and demand,
- available opportunities to purchase land for new projects to be implemented in subsequent years,
- the Group's efforts to optimise financing of its investing activities.

2.1.1 Projects started and projects completed

In 2018, the Group was engaged in construction of projects with a total area of 143,392 m², with a further 23,468 m² in preparation, i.e. the total area of projects under development was 166,860 m².

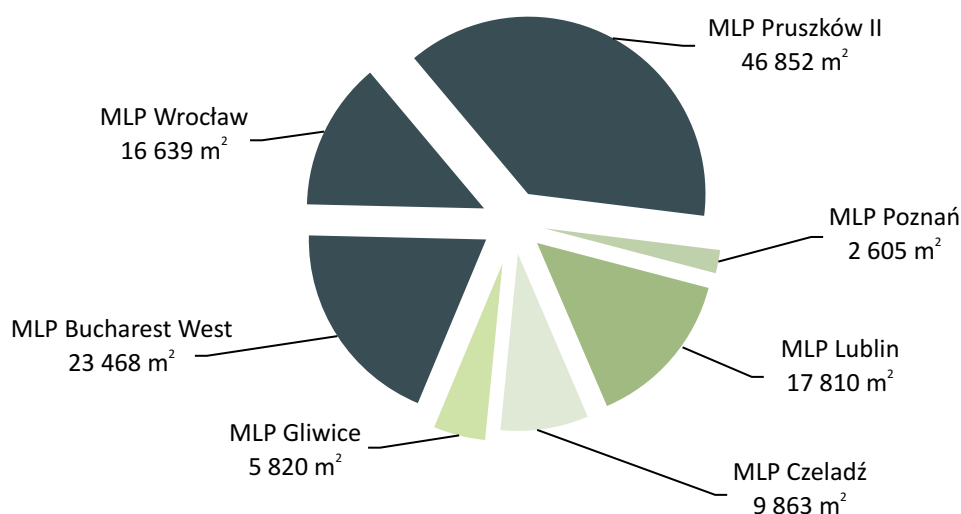
Area of projects under development and in preparation in 2018 (m²)



Out of the total, 43,803 m² represented projects commenced before 2018. In 2018, the Group launched projects with a total area of 99,589 m². As at 31 December 2018, the Group had a 23,468 m² project in preparation at MLP Bucharest West. The project is scheduled for delivery in 2019.

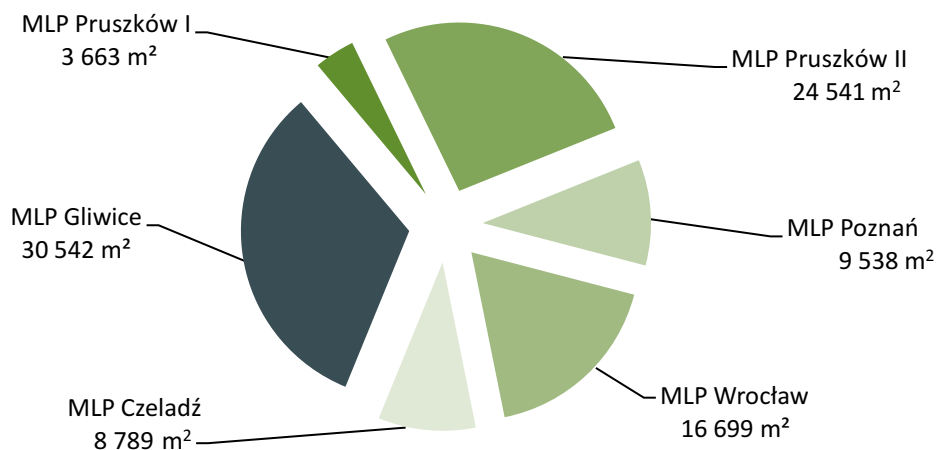
The chart below presents the area of commenced projects and projects in preparation 2018, by logistics parks:

Area of projects commenced and under preparation in 2018 (m²)



In 2018, the Group completed all investment projects started in 2017, with a total area of 43,803 m². The total area of the projects completed by the Group in 2018 was 93,956 m². These projects were delivered in six logistics parks.

Area of projects completed in 2018 (m²)



2. 1.2 Projects underway and projects in preparation

In 2018, the Group carried out projects with a total area of 166,860 m². Of these, in 2018, the Group completed projects with a total area of 93,956 m².

As at the date of issue of this report, work on 72,917 m² was in progress.

On 4 April 2017, MLP Logistic Park Germany I Sp. z o.o. &Co KG. purchased a land property with an area of 12.5 ha. This property comprises the MLP Unna logistics park, with buildings on its premises. The lease contract with the then-existing tenant expired on 30 June 2018, while the car parks located within the park have been leased since. The Group plans to demolish some of the existing facilities and construct new warehouse buildings. Currently, the Group is actively involved in commercialising the property.

In line with its strategy, the Group will focus on expanding its existing logistics parks in Poland and abroad (i.e. building warehouse space on its land) and on building BTS projects outside the existing parks. The Group is also actively seeking attractive land for the development of new logistics parks.

Projects are carried out on a BTS basis, i.e. launch of the investment process is conditional upon execution of a lease contract with a potential tenant.

Together with the agreement to sell property forming part of the MLP Bieruń logistics park, the Group signed a property development contract whereby it undertook to complete the construction and to commercialise the park.

In performance of the contract, in 2017 MLP Bieruń Sp. z o.o. completed construction of Stage 1 of the building for Auto Partner. In 2018, the company leased the remaining target area of 11,560 m² to the tenant and commenced construction of the warehouse.

As at the date of this report, the Group has no other binding commitments to pursue any new projects.

2. 1.3 Material agreements

Material suppliers with whom in 2018 agreements were concluded with a total value exceeding 10% of the Group's equity

In the financial year 2018, the Group did not enter into any contracts or agreements with a single supplier where the total value of such arrangements would exceed 10% of the Group's equity.

2. 1.4 Shareholder agreements

The Group is not aware of any agreements between the Company's shareholders.

Further, the Group has no knowledge of any agreements (including those concluded after the reporting date) which could result in future changes in the proportions of shares held by the current shareholders.

2. 1.5 Partnership or cooperation agreements

In 2018, the Group did not enter into any significant cooperation or partnership agreements with other entities.

2. 1.6 Related-party transactions

All transactions executed by the Company or its subsidiaries with related parties were executed on an arm's length basis.

For description of related-party transactions, see Note 25 to the Group's full-year consolidated financial statements for the 12 months ended 31 December 2018.

2. 1.7 Litigation

Proceedings pending before courts, arbitration bodies or public administration bodies

As at December 31st 2018, the Group was party to proceedings concerning liabilities and claims with a total amount of approximately PLN 31,713 thousand, including proceedings concerning liabilities of approximately PLN 5,486 thousand (of which PLN 5,406 thousand pertained to court proceedings with OLPIZ Sp. z o.o., pending since 2014), while the total value of proceedings related to claims was approximately PLN 26,227 thousand (including PLN 21,888.7 thousand relating to the litigation with Czerwona Torebka S.A.).

On 16 July 2018, the final judgement was passed in favour of MLP Poznań West Sp. z o.o. against "Trzecia - Czerwona Torebka S.A." sp.k. and Czerwona Torebka S.A., awarding to the claimant the payment of PLN 21,888,674.51 plus statutory interest for late payment accrued from 29 January 2016 to the payment date and costs of the proceedings. In July 2018, the final judgment was passed in enforcement proceedings.

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

2. 2 Development of the Group and risk factors

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

The Group's business is exposed to the following risks arising from holding of financial instruments:

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

The Management Board is responsible for establishing and overseeing the Group's risk management functions, including the identification and analysis of the risks to which the Group is exposed, determining appropriate risk limits and controls, as well as risk monitoring and matching of the limits. The risk management policies and procedures are reviewed on a regular basis, to reflect changes in market conditions and the Group's business.

Credit risk

Credit risk is the risk of financial loss to the Company and the Group companies if a 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 and other investments in debt instruments, by operating an appropriate credit limit policy.

Liquidity risk

Liquidity risk is the risk of the Group not being able to meet in a timely manner its liabilities that are to be settled by delivery of cash or other financial assets. 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 risking unacceptable losses or damage to the Group's reputation. To this end, the Group monitors its cash flows, maintains lines of credit and secures access to 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 results or the value of financial instruments it holds. The objective of market risk management is to maintain and control the Group's exposure to market risk within assumed limits, while seeking to optimise the rate of return on investment. The risk mitigating measures include applying hedge accounting to minimise volatility of the current period's profit or loss.

Currency risk

The consolidated financial statements of the Group are prepared in PLN, which is the functional currency of the Group. Most of the Group's rental income is denominated in EUR and occasionally in PLN and USD. Some of the Group's costs, such as certain construction costs, labour costs and wages, are denominated in PLN.

To hedge the currency risk, the Group companies use primarily natural hedging by raising debt financing denominated in the euro. To reduce the volatility of returns on investment caused by exchange rate fluctuations, the Group companies may also conclude hedging contracts against such risks, including the use of derivatives, or may enter into contracts with contractors (project contracts with general contractors) denominated in the euro. Due to the Group's short currency position, depreciation of the Polish currency against the euro may adversely affect the Group's results by driving up debt service costs.

Interest rate risk

Credit facilities used by the Group bear interest at variable rates. Interest rates depend, to a significant degree, on many factors, including the government's monetary policy, national and international economic and political conditions, as well as other factors beyond the Group's control. Changes in interest rates may increase the Group's borrowing costs under the credit facilities and thus affect its profitability. Any need to hedge interest rate risk is considered by the Group on a case-by-case basis. In order to mitigate the interest rate risk, the Group companies enter into Interest Rate SWAP transactions with the financing banks. Changes in interest rates may have a material adverse effect on the financial position and results of the Group.

In addition to the risks listed above, the Group's business is also exposed to the following risks:

Risk related to the Group's dependence on macroeconomic conditions

The development of the commercial real estate market on which the Group operates depends on changes in the construction and real estate industries, trends in the manufacturing, commerce, industry, services, and transport sectors, and on the development of the economy, which is driven by a number of macroeconomic factors, including economic growth rate, inflation rate, interest rates, the situation on the labour market and the value of direct foreign investments. Also, the Group's business depends indirectly on changes in the world economy. It is affected in particular by gross domestic product, inflation rate, currency exchange rates, interest rates, unemployment rates, average wages, as well as the government's fiscal and monetary policies. The rate of growth of the domestic economy, and thus the Group's business and results, may be affected by slowdown of the global economy. Adverse changes in the macroeconomic conditions and economic and monetary policies in Poland and other countries may have a material adverse effect on the Group's financial results and its ability to implement its plans.

Risks related with factors specific to the real estate sector

The Group is exposed to risks related to property development, acquisition, ownership and management of real estate on the commercial real estate market.

The Group's revenue and the value of its properties may be affected by a number of factors, including: (i) changes in the legal and administrative regulations governing the real estate market, including permits and consents, land use planning, taxes and other public charges; (ii) cyclical changes in the real estate market on which the Group operates; and (iii) the Group's ability to procure appropriate construction, management, maintenance and insurance services. Although the Group takes specific measures to protect its business from the negative impact of these risks, it is impossible to eliminate them entirely. The occurrence of any of the risks will have a material adverse effect on the Group's business, financial condition, results or growth prospects.

Risk related to decline in the conditions on the real estate market and general economic slowdown

Downturn on the property market may adversely affect the Group's performance in terms of profits from lease of warehouse space. If tenants default on their obligations or if the Group is not able to attract tenants, the Group will not earn rental but will incur costs related to the property. These costs may include legal costs and valuation expenses, maintenance costs, insurance and property taxes. As a rule, lease rents and market prices of the properties depend on economic conditions. Consequently, a decrease in market prices may result in lease rents being set at levels lower than those originally planned, may lead to losses on individual projects, or may result in a need to find an alternative use of the purchased land. The occurrence of such events may have a material adverse effect on the Group's business, financial position and results.

Insurance risk

The Group's properties may be destroyed or damaged due to many foreseeable or unforeseeable circumstances. In addition, third parties may suffer damage as a result of events for which the Group is liable. Given the scope of the Group's existing insurance cover, there is a risk that such damage or claims will not be covered by the insurance or that they will be covered only in part. Some risks are not insured/insurable and, for other risks, the cost of insurance premiums is disproportionate to the likelihood of the risk occurring. The Group's insurance cover may not protect the Group against all losses that the Group may incur in connection with its business, and some types of insurance may not be available on commercially reasonable terms or at all. Accordingly, the Group's insurance cover may not be sufficient to fully compensate for losses incurred in connection with its real estate.

Risk related to the nature of the Group's business

Development of the Group's business involves risks inherent in the process of construction of warehousing and production parks. During the construction of warehousing and production parks, delays or technical problems may occur, beyond the developer's control, which may result in the Group's failure or inability to obtain in a timely manner permits or administrative decisions required by law, which in turn may have an adverse effect on the Group's business, financial condition or results.

Risk of failure to successfully complete profitable investments, in particular in the property development business

The Group's ability to start and complete development, reconstruction or upgrade projects depends on a number of factors, some of which are beyond its control. These factors include, in particular, the Group's ability to obtain all of the necessary administrative decisions, to raise external financing on satisfactory terms or at all, to hire reliable contractors, and to attract suitable 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 upgrade of the Group's properties include:

- increase in the cost of materials, labour 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;
- defects or limitations of legal title to plots or buildings acquired by the Group, or defects, limitations or conditions related to administrative decisions concerning the plots of land owned by the Group;
- changes in applicable laws, rules or standards which take effect after the Group commences the planning or construction phase of a project, resulting in the Group incurring additional costs or resulting in delays in the project or its interpretation or application;
- violations of building standards, incorrect methods of construction or faulty construction materials;
- industrial accidents, undisclosed existing soil contamination or potential liability under environmental and other relevant legislation, for example relating to archaeological finds or unexploded ordnance, or building materials which will be regarded as harmful to health;
- forces of nature, such as bad weather, earthquakes and floods, which may cause damage or delay execution of projects;
- acts of terrorism or riots, revolts, strikes or civil unrest.

The Group's projects may be carried out only if the land has appropriate technical infrastructure required by law, (e.g. access to internal roads, access to utilities, certain procedures for fire protection and adequate facilities to ensure this protection). Competent authorities may oblige the Group to create additional infrastructure required by law as part of the construction works before relevant administrative decisions are issued. Such additional work may significantly affect the cost of construction.

Further, certain projects may become unprofitable or impracticable for reasons beyond the Group's control, such as 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 relating to general contractors

In a significant number of cases, the Group outsources the execution of its 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, on 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, lead to project delays, or result in claims against the Group. In addition, such circumstance may adversely affect the Group's image and ability to sell the completed projects.

The financial strength and liquidity of the general contractors employed by the Group may not be sufficient in the event of a severe downturn in the property market, which in turn could lead to their bankruptcy, thus adversely affecting the execution of the Group's strategy. Any security that is typically provided by general contractors to secure the performance of their contractual obligations towards the Group may not cover the total costs and damages incurred by the Group in these circumstances.

The Group's dependence on general contractors also exposes the Group to all risks arising from poor quality of work of such general contractors, their subcontractors and employees, and from construction defects. In particular, the Group may incur losses due to the need to engage other contractors to correct defective work done or to pay damages to persons who incurred losses due to the faulty execution of work. Furthermore, there is a risk that such losses or costs will not be covered by the Group's insurance, by the contractor or the relevant subcontractor.

Risk related to obtaining administrative decisions

As part of its activities and in the course of managing its assets, the Group is legally required to obtain a number of licenses, consents or other decisions from public administration bodies, including in particular permits for execution, construction and use of its properties. No assurance can be given by the Group that any such permits, consents or other decisions concerning the existing properties or new projects will be obtained on time or that they will be obtained at all, or that the permits, consents or decisions held or obtained in the future will not be revoked or their validity will be extended. Moreover, certain decision of public administration authorities may be subject to satisfaction of additional conditions by the Group (including the provision of appropriate infrastructure by the Group), or such authorities may impose additional conditions and obligations on the Group, which may entail additional costs and protract the proceedings.

The Group may also seek changes in some of the Group's projects or facilities, as well as changes in the use of the properties to make them more effective or aligned with current trends in the real estate market. Implementing such changes may prove impossible due to difficulties in obtaining or amending the terms of the required permits, consents and decisions, in particular in the case of properties entered in the register of historical places.

In addition, social organisations 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, consents or other decisions, including through 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 projects. Such activities may significantly affect the time needed by the Group to execute its projects and may result in additional costs the Group will have to incur in connection with its projects.

Risk related to land acquisition

The effectiveness and scale of the Group's operations depend, among other factors, on the supply of appropriate real properties for development, prices of such real properties and their legal status. The ability to find and acquire appropriate real estate at competitive prices and to obtain financing on appropriate terms is a prerequisite for efficient execution of the adopted strategy and delivery of the planned results. Opportunities to acquire land at attractive locations depend on the Group's effectiveness, the legal aspects of the Group's operations, and the objective factors of the market environment (i.e. strong competition in the land market, long time necessary to change intended use of the land caused by delays in adoption of the local zoning plans or the absence of such plans, as well as limited supply of land with appropriate infrastructure). The Group has a team of professionals responsible for searching for suitable land, analysis of its legal status and prospects, and managing the administrative processes. The Group also cooperates with a group of reputable market and legal advisors.

The price of land is driven indirectly by such factors as demand for lease of warehouse and office space, as well as macroeconomic conditions, availability of financing, supply of storage and office space in a given area, and tenants' expectations as to the standard and location of the properties. The Group seeks to effectively respond to changes in the macroeconomic environment through such measures as phased approach to project execution.

An increase in future land prices may also adversely affect the competitiveness and profitability of the Group's new projects. This is because the cost of land is a major factor determining the viability of a given project. On the other hand, increase in land prices may improve the competitiveness of the Group's projects on land which had already been purchased at lower prices. In order to minimise the impact of the risk of land price increases, the Group has a land bank with prospective projects with a total area of approximately 111.9 ha. Decline in the value of land may result in lower valuations of the investment properties, and may adversely affect the competitiveness and profitability of some of the Group's projects on land owned by the Group.

2. 2.2 Business development prospects

The Group's strategic objective is to continuously increase its warehouse space on the Polish market, and to expand into foreign markets, mainly in Germany (which is viewed as a strategic market) and in Romania. The main objective of the Group is to develop properties in the current land bank and to deliver projects on a built-to-suit (BTS) basis outside the current parks, for resale. The MLP Group Management Board also intends to increase investments in speculative buildings, driven by growing demand for warehouse space in Poland. Tenants are increasingly interested in City Logistics facilities. These are small modules offering modern warehouse space and a representative office with a high standard of finish.

Poland's GDP growth, as well as the country's growing importance as a provider of services to e-commerce operators catering to the needs of Western European markets, are a major factor stimulating the demand. In addition, low interest rates and the lowest rental rates in Europe strengthen Poland as one of the most attractive in locations for this type of activity in Europe. Because the overall condition of the economy and the trends in the warehousing market are strongly correlated, we may expect that this will be reflected in the further increase in demand for warehouse space.

Warehouse space market in 2018

- **Poland**

The Polish warehouse space market is strong. At the same time, Poland maintains its leading position in Central and Eastern Europe.

In 2018, the country's warehouse market grew at a similar level as in the previous, record-breaking year. Warehouse operators signed lease contracts for over 4.2 million m² of warehouse space, which means a 7% decline year on year. This confirms the continued strength of the market and its stability at a high level. Contract renewals accounted for about 24% of the total demand. The demand for the remaining 3.2 million m² was concentrated in Warsaw, Upper Silesia and Central Poland, with the three regions combined generating over a half of the country's total. The largest group of tenants are retail chains developing their e-commerce segments.

The vacancy rate remained very low, having increased by 0.4 percentage point year on year, to 5.1% at the end of 2018. Rental rates in Poland remained stable, within the range of EUR 2.5–3.9/m²/month on the main markets.

In 2018, industrial developers delivered close to 2.2 million m² of new warehouse space and, consequently, Poland's total stock of modern warehouse space reached 15.7 million m². This represented an 17% increase year on year. At the end of last year over 1.9 million m² was under construction.

Source: *Polski rynek przemysłowy i logistyczny, 4Q 2018 Market View, CBRE Research*

- **Germany**

In 2018, the volume of transactions on the German warehouse and logistics markets reached a record level of 7.2 million m², an 8% increase compared on the record-breaking 2016, as well as 20% and 39% above 5-year and 10-year averages, respectively. Of this volume, over 2.1 million m² was leased in the five largest regional warehouse markets in Germany, i.e. in Berlin, Düsseldorf, Frankfurt, Hamburg and Munich. It was also the second highest result in the history of those markets, only slightly lower than the record-breaking 2011 when 2.2 million m² was leased in the five regions. Year on year, there was a 5% increase in 2018, and compared with the 5-year and 10-year averages, the increase was 9% and 17%, respectively. Against this background, the regions of Frankfurt and Hamburg stood out, providing more than half of the volume of transactions in the five largest warehouse markets. The highest growth rates were achieved in Düsseldorf (22%) and Munich (18%).

The distribution and logistics sector accounted for 43% of the total demand. The retail sector had a 25% share in the demand, and the manufacturing sector – a 16% share.

In 2018, 905 thousand m² of new space was delivered to the five largest markets. Currently, approximately 580 thousand m² is under development, with the Frankfurt region accounting for 46%. In 2018, the highest monthly rates for warehouse space of 5 thousand m² and more remained stable in the Frankfurt region (EUR 6.00/m²) and in Düsseldorf (EUR 5.40/m²). In the other regions, the rates increased by up to 10%. In Berlin, the rates increased by EUR 0.50, to EUR 5.50/m²/month, in Munich they increased from EUR 6.75/m²/month to EUR 7.10/m²/month, and in Hamburg – from EUR 5.60/m²/month to EUR 5.80/m²/month.

In 2018, the volume of transactions in the other parts of Germany, outside the five largest markets, was 5.1 million m², and for the first time in history exceeded 5 million m². The last year's volume exceeded the previous year's result by 14%, and was 26% above the 5-year average. The largest volume of transactions among the regional markets was recorded in the Ruhr area (574 thousand m²).

Source: JLL, Logistics and Industrial Market Overview, Germany, 4th quarter 2018

- **Romania**

The Romanian industrial and logistics space market is experiencing its best period in history in terms of demand and supply. In 2018, approximately 400,000 m² of modern warehouse space was delivered, and the market's total at the year's end was 3.75 million m². Of this number, 1.9 million m² is located near Bucharest, mainly in the western part of the city.

In 2018, the total demand reached about 500 thousand m² for the third consecutive year. Retail companies generated almost a half of the total, with distribution and logistics companies accounting for 17%, and production companies for 12% of the demand.

The vacancy rate remains low level at around 5%. Rents are stable, from EUR 3.5 to EUR 4.1/m²/month.

In 2019, industrial developers are expected to complete the construction of about 500,000 m², thus the overall supply on the Romanian market should exceed 4 million m² by year end.

Source: JLL, City Report, Q4 2018 Bucharest

3. Financial condition of the Group. Management of financial resources

3.1 Key economic and financial data disclosed in the Group's full-year consolidated financial statements for 2018

3.1.1 Selected financial data from the Consolidated statement of financial position

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

	31 December <i>as at</i> 2018	% share	31 December 2017	% share	Change (%)
ASSETS	1 657 966	100%	1 358 350	100%	22%
Non-current assets	1 520 604	92%	1 240 954	91%	23%
Including:					
Investment property	1 443 171	87%	1 162 880	86%	24%
Other long-term investments	72 088	5%	68 594	6%	5%
Current assets	137 362	8%	117 396	9%	17%
Including:					
Short-term investments	22 291	1%	22 139	2%	1%
Trade and other receivables	57 754	3%	25 926	2%	123%
Other short-term investments	10 551	1%	3 134	0%	237%
Cash and cash equivalents	46 106	3%	64 827	5%	-29%

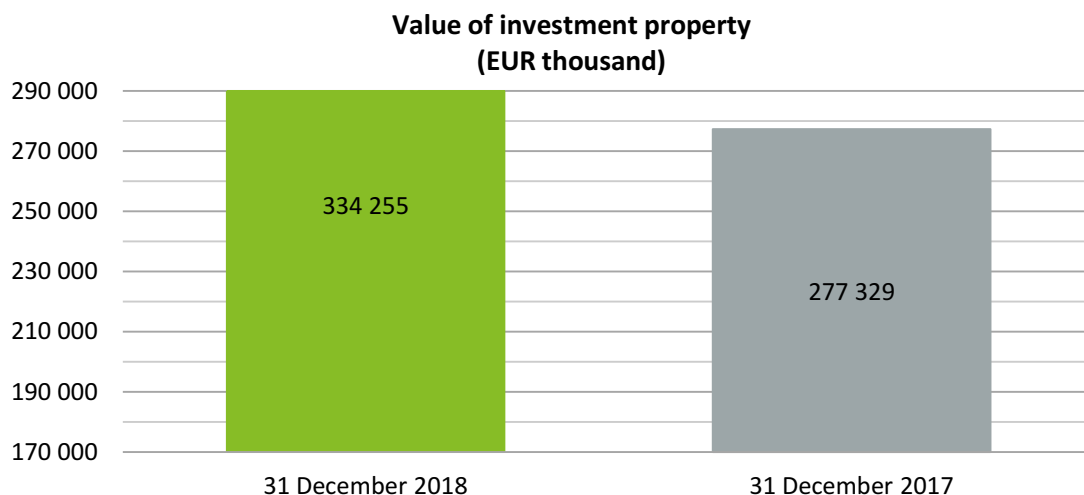
	31 December <i>as at</i> 2018	% share	31 December 2017	% share	Change (%)
EQUITY AND LIABILITIES	1 657 966	100%	1 358 350	100%	22%
Total equity	815 352	49%	726 651	53%	12%
Non-current liabilities	756 966	46%	569 226	42%	33%
Including:					
Borrowings, other debt instruments and other non-current liabilities	637 492	38%	468 973	35%	36%
Current liabilities	85 648	5%	62 473	5%	37%
Including:					
Borrowings and other debt instruments	30 996	2%	21 278	2%	46%
Trade and other payables	50 775	3%	37 960	3%	34%

As at 31 December 2018, the Group's investment property, comprising logistics parks, continued as the key item of the Group's assets, accounting for 87% of total assets. The largest items of equity and liabilities were borrowings and other debt instruments and equity. As at 31 December 2018, equity accounted for 49% of total equity and liabilities, and non-current liabilities, borrowings, other debt instruments and other liabilities accounted for 39% of total equity and liabilities. The increase in liabilities under borrowings, other debt instruments and other non-current and current liabilities was primarily attributable to the issue in May 2018 of 10,000 bonds with a nominal value of EUR 1,000 per bond (PLN 42,473 thousand), and a PLN 134,327 thousand increase in bank borrowings (new tranches of credit facilities contracted by: MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o., MLP Poznań II Sp. z o.o., MLP Lublin Sp. z o.o. i MLP Wrocław Sp. z o.o.; new facilities disbursed to companies: MLP Poznań Sp. z o.o. i MLP Gliwice Sp. z o.o.). Both the issue of bonds and new credit facilities are connected with the Group's continuous growth, and extension of the existing and construction of new logistics parks. Another factor which contributed to the overall increase in liabilities was the depreciation of the Polish currency against the euro.

Investment property

	<i>as at</i>	31 December 2018 [EUR thousand]	31 December 2018 [PLN thousand]	31 December 2017 [EUR thousand]	31 December 2017 [PLN thousand]	Change [EUR thousand]
MLP Pruszków I		81 860	351 997	80 655	336 405	1 205
MLP Pruszków II		107 393	461 790	84 251	351 402	23 142
MLP Poznań		30 974	133 188	28 313	118 091	2 661
MLP Lublin		20 581	88 498	17 697	73 812	2 884
MLP Teresin		16 280	70 004	13 830	57 684	2 450
MLP Gliwice		23 130	99 459	18 260	76 161	4 870
MLP Wrocław		19 766	84 994	14 093	58 780	5 673
MLP Czeladź		13 721	59 000	7 180	29 947	6 541
MLP Poznań West		7 450	32 035	-	-	7 450
MLP Unna		5 730	24 639	6 000	25 025	(270)
MLP Bucharest West		7 370	31 723	7 050	29 407	320
Valuation of the property portfolio		334 255	1 437 327	277 329	1 156 714	56 926

According to the valuations prepared as at 31 December 2018, the total value of the Group's property portfolio was EUR 334,255 thousand (PLN 1,437,327 thousand), having increased by EUR 56,926 thousand on 31 December 2017. The change was mainly attributable to the completion of projects and delivery of approximately 94,000 m² of new space in 2018, as well as launch of new projects in MLP Pruszków II, MLP Poznań, MLP Wrocław, MLP Czeladź and MLP Gliwice. As at 31 December 2018, the total area covered by lease contracts at the Group's logistics parks in Poland increased by 61,357 thousand m² year on year.. At MLP Unna park, the tenant returned the leased space, while MLP Logistic Park Germany I Sp. z o.o. & Co KG leased parking places and is searching for a tenant for the warehouse space.



Investments and other investments

	31 December <i>as at</i> 2018	31 December 2017
Other long-term investments	22 295	12 742
Long-term loans	49 793	55 852
Short-term loans	22 291	22 139
Other short-term investments	10 551	3 134
Total investments and other investments	104 930	93 867

As at 31 December 2018, receivables under loans decreased by PLN 5,907 thousand relative to the end of 2017.

Other long-term investments are the long-term portion of restricted cash of PLN 22,295 thousand, which comprises: (i) PLN 10,312 thousand in cash earmarked to secure principal and interest repayments under credit facility agreements, (ii) PLN 3,195 thousand interest-bearing deposit made from a security deposit paid by a tenant, and (iii) other retained security deposits of PLN 8,774 thousand and CAP valuation of PLN 14 thousand.

Other short-term investments include the short-term portion of restricted cash of PLN 10,551 thousand, which comprises a PLN 5,927 thousand security deposit paid to secure the bank guarantee for the access road to MLP Czeladź, the short-term portion of retained security deposits of PLN 28 thousand, and the short-term portion of cash restricted under credit facility agreements of PLN 4,596 thousand.

Cash

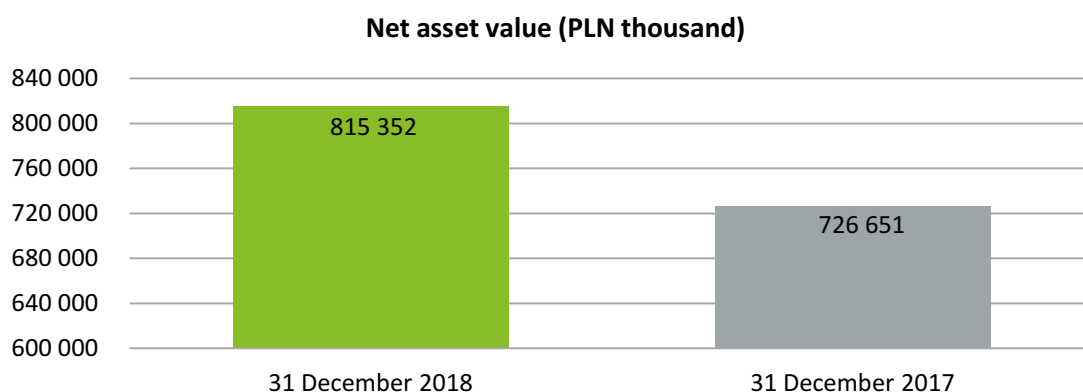
	31 December <i>as at</i>	31 December 2018	31 December 2017
Cash in hand		61	64
Cash at bank		41 654	59 069
Short-term deposits		4 391	5 694
Cash and cash equivalents in the consolidated statement of financial position		46 106	64 827
Cash and cash equivalents in the Consolidated statement of cash flows		46 106	64 827

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

As at 31 December 2018, the balance of cash was PLN 46,106 thousand, having decreased by PLN 18,721 thousand on 31 December 2017. The decrease was mainly attributable to the purchase of land in Dąbrówka, construction of new facilities (PLN 183,125 thousand), payment of dividend (PLN 3,260 thousand) and repayment of credit facilities (PLN 46,633 thousand). It was partly offset by proceeds from the bond issue proceeds (PLN 42,473 thousand) and bank borrowings (PLN 147,329 thousand).

Equity

Net assets (NAV)



Net asset value as at 31 December 2018 was PLN 815,352 thousand, up by PLN 88,701 thousand (12.21%).

The increase in NAV results primarily from the net profit earned in 2018 of PLN 92,391 thousand and the measurement of hedging instruments recognised in other comprehensive income.

Share capital

	31 December <i>as at</i>	31 December 2018	31 December 2017
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 per share		0,25 zł	0,25 zł

As at 31 December 2018, the Parent's share capital amounted to PLN 4,528,313.75 and was divided into 18,113,255 shares conferring 18,113,225 voting rights in the Company. All shares have the par value of PLN 0.25 and have been fully paid up.

Liabilities under borrowings and other debt instruments, and other liabilities

	31 December <i>as at</i> 2018	31 December 2017
Borrowings secured on the Group's assets	433 592	309 231
Bonds	129 000	83 418
Liabilities under non-bank borrowings	50 075	55 990
Total non-current liabilities under borrowings and other debt instruments	612 667	448 639
Finance lease liabilities	5 256	5 270
Liabilities from measurement of interest rate hedges	5 215	2 219
Performance bonds, security deposits from tenants and other deposits	14 354	12 845
Total other non-current liabilities	24 825	20 334
Short-term bank borrowings and short-term portion of bank borrowings secured on the Group's assets	30 482	20 516
Bonds	514	355
Liabilities under non-bank borrowings	-	407
Liabilities from measurement of interest rate hedges	-	43
Total non-current liabilities under borrowings and other debt instruments, and other liabilities	30 996	21 321
Liabilities under borrowings and other debt instruments, and other liabilities	668 488	490 294

Liabilities under borrowings and other debt instruments are a significant part of the Group's equity and liabilities, with borrowings representing the main source of financing of the expansion of the Group's logistic parks.

The increase in borrowings, other debt instruments and other liabilities was mainly attributable to the issue of 10,000 bonds with a nominal value of EUR 1,000 per bond (translated into PLN at the mid-rate quoted by the National Bank of Poland for December 31st 2018: PLN 43,616 thousand). The amount of credit facilities also increased. In 2018, new facilities were disbursed to MLP Gliwice Sp. z o.o. and MLP Poznań Sp. z o.o., and further tranches of credit facilities were drawn down by MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o., MLP Poznań II Sp. z o.o., MLP Lublin Sp. z o.o. and MLP Wrocław Sp. z o.o. Foreign exchange losses, caused by the depreciation of the złoty against the euro, also added to the overall amount of the liabilities.

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

Consolidated statement of profit or loss for the year ended 31 December 2018 vs 2017

<i>for the year ended 31 December</i>	2018	% sales	2017 <i>(restated data)</i>	% sales	Change (%)
Revenue	141 502	100%	103 807	100%	36%
<i>including:</i>					
<i>Revenue from property development contract concluded by MLP Bieruń Sp. z o.o.</i>	22 117	16%	3 789	4%	-
Other income	2 280	2%	258	0%	784%
Distribution costs and administrative expenses	(78 919)	56%	(56 029)	54%	41%
<i>including:</i>					
<i>Costs related to property development contract concluded by MLP Bieruń Sp. z o.o.</i>	(14 047)	10%	(2 824)	-3%	-
Other expenses	(2 486)	2%	(1 482)	1%	68%
Operating profit before gain on valuation of investment property	62 377	44%	46 554	45%	34%
Gain on revaluation of investment property	88 713	63%	8 602	8%	931%
Operating profit	151 090	107%	55 156	53%	174%
Net finance costs	(29 406)	21%	1 071	-1%	-2846%
Profit before tax	121 684	86%	56 227	54%	116%
Income tax	(29 293)	21%	(8 940)	9%	228%
Net profit	92 391	65%	47 287	46%	95%

<i>for the 12 months ended 31 December</i>	2018	2017
Earnings per share:		
Basic earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent	5,10	2,61
Diluted earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent	5,10	2,61

<i>for the 12 months ended 31 December</i>	2018	2017	change (%)
	<i>(restated data)</i>		
Rent from lease of investment property	71 839	59 574	20,6%
Re-charge of service charges	21 115	15 974	32,2%
Re-charge of utility bills	25 219	21 945	14,9%
Other revenue	1 212	2 525	-52,0%
Revenue from property development contract concluded by MLP Bieruń Sp. z o.o.	22 117	3 789	483,7%
Total revenue	141 502	103 807	36,3%

Rental income is the main source of the Group's revenue. In 2018, rental income was PLN 71,839 thousand, having increased by 20.6% year on year. Most of the increase in rental income (by PLN 12,265 thousand) was mainly attributable to the fact that in 2018 a total of 89,760 m² of leased area was built, compared with 2017 when 85,001 m² was leased out, including 61,442 m² in the second half of the year (in MLP Wrocław, MLP Teresin, MLP Lublin, and MLP Poznań parks). In addition, 35,542 m² of space built in 2018 was handed over to tenants in the first quarter. In 2018, two new and logistic parks, MLP Gliwice and MLP Czeladź, started to generate rental income. Another significant item of revenue from on the Group's core business was revenue derived from commercialisation of the MLP Bieruń logistics park, on account of which PLN 22,117 thousand was recognised in 2018, compared with PLN 3,789 thousand in 2017.

Distribution costs and administrative expenses in 2018 were PLN 78,919 thousand, having increased by PLN 22,890 thousand on 2017. The increase was mainly attributable to the project executed under the property development contract by MLP Bieruń Sp. z o.o., and to an increase in the volume of buildings held and leased by the Group (by 39,888 m²).

Due to the nature of the Group's business, the largest items of distribution costs and administrative expenses were costs of services, raw materials and energy used, and tax and charges, which in 2018 were PLN 35,547 thousand, PLN 22,148 thousand, and PLN 14,823 thousand, respectively. These cost categories are closely correlated to the volume of space in warehouse and manufacturing parks owned by the Group, their development and related maintenance. An important source of increase in the cost of services was the project executed under the property development contract by MLP Bieruń Sp. z o.o. – in 2018, the amount of recognised costs was PLN 14,047.

In 2018, the Group recognised net finance costs of PLN 29,406 thousand. The year-on-year depreciation of the Polish currency against the euro resulted in foreign exchange losses. In 2018, foreign exchange losses were PLN 12,009 thousand, while in the previous year the Group reported foreign exchange gains of PLN 15,302 thousand. In 2018, interest expense (on borrowings, corporate bonds, IRS interest) rose by PLN 9.287 year on year. The increase resulted from disbursement of new credit facilities contracted in 2018 and the issue of corporate bonds.

In 2018, the Group recognised gained on revaluation of investment properties of PLN 88,713 thousand (2017: gain of PLN 8,602 thousand). The main source of the gain in 2018 included the 3.10% strengthening of the euro against the Polish złoty, completion of new space and delivery of 93,956 m², launch of new projects within the MLP parks with a the total area of 96,969 m², and purchase of land in Dąbrówka.

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

	<i>for the year ended 31 December</i>	2018	2017
Net cash from operating activities		36 013	55 034
including:			
income from property development contract		-	24 782
expenses on property development contract		(15 835)	(17 121)
Net cash from investing activities		(195 506)	(183 513)
Net cash from financing activities		139 909	133 938
Total net cash flows		(19 584)	5 459
Cash at beginning of period		64 827	61 694
Effect of exchange differences on cash and cash equivalents		863	(2 326)
Cash and cash equivalents at end of period		46 106	64 827

In 2018, the Group reported positive operating cash flows of PLN 36,747 thousand, a decrease of PLN 18,287 thousand on 2017.

The amount of operating cash flows in 2017 was to a large extent driven by receipt of a cash payment (PLN 24,782 thousand) under the property development contract executed by MLP Bieruń Sp. z o.o. – project executed for the tenant Auto Partner S.A. . In connection Stage 2 of the Auto Partner contract, in 2018 the Group incurred expenditure of PLN 15,835 thousand, financed from the Group's own funds. Proceeds from the sale of the project were recognised in the first quarter of 2019. Net of the 2017 and 2018 cash inflows and outflows under the property development contract, the Group's net operating cash flow was PLN 52,582 thousand in 2018 and PLN 47,373 thousand in 2017, which represented an 11% increase in operating cash flow in 2018.

In 2018, the Group reported negative cash flows from investment activities in the amount of PLN 195,506 thousand. In 2017, net cash flows from investing activities were negative at PLN 183,513 thousand. The increase in negative investing cash flows in 2018 was attributable to the Group's investment programme. The largest expenditure incurred by the Group were the outlays on the development of logistics parks in Poland and the purchase of land with Dąbrówka.

In 2018, the Group's cash flows from financing activities were positive at PLN 139,909 thousand. The main sources of the positive financing cash flows were the issue by the Group of 10,000 bonds with a nominal value of EUR 1,000 per bond and proceeds from credit facilities used by the Group to finance and refinance its capital expenditure.

3. 2 Management Board's position on published forecasts

The Management Board of MLP Group S.A. has not published any financial forecasts for 2019.

3.3 Management of the Group's financial resources

In 2018, in connection with its investment projects involving construction of storage and office space, the Group's efforts in the area of managing its financial resources were mainly focused on securing and appropriately structuring the financing sources, and on maintaining safe liquidity ratios. The Management Board analyses the current financing structure and plans in this respect to deliver the budgeted ratios and financial results while ensuring that the Group's liquidity and wider financial security are maintained.

The Management Board believes that as at 31 December 2018 the Group's assets and financial position was stable. This was attributable to the Group's well-established position on the warehouse space market, combined with the relevant experience and operational capabilities in managing property development projects and leasing commercial space. Further in this report the Group's financial condition and assets are discussed in the context of the liquidity and debt ratios.

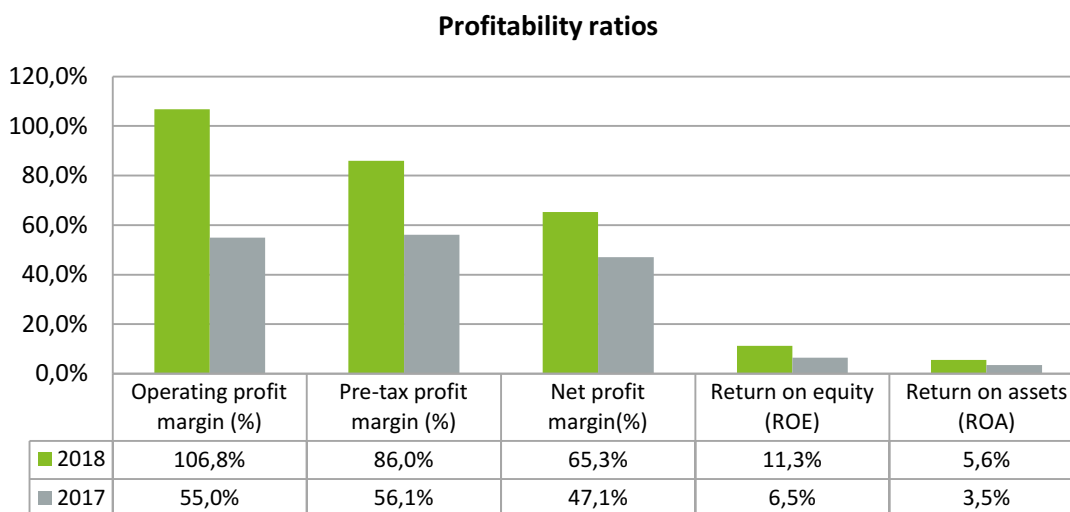
As at 31 December 2018, the Group had lease contracts for a total area of 515,871 m². During the year, the Group commercialised (through lease contracts) a total of 169,575 m² of warehouse and office space. This included 119,009 m² leased out under new contracts and 55,566 m² leased out by way of contract renewals with the existing tenants.

At the end of 2018, the lease contract with the tenant at MLP Unna in Germany expired (48,096 m²). The Group intends to continue leasing the park's existing facilities until a part of the facilities is demolished and new warehouse space is built under future lease contracts. In 2018, parking spaces located within the park were leased. In Romania, the Group received a building permit for new warehouse buildings with office and welfare facilities with a total area of 23,468 m². Recently, within the MLP Bucharest West logistics park, the Group has commenced construction of the first speculative facility with an area of 12,000 m². Advanced negotiations are under way with potential tenants.

The current portfolio of properties managed by MLP Group S.A. includes a total of sixteen operational logistics parks located on the three serviced markets in Europe, with a total area of 538,110 m².

The Company intends to continue its dynamic development in Poland and on the German market, with plans including investments in speculative facilities and development of City Logistic small warehouse buildings within the existing parks.

3. 3.1 Profitability ratios



The profitability analysis is based on the following ratios:

- **operating profit margin:** operating profit/(loss) / revenue;
- **pre-tax 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 2018, the operating profit margin increased year on year. The 2018 operating profit margin was mainly driven by a 3.1% rise in the EUR/PLN exchange rate, completion of projects with a total area of 93,957 m², launch of new projects in MLP parks with a total area of 99,589 m² (of which 49,449 m² were still under construction as at 31 December 2018), and purchase of land in Dąbrówka. All these factors contributed to the gain on revaluation of investment property in 2018 (PLN 88,713 thousand), which in turn was one of the causes of a significant increase in net profit.

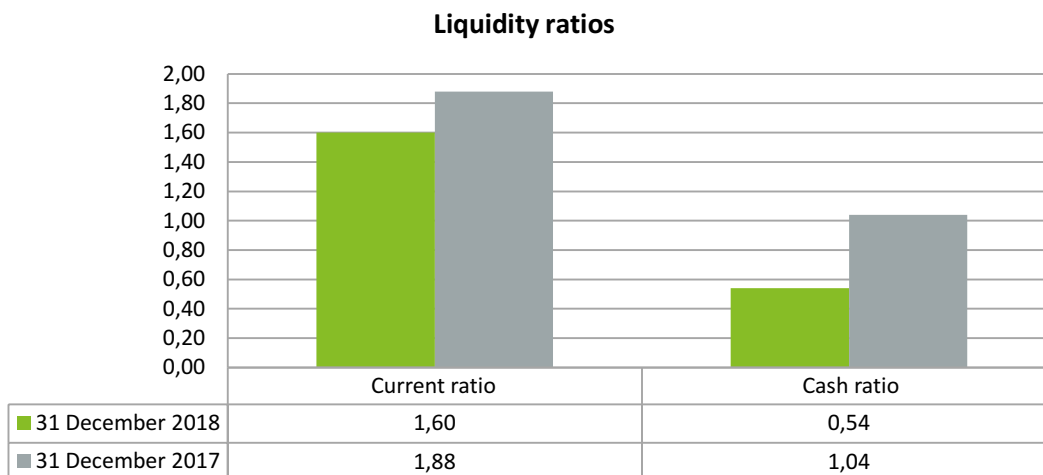
In 2018, the pre-tax profit margin was 86.0%, having increased by 29.9pp, chiefly on the strong year-on-year rise of profit before tax.

The net margin ratio increased by 18.2 pp. year on year, to 65.3% in 2018, an evidence of the Group's strong financial position.

Return on equity in 2018 increased relative to 2017 (change by 4.8 pp), driven mainly by a 95.4% year-on-year increase in net profit and a 12.2% increase in equity.

Return on assets increased slightly year on year, 2.1 pp.

3. 3.2 Liquidity ratios



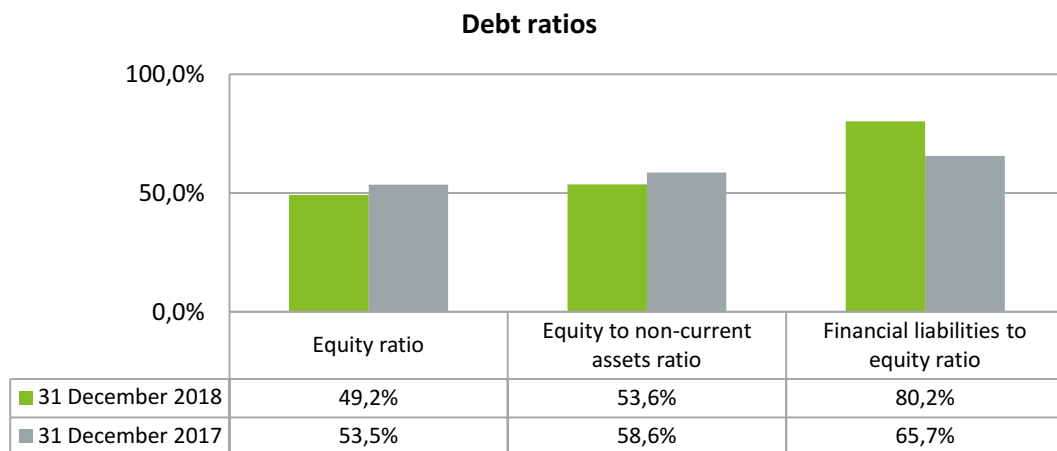
The profitability analysis is based on the following ratios:

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

The current ratio as at 31 December 2018 fell on year-end 2017 by 0.28 pp.

The cash ratio as at 31 December 2018 fell on year-end 2017 by 0.50 pp, mainly due to the Group's investing activity in 2018 and the resulting decrease in the balance of cash as at the end of 2018. The Group also financed its investing activities with new credit facilities, which led to an increase in its current liabilities under borrowings.

3. 3.3 Debt ratios



The debt analysis is based on the following ratios:

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

¹⁾ Financial liabilities include non-current and current liabilities under borrowings and other debt instruments, as well as finance lease liabilities and liabilities on measurement of swap transactions.

In 2018, the equity ratio fell by 4.3 p.p., mainly due to a 22.1% year-on-year increase in total assets as at 31 December 2018 attributable to higher value of investment property. The equity to non-current assets ratio also fell, by 5.0 pp. On the other hand, the interest-bearing debt-to-equity ratio increased by 14.5 pp following the bond issue in 2018 and use of new credit facilities.

3. 4 Borrowings, bonds, sureties and guarantees

3. 4.1 New and terminated non-bank borrowings

In 2018, the Group did not take out any new non-bank borrowings.

In 2018, the Group repaid the following non-bank borrowings and interest:

Borrower	Lender	Agreement date	Amount of principal repaid	Interest paid
MLP Pruszków I Sp. z o.o.	Fenix Polska Sp. z o.o.	1998-05-25	USD 114,344	USD 3,017
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	2009-06-22	PLN 166,000	PLN 0
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	2009-01-13	PLN 0	PLN 10,576
MLP Poznań Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-03-28	EUR 1,608,262	EUR 133,285
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	2009-09-08	PLN 0	PLN 6,988

In 2018, no non-bank borrowings were terminated.

3. 4.2 New and terminated bank borrowings

- **New credit facility agreements in 2018**

In February 2018, ING Bank Śląski S.A. disbursed another tranche of a credit facility to MLP Poznań II Sp. z o.o.

In March 2018, Bank Raiffeisen Bank Polska S.A. disbursed another tranche of a credit facility to MLP Pruszków I Sp. z o.o.

In March and October 2018, Bank BGŻ BNP Paribas S.A. disbursed further tranches of a credit facility to MLP Pruszków III Sp. z o.o.

In March 2018, Bank PKO BP S.A. disbursed another tranche of a credit facility to MLP Lublin Sp. z o.o.

In April, October and November 2018, PKO BP S.A. disbursed further tranches of a credit facility to MLP Wrocław Sp. z o.o.

On 9 February 2017, MLP Poznań entered into a credit facility agreement with ING Bank Śląski S.A. The first disbursement was made in June 2018, followed by another tranche in August 2018.

On 13 March 2018, MLP Gliwice Sp. z o.o. executed a credit facility agreement with PeKaO S.A. The facility was disbursed in April 2018, and subsequent tranches were made available in August and September 2018.

- **Repayment of bank borrowings in 2018**

In 2018, the Group repaid its bank borrowings in accordance with the agreed repayment schedules.

In 2018, no bank borrowings were terminated.

3. 4.3 Bonds

On 11 May 2018, the Company issued, by way of private placement, 10,000 Series B bearer bonds with a nominal value of EUR 1,000 per bond and the total value of the issue of EUR 10,000,000.

The bonds will pay variable interest at 6M EURIBOR plus margin.

The bonds have been issued as unsecured bonds. The objective of the issue was not specified.

The bonds mature on 11 May 2023, with an early redemption option at the Company's discretion.

By Resolution No. 847/2018 of 9 August 2018, the WSE Management Board decided to introduce 10,000 Series B bearer bonds of MLP Group S.A., with a nominal value of EUR 1,000 per bond, to the Catalyst alternative trading system. 13 August 2018 was the first day of trading in the Bonds on Catalyst. The bonds will be listed in the continuous trading system under the abbreviated name "MLP0523".

The bonds were registered with Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) under ISIN number PLMLPGR00041.

On 2 August 2018, the WSE Management Board decided to introduce 10,000 Series B bearer bonds of MLP Group S.A., with a nominal value of EUR 1,000 per bond, to the Catalyst alternative trading system.

On 9 August 2018, the Management Board of the Warsaw Stock Exchange set 13 August 2018 as the date of the first listing of the Series B bearer bonds on Catalyst.

As part of the issue of Series B corporate bonds, the Group raised EUR 10,000 thousand to finance its investing activities. The proceeds were applied to purchase land for PLN 29m in Dąbrówka near Poznań (Poznań West II park), and to provide financial support to MLP Czeladź Sp. z o.o., MLP Wrocław Sp. z o.o. and MLP Pruszków III Sp. z o.o., until the companies obtain further tranches of construction credit facilities to finance their ongoing projects.

3. 4.4 Loans

In 2018, the Group did not grant any new loans.

3. 4.5 Sureties provided and received

As at 31 December 2018 the Group did not provide any sureties.

3. 4.6 Guarantees provided and received

As at 31 December 2018, the following guarantees provided by the Group were outstanding:

- On 16 December 2016, MLP Group S.A. signed a guarantee agreement (Cash Flow Back) with Raiffeisen Bank Polska S.A. and MLP Pruszków I Sp. z o.o. (the "Borrower"), whereby MLP Group S.A. undertakes to provide financing to the Borrower to fund its borrowing needs to the extent that such assistance causes the Debt Service Coverage Ratio (calculated in accordance with the provisions of the credit facility agreement of 16 December 2016) to be restored to the required level (up to the amount of additional disbursement in 2018).

3. 5 Feasibility of investment plans

The Group has adequate capital resources to meet its strategic objectives and finance its day-to-day operations.

The Group finances its investments (both acquisitions of new properties as well as extension of the existing logistics resources) from the Group's own resources and long-term borrowings, including credit facilities, non-bank borrowings and issue of commercial paper.

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

3. 6 Non-recurring factors and events with a bearing on the consolidated financial result for the twelve months ended 31 December 2018

In 2018, there were no non-recurring factor or events that would have a material effect on the consolidated profit or loss for the financial period.

3. 7 Issue, redemption and repayment of non-equity and equity securities

On 11 May 2018, the Company issued, by way of private placement, 10,000 Series B bearer bonds with a nominal value of EUR 1,000 per bond and the total value of the issue of EUR 10,000,000. For more information, see Note 3.4.3.

3. 8 Material achievements and failures in the twelve months ended 31 December 2018.

There were no material achievements or failures other than those described in this Management Board's Report on the operations of the MLP Group S.A. Group.

3. 9 Seasonality and cyclicity

The Group's business is not seasonal or cyclical.

4. Statement of compliance with corporate governance standards

Statement of MLP Group S.A. of Pruszków (the "Company", the "Issuer", the "Parent") regarding selected corporate governance rules set forth in the Annex to Resolution No. 26/1413/2015 of the Exchange Supervisory Board dated 13 October 2015 which were not complied with in the financial year ended 31 December 2018, with explanation of the circumstances and reasons for the non-compliance.

The Company's Management Board, appreciating the importance of corporate governance principles to ensure transparency of the Company's internal relations and its external relations, in particular the Company's existing and future shareholders, pursuant to the obligation imposed under Par. 29.3 of the WSE Rules, announces that in the financial year ended December 31st 2018 all the corporate governance rules defined in the 'Code of Best Practice for WSE Listed Companies' were applied, except for:

I. Disclosure Policy and Investor Communications

Detailed principle No. I.Z.1.11.: Information about the company's internal rule of changing the qualified auditor of financial statements or information about the absence of such rule.

Explanation of the reasons why the Company does not comply with the principle:

Appointment of a qualified auditor of financial statements or change of such entity falls within the remit of the Company's Supervisory Board, which in its decisions is always guided by the interests of the shareholders, but does not apply any fixed rule governing appointment or removal of the auditor. In the Issuer's opinion, publication of information on the absence of relevant rules in this respect should be considered inexpedient.

Detailed principle I. Z.1.15.: Information about the company's diversity policy applicable to the company's governing bodies and its key managers; the description should cover the following elements of the diversity policy: gender, education, age and professional experience, as well as the objectives of the diversity policy and its implementation in the reporting period; where the company has not drafted and does not pursue a diversity policy, it should publish the explanation of its decision on its website.

Explanation of the reasons why the Company does not comply with the principle:

The performance of management and supervisory functions in the Company's structures depends on competence, skills and effectiveness. Decisions regarding the appointment of key managers as well as members of the management and supervisory bodies are not based on gender or age. Therefore, the Company does not pursue a diversity policy with respect to the Company's governing bodies and key managers.

Detailed principle I. Z.1.20.: An audio or video recording of a general meeting.

Explanation of the reasons why the Company does not comply with the principle:

In the Issuer's opinion, publication of a full record of the General Meeting in an audio or video form would affect the interests of individual shareholders. Moreover, in the Company's opinion, by performing its disclosure requirements in accordance with the applicable laws, in particular by publishing relevant current reports and information on its website, the Company provides the shareholders with access to all relevant information concerning general meetings.

II. Management Board and Supervisory Board

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

Explanation of the reasons why the Company does not comply with the recommendation:

The performance of management and supervisory functions in the Company's structures depends on competence, skills and effectiveness. Decisions regarding the appointment of key managers as well as members of the management and supervisory bodies are not based on gender or age.

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

Explanation of the reasons why the Company does not comply with the principle:

The Company's Articles of Association and the Rules of Procedure for the Supervisory Board do not provide for the obligation to issue opinions on all matters to be decided by resolutions of the General Meeting. In the Company's opinion, the rules governing powers and competences of the Supervisory Board defined in the applicable laws, combined with the Articles of Association and the rules governing the operation of the Supervisory Board, are sufficient, and therefore the Company has decided not to expand their scope.

IV. General Meeting and shareholder relations

Detailed principle No. IV.Z.3. Representatives of the media shall be allowed to attend general meetings.

Explanation of the reasons why the Company does not comply with the principle:

General Meetings of the Company are attended by persons entitled to attend and by individuals providing support services to the General Meeting. In the Company's opinion, there is no need to introduce any additional obligations on shareholders to enable participation of members of the press in General Meetings. The Issuer believes that the applicable laws and regulations are sufficient to regulate the performance of the disclosure obligations imposed on listed companies with respect to the openness and transparency of matters addressed at general meetings. The Company provides answers to questions concerning its general meetings submitted by the media.

V. Conflict of interest and related-party transactions

Detailed principle No. V.Z.5. Before the company executes a material agreement with a shareholder holding 5% or more of total voting rights in a company or a related party, the Management Board shall request the Supervisory Board to approve the transaction. Before giving its consent, the Supervisory Board shall assess the impact of such transaction on the company's interest. The foregoing does not apply to typical transactions and transactions at arm's length made as part of the company's business with members of its group. If a decision on the execution by the company of a material agreement with a related party is taken by the general meeting, before taking such a decision, the company shall provide all shareholders with access to information necessary to assess the impact of the transaction on the company's interest.

Explanation of the reasons why the Company does not comply with the principle:

In the Company's opinion, the rules governing powers and competences of the Supervisory Board defined in the applicable laws, combined with the Articles of Association and the rules governing the operation of the

VI. Wages and salaries

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

Explanation of the reasons why the Company does not comply with the recommendation:

Remuneration of members of the Company's management and supervisory bodies is determined to reflect the scope of their respective tasks and responsibilities as well as the Group's economic performance. The Company does not intend to implement a remuneration policy based on the recommendations of the European Commission, in order to retain greater 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 why the Company does not comply with the principle:

In 2014 the Company introduced a cash-settled share-based payment plan. At the time of launch of the incentive scheme, the Good Practice principles did not provide for any restrictions on the minimum duration of such a scheme.

The set of corporate governance rules is published on the Company's website.

4. 1 Share capital and shareholders

4. 1.1 Shareholders

As at 31 December 2018, the Parent was controlled by the majority shareholder, Cajamarca Holland B.V. of Delft, which held 10,319,842 shares in the Company, representing 56.98% of the share capital and conferring 56.98% of the voting rights. Cajamarca Holland B.V. is a Dutch holding company.

The table below presents the list of shareholders as at 31 December 2018:

Shareholder	Number of shares	% interest in share capital	% of total voting rights
Cajamarca Holland B.V	10 319 842	56,98%	56,98%
Thesinger Limited	1 771 320	9,78%	9,78%
Aegon Powszechna Towarzystwo Emerytalne S.A.	1 149 775	6,35%	6,35%
MetLife OFE	948 387	5,24%	5,24%
Gracecup Trading Limited	641 558	3,54%	3,54%
MIRO B.V.	452 955	2,50%	2,50%
Shimshon Marfogel	149 155	0,82%	0,82%
MIRO LTD.	99 170	0,55%	0,55%
Other shareholders	2 581 093	14,24%	14,24%
Total	18 113 255	100%	100%

4. 1.2 Special rights of the Shareholders

MLP Group S.A. has not issued any shares conferring special rights to their holders.

Pursuant to the Articles of Association, Cajamarca Holland B.V., as long as it holds at least 25% of the shares, has a personal right to appoint and dismiss three members of the Supervisory Board, including the Chairman of the Supervisory Board; and MIRO B.V., as long as it holds at least 2.5% of the shares, has a personal right to appoint and dismiss one member of the Supervisory Board. The personal rights of these shareholders expire if the combined interest of Cajamarca Holland B.V. and Miro B.V. in the Company's share capital falls below 40%.

According to representations made by the major shareholders, they do not hold any other special voting rights.

4. 1.3 Restrictions on rights attached to shares

Restrictions on voting rights, such as limitation of the voting rights of holders of a given percentage or number of votes, time limits on the exercising of voting rights, or provisions under which, with the Company's cooperation, equity rights attaching to securities are separated from the holding of the securities.

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

Restrictions on transferability of securities issued by MLP Group S.A.

There are no restrictions on the transferability of securities issued by MLP Group S.A.

4.2 General Meeting

Operation of the General Meeting and its key powers; shareholders' rights and the manner of exercising those rights, including in particular the standards set out in the rules of procedure for the General Meeting (if such rules have been adopted) to the extent not prescribed directly by the applicable laws.

The General Meeting may be held as an annual or extraordinary meeting and, as the Company's governing body, operates pursuant to the Commercial Companies Code of 15 September 2000 (Dz.U. of 2000, No. 94, item 1037, as amended), the Company's Articles of Association and the Rules of Procedure for the General Meeting of MLP Group S.A. dated 2 December 2009.

Pursuant to the Articles of Association, the following matters fall within the remit of an Annual General Meeting:

- examination and approval of the Management Board's Report and the Company's financial statements for the previous financial year;
- adopting a resolution on the distribution of profit or set-off of loss;
- approval of discharge of duties by members of the Supervisory Board and the Management Board,
- Any matters reserved for in the Commercial Companies Code require a resolution of the General Meeting unless the Articles of Association provide otherwise to the extent permitted by law. Resolutions of the General Meeting are also required to:
 - appoint and remove from office Supervisory Board members, subject to the provisions of the Articles of Association governing the appointment of Supervisory Board members by individual shareholders,
 - amend the Company's Articles of Association,
 - define the rules and amounts of remuneration for members of the Supervisory Board,
 - merge or dissolve the Company and appoint the liquidators,
 - examine claims against members of the Company's governing bodies or the Company's founders for redress of damage caused by their unlawful conduct.

Resolutions of the General Meeting are not required to acquire and dispose of real property, perpetual usufruct or a share in property or perpetual usufruct; and to pledge real property or perpetual usufruct as security.

The General Meeting is convened by way of a notice on the Company's website and in the manner required for the publication of current information under the Act on Public Offering. The notice should be published at least twenty-six days before the date of the General Meeting.

General Meetings are convened by the Management Board as annual or extraordinary meetings. An Annual General Meeting should be held within six months from the end of each financial year. However, if the Company's Management Board fails to convene the Annual General Meeting within the prescribed time, the right to convene the Meeting rests with the Supervisory Board.

The Management Board may convene an Extraordinary General Meeting:

- on its own initiative,
- at the request of the Supervisory Board,
- at the request of shareholders representing in aggregate a minimum of one twentieth of the share capital,
- based on a resolution of the General Meeting in accordance with contents of the resolution, and sets the Meeting's agenda.

In addition to the persons specified in the Commercial Companies Code, each Independent Member of the Supervisory Board may demand that:

- the General Meeting be convened,
- specific matters be placed on the agenda of the General Meeting.

Removal of items placed on the agenda of the General Meeting at the request of a person or persons entitled to do so requires their consent.

The agenda of the General Meeting is set by the Management Board.

Upon a relevant request, the Management Board convenes a General Meeting within two weeks of receiving the request.

Pursuant to the Articles of Association, if the Company's Management Board fails to convene an Extraordinary General Meeting within the prescribed time limit, the right to convene an Extraordinary General Meeting is vested in the persons who submitted the request to convene the General Meeting, upon obtaining the authorisation from the Registry Court, or in the Supervisory Board if it requested the Management Board to convene an Extraordinary General Meeting.

Resolutions may be adopted without a General Meeting having been formally convened if the entire share capital is represented at the Meeting and none of those present objects to holding the General Meeting or placing particular matters on its agenda.

All shareholders are entitled to attend the General Meeting in person or by proxy. A power of proxy to attend and vote at a General Meeting must be granted in writing or in electronic form. A power of proxy granted in electronic form does not require to be signed with a secure electronic signature verifiable with a valid qualified certificate. The right to appoint a proxy for the General Meeting and the number of proxies may not be restricted.

Only persons who are Company shareholders sixteen days prior to the date of the General Meeting (the record date) have the right to participate in the Meeting.

The General Meeting may also be attended by members of the Company's governing bodies, including members of the governing bodies whose mandate has expired but whose activities are assessed by the General Meeting, as well as persons designated by the Management Board to provide support to the General Meeting

As a rule, resolutions of the General Meeting are passed by an absolute majority of the votes cast, and voting at the General Meeting is by open ballot. A secret ballot is ordered in the case of voting on appointment or removal from office of members of the Company's governing bodies or its liquidators, on bringing them to account, on personnel matters, or on request of at least one shareholder present or represented at the General Meeting.

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

4.3 Rules for amending the Articles of Association

Pursuant to Art. 430.1 and Art. 415.1 of the Commercial Companies Code, amendments to the Articles of Association of MLP Group S.A. require a resolution of the General Meeting adopted by a three-fourths majority of votes and must be recorded in the register. Where a resolution to amend the Articles of Association is to increase the shareholders' benefits or limit the rights granted personally to individual shareholders, in accordance with Art. 354 of the Commercial Companies Code, the consent of all shareholders concerned is required. Amendments to the Articles of Associations are notified to the registry court by the Management Board. The General Meeting may authorise the Supervisory Board to prepare a consolidated text of the amended Articles of Association or to make other editorial changes therein specified in the General Meeting's resolution.

4. 4 Management Board

On 18 April 2016 Ordinary General Meeting adopted a resolution to amend the Article of Association. The change was registered with the court.

Pursuant to the Articles of Association, the Management Board is composed of two to three members, appointed and removed by the Supervisory Board. The President of the Management Board is appointed by the Supervisory Board.

Management Board members are appointed for a joint term of three years. The President of the Management Board is appointed by the Supervisory Board. The Management Board, as well as any of its members, may be removed from office or suspended from duties by the General Meeting.

The current term of office of the Management Board began on 18 June 2018 following the appointment, by the Supervisory Board, of Mr Tomasz Krochta as President of the Management Board, Mr Michael Shapiro as Vice President of the Management Board and Mr Tomasz Zabost as Member of the Management Board. Pursuant to the provisions of the Commercial Companies Code and the Articles of Association, the three-year term of office of the Management Board expires not earlier than on June 18th 2021. However, the mandates of the Management Board members expire no later than on the date of the Annual General Meeting of the Company which is to examine the financial statements for 2018.

On 18 June 2018, pursuant to a resolution of the Supervisory Board, Mr Radosław T. Krocht was appointed President of the Management Board.

On June 18th 2018, pursuant to a resolution of the Supervisory Board, Mr Michael Shapiro was appointed Vice President of the Management Board.

4. 4.1 Powers and competencies of the Management Board

Pursuant to the Articles of Association, the Management Board manages the Company's affairs and represents the Company, in particular manages the Company's business, manages and dispose of its assets and rights vested in the Company, and adopts resolutions and makes decisions on all matters not reserved for the General Meeting or the Supervisory Board.

Two members of the Management Board acting jointly have the right to represent the Company. The Company may also be represented by proxies appointed by the Management Board under and within the scope of powers of proxy granted to them. The Management Board may also unanimously decide to appoint a commercial proxy.

A Management Board resolution is required for any of the following:

- issuance of a bill of exchange,
- grant of security interest to support debt of another entity, including of a subsidiary;
- establishing a mortgage or other encumbrance on any assets of the Company,
- execution of an agreement under which the Company is obliged to deliver, or a risk arises that the Company could be obliged to deliver, during one financial year, assets, services or cash for a total amount of EUR 500,000 its equivalent in another currency (except intercompany loans within the Group or annexes to such loan agreement), unless execution of such agreement is provided for in the full-year financial plan (budget) adopted by the Management Board and approved by the Supervisory Board;
- convening a General Meeting or demanding that a meeting of the Supervisory Board is convened;
- filing a petition for cancellation or invalidation of resolutions of the General Meeting,
- filing a petition for bankruptcy of the Company.
- taking any action to change authorisations to sign on behalf of the Company or to approve banking transactions;

- hiring, dismissing and determining the remuneration of the Company's department heads (marketing, investment, finance and administration);
- nominating or appointing a member of any body in any entity controlled by the Company;
- representing the Company at general meetings of the Company's subsidiaries or granting powers of proxy to represent the Company at such general meetings, together with voting instructions (if applicable);
- participating in other companies, except companies of the Group, or disposing of shares in other companies, except transactions within the Group;
- issuance of shares, bonds, warrants, bills of exchange, or amending terms of the Company's bonds in issue;
- making contractual commitments to acquire or dispose of real estate, right of perpetual usufruct or fractional parts thereof, except for execution of preliminary agreements to acquire ownership or perpetual usufruct of real property which unilaterally oblige the other party and do not contain any obligations of the Company to pay a down payment or advance payment;
- execution, amendment or termination of an agreement for the provision of a credit facility, a bank guarantee or an insurance guarantee, or an agreement concerning a bank account, a letter of credit or other financial product or financial service, to which the Company and a domestic bank, a foreign bank, a credit institution or a financial institution within the meaning of the Banking Law Act of 29 August 1997 is a party or is to be a party;
- releasing a debtor of the Company from debt in excess of PLN 100,000 or an equivalent of the amount in another currency;
- approving annual budgets or long-term financial plans.

By the end of the third month from the end of a financial year, the Management Board prepares full-year financial statements, which – together with the draft resolution on the distribution of profit and the auditor's report – are submitted to the Supervisory Board for assessment prior to the General Meeting.

4. 4.2 Operation of the Management Board

The Management Board operates pursuant to the Company's Articles of Association, the Rules of Procedure for the Management Board and the Commercial Companies Code.

The Rules of Procedure for the Management Board govern matters related to the organisation of Management Board meetings and the Management Board's decision-making process. Pursuant to the Rules of Procedure, meetings of the Management Board are held as needed, but in any case at least two times a month.

The Management Board adopts resolutions during its meetings, with the proviso that Management Board members may attend a meeting by means of remote communication and cast their votes by electronic means, fax or telephone. Management Board members may also participate in adopting resolutions by casting their votes in writing through another member of the Management Board. Resolutions may be passed outside of a Management Board meeting if all members of the Management Board give their written consent to the decision to be passed or to vote in writing.

The Rules of Procedure define the manner in which declarations of will are to be made on behalf of the Company. Declarations of will may be submitted by email where the nature or content of the legal relationship so permits. The Rules of Procedure also provide that commercial power of proxy may be granted or revoked by the Management Board at a meeting with all members present. A commercial power of proxy may also be granted at a meeting held using means of remote communication. The Rules of Procedure further provide that resolutions may also be passed by circulation.

4. 4.3 Composition of the Management Board

As at 31 December 2018, the Management Board was composed of three members.

Below is presented information on the Management Board members, their position, date of appointment, and the date of the end of the current term of office.

First name	Surname	Position held	Most recent appointment	End of term
Michael	Shapiro	Vice President of the Management Board	18 June 2018	18 June 2021
Radosław Tomasz	Krochta	President of the Management Board	18 June 2018	18 June 2021
Tomasz	Zabost	Member of the Management Board	25 June 2015	18 June 2021

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 an MBA postgraduate programme. He has a long track record in corporate finance positions in Poland, Eastern Europe and the United States. In 2001-2004, Mr Krochta served as CFO at Dresdner Bank Polska S.A. He was also 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. He joined MLP Group S.A. in 2010, and currently serves as 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. From 1957 to 2000, he served as Chief Executive Officer and managed Miro Engineering Ltd and S.M. Shapiro Engineers Ltd. Since 1995, Mr Shapiro has served as President of MLP Group S.A. Management Board. He was responsible for the development and commercialisation of the Group's logistics parks and for the Group's investments in the land bank.

Tomasz Zabost - Member of the Management Board

Mr Zabost graduated from the Faculty of Civil Engineering of the Warsaw University of Technology, with a major in construction and engineering structures. He has also completed a number of management courses and training programmes. He has over 20 years of experience in managing commercial properties, and specialises in asset management at each stage of project execution. Previously, he was involved primarily in execution of new real estate projects, starting from strategy definition, i.e. selecting the developer, land, contractors, suppliers, architects, engineers and consultants. He was also responsible for preparing project budgets and feasibility studies. For the last eight years Mr Zabost was employed at ProLogis, including from 2007 as Vice President-Head of Project Management. Previously he supported the Spanish construction group Dragados in its efforts to enter the Polish market. During his professional career, he also worked with other industrial developers and contractors in Poland and abroad. He has worked for such organisations as Liebrecht&Wood, E&L Project and Ghelamco Poland.

4. 5 Supervisory Board

The Supervisory Board exercises ongoing supervision over the Company's business in each area of its activity.

The Supervisory Board is composed of six members, including Chairman and Deputy Chairman, appointed for a joint three-year term of office. At least two members of the Supervisory Board are Independent Members.

The current term of office of the Supervisory Board began on 18 June 2018 and expires on 18 June 2021. However, the mandates of the Supervisory Board members expire no later than on the date of the Annual General Meeting of the Company which is to examine the financial statements for the last year of the Supervisory Board's term.

As at 31 December 2018, the Supervisory Board was composed of six members.

Subject to the personal rights described in Section 4.1.2 of this report (in *Special rights of the Shareholders*), members of the Supervisory Board are appointed and removed by the General Meeting.

4. 5.1 Powers and competencies of the Supervisory Board

The Supervisory Board exercises ongoing supervision over the Company in all areas of its business, and in addition to the matters specified in the Commercial Companies Code the special powers of the Supervisory Board under Art. 21.2 of the Articles of Association include:

- giving consent to the issuance of shares within the limit of the authorised share capital, including rules governing the determination of the issue price and waiver of the existing shareholders' pre-emptive rights if a resolution of the Management Board provides for such waiver;¹⁾
- approving annual budgets and development plans of the Company and the Group;
- giving consent to the Company incurring liabilities or making expenditure in a single transaction or related transactions not provided for in the Company's budget falling outside the ordinary scope of the Company's business, where a value of such transaction or transactions exceeds PLN 5,000,000;
- giving consent to acquisition or disposal and cancellation by the Company of shares in other companies, except for transactions within the Group and transactions provided for in the Company's annual budget or financial plan;
- giving consent to the acquisition or disposal of real property (including perpetual usufruct rights) or interest in real property (including in perpetual usufruct rights) with a value in excess of PLN 1,000,000, except for transactions provided for in the Company's annual budget or financial plan;
- appointing and dismissing members of the Management Board;
- appointing the auditor to audit or review the Company's financial statements;¹⁾
- concluding agreements between the Company and members of the Management Board;
- adopting resolutions concerning approval of execution of agreements between the Company and a Company shareholder who holds, directly or indirectly, shares conferring more than 5% of total voting rights in the Company;
- giving consent to members of the Management Board to engage in activities which are competitive to the Company's business in person or as participants in partnerships, members of the governing bodies of companies or cooperatives, as well as shareholders of companies or cooperatives if their share in the share capital of such companies or cooperatives exceeds 5%, or if under such organisations' articles of association or under shareholder agreements they are entitled to appoint at least one member of the organisation's management board or a supervisory body;

- adopting resolutions on the rules and amounts of remuneration of the Management Board members;¹⁾
- approving the Rules of Procedure for the Management Board;¹⁾
- considering and giving opinions on matters to be decided by resolutions of the General Meeting,
- giving consent to encumbrance of real property, perpetual usufruct to, or interest in, the Company's real property with a mortgage to be established in favour of an entity other than a bank.

¹⁾ Resolutions on these matters require that at least one Independent Members votes in favour of the resolution.

In order to exercise its powers, the Supervisory Board may examine any documents, request reports and explanations from the Management Board and employees, and review the Company's assets.

The Supervisory Board may issue opinions on any matter relating to the Company, and may submit requests and initiatives to the Management Board. The Management Board is obliged to notify the Supervisory Board of its position on opinions, requests or initiatives of the Supervisory Board no later than within two weeks of the date of such requests, opinions or initiatives, provided that the opinion of the Supervisory Board is inconsistent with the Management Board's proposal or initiative, and no consent of any of the Company's governing body is required for the performance of activities covered by the Supervisory Board's opinion.

Independent Members of the Supervisory Board have the right to convene a General Meeting or place certain matters on its agenda.

4. 5.2 Operation of the Supervisory Board

The Supervisory Board operates in accordance with the Rules of Procedure for the Supervisory Board adopted by the General Meeting, which defines its powers, organisation and manner of operation. Pursuant to the Rules of Procedure, the Supervisory Board performs its tasks collectively, at its meetings. Meetings are held as needed, but in any case at least once every two months, and are held at the Company's registered office. The Rules of Procedure permit holding Supervisory Board meetings by means of remote communication.

The Supervisory Board may adopt resolutions if at least half of all its members are present at a meeting, and all the members have been invited to participate in the meeting at least 7 Business Days in advance. However, in urgent matters the Chairman of the Supervisory Board, or under another member of the Supervisory Board duly authorised by the Chairman, may convene a meeting at a shorter notice. As a rule, resolutions of the Supervisory Board are adopted by an absolute majority of votes. If the numbers of votes for and against are equal, the Chairperson of the Supervisory Board has the casting vote.

Supervisory Board members may also participate in adopting resolutions by casting their votes in writing through another member of the Supervisory Board. Meetings may be held in writing. Meetings of the Supervisory Board may be held by means of direct remote communication. A detailed procedure for holding meetings and adopting resolutions using means of remote communication is provided for in the Rules of Procedure for the Supervisory Board. Meetings of the Supervisory Board are held as needed, but at least once every quarter.

At least two members of the Supervisory Board appointed by the General Meeting should be Independent Members of the Board, at least one of whom should have qualifications in accounting or financial auditing specified in the Act on Statutory Auditors. The independence criteria are set out in Art. 18.12 of the Company's Articles of Association.

4. 5.3 Composition of the Supervisory Board

As at 31 December 2018 the composition of the Parent's supervisory bodies was as follows:

First name	Surname	Position held	Most recent appointment	End of term
Shimshon	Marfogel	Chairman of the Supervisory Board	18 June 2018	18 June 2021
Eytan	Levy	Deputy Chairman of the Supervisory Board	18 June 2018	18 June 2021
Daniel	Nimrodi	Member of the Supervisory Board	18 June 2018	18 June 2021
Guy	Shapira	Member of the Supervisory Board	18 June 2018	18 June 2021
Piotr	Chajderowski	Member of the Supervisory Board	18 June 2018	18 June 2021
Maciej	Matusiak	Member of the Supervisory Board	18 June 2018	18 June 2021

Shimshon Marfogel - Chairman of the Supervisory Board

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

He has been employed at Israel Land Development Company Ltd. of Tel Aviv since 1985, first as Chief Accountant (1985-1986), then Vice President and Chief Accountant (1986-2001), and Chief Executive Officer (2001-2004); since 2004, Mr Shimshon Marfogel has served as Vice President of the Management Board of Israel Land Development Company Ltd. of Tel Aviv.

Eytan Levy - Deputy Chairman of the Supervisory Board

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

In 1982-1991, he held various managerial positions, including Head of Special Products Division and Vice President of the Management Board for Marketing at the Israel National Post Authority, based in Jerusalem. In 1991-1997, he held various managerial positions, including Director of Security and Logistics, Vice President of the Management Board for Marketing and Sales at the Israel National Telecommunications Company, based in Jerusalem. In 1998-2000, he was a partner in the Israel office of the American law company Gerard Klauer & Mattison, based in Tel Aviv. Since 1997 he has served as Director in the Israel law company Percite Technology, based in Rosh Ha'ayin.

Daniel Nimrodi — Member of the Supervisory Board

Mr Daniel Nimrodi joined The Israel Land Development Company Ltd. ("ILDC") in 2016 as Urban Renewal Manager of ILDC Group and Vice President of The New Community Ltd., a subsidiary of ILDC. He holds an LL. B degree in law, with specialisation in International Commercial Law, and a B.A. degree in business management. Professional experience of Mr Nimrodi also includes position of Project Manager in a start-up company focusing on large-scale influence, compliance, business analysis and strategic and business intelligence. Mr Nimrodi also served as Junior Associate in the Central Circuit Criminal Department at the Ministry of Defence of Israel.

Maciej Matusiak - Member of the Supervisory Board

Mr Maciej Matusiak graduated from 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 securities dealer and financial analyst. In 1996-1998, he worked as financial analyst at PKO BP Bankowy Dom Maklerski. In 1998-2002, he worked at the Commercial Union Group – initially at the Investment Department of Commercial Union Polska – Towarzystwo Ubezpieczeń na Życie S.A., and then at Commercial Union Investment Management (Polska) S.A. Since 2006, he has served as President of the Management Board of Artemis Investment Sp. z o.o. of Warsaw.

Guy Shapira - Member of the Supervisory Board

Mr Guy Shapira graduated with honours from Interdisciplinary Center Herzliya (IDC) in Israel with degrees from the faculty of Business and Administration (B.A.) and Law (LL.B), with specialisation in International Business Law. Mr Shapira is also licenced to practice law in Israel. Before appointment to the Supervisory Board, he worked for Steinmetz, Haring, Gurman & Co. lawfirm in Israel, and was a member of the Audit Committee of Students Association at IDC.

According to Mr Shapira's representation, he conducts activities outside the Company's business which do not compete with the Company's business, is not a partner in a competing civil law partnership, is not a member of a competing company under commercial law or a member of a governing body of any competing legal entity, and is not entered in the Register of Insolvent Debtors maintained pursuant to the provisions of the Act on the National Court Register (KRS).

Piotr Chajderowski — Member of the Supervisory Board

Mr Piotr Chajderowski graduated from the University of Łódź with an M.A. degree in Economics. In 2008, he joined the group of supervisory board members at the Ministry of Treasury.

In 1994-2018, he held various managerial positions, including as securities accountant (1995-1997) and (1997-1999) investment manager at PTP Kleinwart. He served as Vice President / President of management boards at the following companies: ALPHA FINANSE Sp. z o. o., Zakłady Metalurgiczne SKAWINA S.A. Grupa Impexmetal, SIGNUM FINANSE, Nowy Przewoźnik Sp. z o.o., DEUTSCHE BINNENREEDEREI AG in Berlin and Grupa WORK SERVICE S.A.

Currently, he is a member of the Supervisory Board and Chairman of the Audit Committee, and serves as Adviser to the President of the Employers of Poland on corporate restructuring.

4. 5.4 Audit Committee

On 15 January 2014, the Supervisory Board established an Audit Committee which is responsible for overseeing the Company's financial matters. The Committee's detailed tasks and manner of operation are defined in the rules of procedure of the Audit Committee, attached as an appendix to the Rules of Procedure for the Supervisory Board. The role and responsibilities of the Audit Committee include supervision, monitoring and advising the Management Board and the Supervisory Board on all matters relating to risk management, audit of financial statements, and monitoring and compliance with applicable laws and regulations. The Audit Committee evaluates the work performed by the independent auditor and the associated costs.

In 2018, the number of meetings of the Audit Committee was the same as the number of meetings held by the Supervisory Board (three).

As at 31 December 2018, the Audit Committee was composed of the following persons

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

As at 31 December 2018, Mr Maciej Matusiak was the person who satisfied the requirements of art. 86.4 of the Act on Certified Auditors (i.e. had the accounting or auditing qualifications) and the criteria for independence.

The Supervisory Board may also appoint, from among its members, a remuneration committee whose tasks would include drafting proposals for the remuneration of members of the Company's Management Board, and supervising implementation of the Company's incentive plans entitling their participants to subscribe for Company shares or instruments linked to Company shares. Such remuneration committee may consist of two to three members.

As at 31 December 2018, there was no remuneration committee at the Company's Supervisory Board.

4. 5.5 Key assumptions of the policy for selection and appointment of the audit firm

The audit firm is selected in advance to ensure that the audit contract can be signed within a timeframe enabling the audit firm to carry out the audit in a reliable and timely manner.

In the selection of the audit firm, particular attention is paid to the compliance of the audit firm and the statutory auditor with the independence requirements, but also to the extent of the services performed by the audit firm or the statutory auditor in the last five years preceding the appointment of the audit firm.

The audit firm is selected taking into account its experience in auditing financial statements of public-interest entities, including companies listed on the Warsaw Stock Exchange. In the process, consideration is also given to the firm's operating ability to conduct the audit of the Company's financial statements.

Key assumptions of the policy for the provision of permitted non-audit services by the audit firm, its related entities, or members of the firm's network

The statutory auditor or the audit firm carrying out the statutory audit of the Company, as well as entities related to the statutory auditor or the audit firm, may provide directly or indirectly to the audited entity, its parent and entities controlled by it within the European Union, the non-audit services listed below, subject to approval by the Audit Committee. For the purposes of this policy, the permitted non-audit services mean:

assurance concerning financial statements or other financial information for regulatory authorities, the supervisory board or other supervisory body of the Company, going beyond the scope of a statutory audit and designed to assist those authorities in fulfilling their statutory duties, audit of historical financial information in a prospectus, issuance of assurance letters and due diligence services in connection with a prospectus.

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

4. 6.1 Amount of remuneration, awards and benefits for members of the Management Board and the Supervisory Board

Remuneration of the Management Board in 2018	At the Company	At other Group companies
• Remuneration and other benefits:		
Radosław T. Krochta	208	397
Michael Shapiro	384	66
Tomasz Zabost	61	373
Marcin Dobieszewski	-	242
• Cash-settled share-based payments	949	155
	1 602	1 078

In 2018, the total amount of remuneration due to and received by the Management Board from the Company and other Group companies was PLN 2,835 thousand.

Members of the Management Board received remuneration from the Company and the subsidiaries: (i) under the employment contracts, (ii) for provision of services to the Group, (iii) for serving on management boards, and (iv) on account of cash-settled share-based payments.

Remuneration of the Supervisory Board in 2018	
Maciej Matusiak	30
Jacek Tucharz,	13
Eytan Levy	30
Shimshon Marfogel	30
Daniel Nimrodi	30
Guy Shapira	30
Piotr Chajderowski	17
	180

In 2018, the total amount of remuneration due to and received by the Supervisory Board was PLN 180 thousand.

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

Mr Radosław T. Krochta, President of the Management Board, is employed under an employment contract. Pursuant to the employment contracts, upon termination of the employment relationship members of the Management Board are entitled to receive remuneration during the notice period.

Mr Michael Shapiro, Vice President of the Management Board, is employed under an employment contract at MLP Pruszków I Sp. z o.o., a subsidiary. Pursuant to the provisions of the contract, in case of contract termination Mr Shapiro is entitled to receive remuneration during the notice period.

Mr Tomasz Zabost, Member of the Management Board, is employed under an employment contract. Pursuant to the employment contracts, upon termination of the employment relationship members of the Management Board are entitled to receive remuneration during the notice period.

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

Michael Shapiro holds indirectly, through MIRO B.V. and MIRO Ltd., companies fully-controlled controlled by him, a 3.05% interest in MLP Group S.A.'s share capital, and, through a 25% interest in the share capital held by MIRO B.V. in Cajamarca Holland B.V., Mr Shapiro is the beneficial owner of 14.24% of the share capital of MLP Group S.A. Therefore, in aggregate, Mr Shapiro is the beneficial owner of a 17.29% interest in the share capital of MLP Group S.A.

Shimshon Marfogel, Chairman of the Supervisory Board, indirectly through a 7.86% interest held in the share capital of a company (Thesinger Limited) holding the Issuer's shares, is the beneficial owner of 0.77% of the share capital of MLP Group S.A., and directly through the shares acquired in September (see Note 1.4.1) holds an 0.82% interest in the share capital of the Company. Therefore, in aggregate, Mr Marfogel is the beneficial owner of a 1.59% interest in the share capital of MLP Group S.A.

The other members of the Supervisory Board do not directly hold shares of the Company.

4. 8 Changes in the Company's and the Group's key business management policies

In 2018, there were no major changes in the key management policies. The development of the organisation requires that management procedures applicable in MLP Group S.A. and the other entities of the Group be improved on a continuous basis.

4. 9 Internal control and risk management system

The Company's Management Board is responsible for the internal control system and its effectiveness in the process of preparing financial statements and reports required to be prepared and published in accordance with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. U. of 2014, item 133, as amended).

The efficiency and proper functioning of the internal control and risk management system are ensured through:

- established organisational structure,
- competences, knowledge and experience of the persons involved in the internal control processes,
- oversight of the system by the management and regular assessment of the Group's business,
- verification of financial statements by the auditor.

The overlapping of and interactions between individual features of the internal control system in several areas, such as:

- operating activities,
- financing activities,
- the reporting process (including preparation of financial statements),
- analysis of project costs and expenses, distribution costs and administrative expenses, as well as costs and expenses related to the operation of leased space,
- risk management,

not only guarantee the efficiency of the internal control system but also support the management processes across the entire Group.

The main features of the system of internal control and risk management pertaining to the preparation of separate and consolidated financial statements include in particular:

- established organisational structure,
- qualified staff,
- direct management supervision,
- verification of financial statements by the auditor.

The persons responsible for the preparation of financial statements within the financial and management reporting functions are highly qualified staff of the Finance Division, managed directly by the CFO and indirectly by the Management Board.

In accordance with the applicable laws, the Group presents its financial statements for review or audit, as applicable, by a renown and highly qualified independent auditor. In the course of an independent audit, employees of the Finance Division involved in the preparation of the financial statements provide all necessary information and clarifications.

The Company's controlling function, with internal control as its primary and significant component, is based on the budget system. The Company reviews its short-, medium- and long-term plans on an annual basis, with a detailed budget for the next year prepared for:

- construction projects,
- operational projects,
- distribution costs and administrative expenses.

The Group's financial and accounting system is a source of data for the Group's entire reporting system, i.e.:

- the financial reporting process,
- interim reports,
- the management reporting system.

After accounting books are closed, budget performance reports and forecasts are prepared. For the reporting periods ended, the Group's financial results are analysed in detail in the context of the original budget assumptions.

The key element of the process is to monitor deviations from the plan and explain the underlying causes. Monitoring of the deviations and identification of the causes help to optimise the Group's operations and minimise potential risks. Due to the nature of the industry, analyses are conducted on many levels – not only are individual cost groups reviewed, but also individual projects are analysed on a case-by-case basis. Based on these reports, the Company's Management Board analyses the current financial results by comparing them with the original budgets.

Effective internal control (with its reporting functions) is an essential step in risk identification and change management. Effective risk management involves not only a reporting system but also risk analysis. Therefore, the key objective of the Group's efforts to reduce exposure to risk is to properly assess potential and monitor current projects. Any potential changes in project budgets are reflected in profit and cash-flow forecasts to provide a high-level overview and eliminate not only project risks but also other risks, such liquidity or currency risks. Such high-level management and monitoring of risks and internal controls in all areas relevant to the organisation largely eliminates most of the risks to which the Group is exposed.

4. 10 Entity qualified to audit the financial statements

Pursuant to the resolutions passed on 17 April 2018, the Company's Supervisory Board, acting pursuant to Art. 21.2g) of the Company's Articles of Association, appointed KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa of Warsaw as the entity qualified to audit the Company's separate and consolidated financial statements for the financial year ended 31 December 2018 and to review the interim financial statements prepared as at 30 June 2018 and for the six months then ended.

The registered office of KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa is at ul. Inflancka 4A, 00-189 Warsaw, Poland. KPMG Spółka z ograniczoną odpowiedzialnością spółka komandytowa is registered as an entity qualified to audit financial statements under entry no. 3546.

The contract with the auditor was executed by the Company's Management Board for a period necessary to perform the auditor's duties.

The contract was signed on 23 April 2018 and was later amended with Annex 1 of 9 August 2018.

In 2018, KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa did not provide any services other than audit and review of financial statements or consolidation packages.

The table below presents the fees paid to the auditor for the services performed.

	31 December	31 December
<i>as at</i>	2018	2017
Audit of full-year financial statements	107	109
Audit of separate financial statements of subsidiaries	107	107
Review of consolidated and separate financial statements	73	46
Audit and review of group reports	190	122
Translation of financial statements	-	14
Total fees	477	398

Signed with a qualified electronic signature.

Radosław T. Krochta
President of the Management Board

Michael Shapiro
 Vice President of the Management Board

Tomasz Zabost
Member of the Management Board

Pruszków, 15 March 2019