



**MLP**  
GROUP



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

FOR THE YEAR ENDED 31 DECEMBER 2019

[www.mlpgroup.com](http://www.mlpgroup.com)

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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 MLP Group S.A. for 2019. Last year was another period of continued robust performance by MLP Group S.A., during which we further strengthened our position on the rapidly growing warehouse market*

### **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 leased space in 2019 (gross demand) was 3.75 million m<sup>2</sup>, the second best result in the history of the Polish market. Net demand (excluding lease renewals) was 2.6 million m<sup>2</sup>. Invariably, the areas of Warsaw, Upper Silesia and Wrocław attracted most tenant interest, with the markets accounting for almost 60% of total demand.*

*Prompted by the increasing demand for new warehouse space, developers have been undertaking new construction projects to satisfy it. A record 2.8 million m<sup>2</sup> of new space was delivered in 2019, with a further 1.9 million m<sup>2</sup> being currently under construction, nearly half of which is being developed on a speculative basis, i.e. without any binding pre-lease contracts. Recent years have seen the total leasable warehouse space grow at a double-digit rate, to 18.7 million m<sup>2</sup> at the end of 2019.*

*The vacancy rate fell to 7.6% at the end of 2019, with rent rates remaining stable*

*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, with the volume of transactions in 2019 reaching 6.6 million m<sup>2</sup>, 3% above the average for the last five years and 20% above the ten-year average. In the same period in Romania, lease contracts were signed for a total of 479 thousand m<sup>2</sup> of warehouse and logistics space (down 6% year on year), of which new space was 477 thousand m<sup>2</sup>, and the total supply of space reached 4.3 million m<sup>2</sup>.*

### **Key developments at MLP Group in 2019**

*2019 was another consecutive year of strong growth for the Group, with the total area of its projects under construction or in the pipeline amounting to 237.8 thousand m<sup>2</sup>, of which 74.9 thousand m<sup>2</sup> was completed during the period. As a result, as at the end of 2019 we offered approximately 587,000 m<sup>2</sup> of finished warehouse space. We also maintain a land bank with a capacity of over 133.7 ha of target leasable space.*

*The Group's financial position remains very strong. In 2018, its net asset value (NAV) rose by 15.11%, to PLN 938.56 m, while net profit came in at PLN 129.4m, up over 40% on 2018. Consolidated revenue totalled PLN 140.0m, having remained broadly flat year on year. In 2019, the Group's rental income, which is the Group's main revenue stream, increased by 14% on the previous year. Under a property development contract, the Group was also responsible for the commercialisation of the MLP Bieruń logistics park for the project owner DEKA Immobilien | West Invest. The complex was sold in 2015. In the first quarter of 2019, the commercialisation process was completed.*

*The MLP Group currently runs eleven logistics parks in prime locations in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, MLP Czeladź, MLP Poznań West, MLP Wrocław West, and MLP Łódź. In Germany, the Group currently operates three logistics parks: MLP Unna, MLP Business Park Berlin, and MLP Niederrhein. It also operates the MLP Bucharest West logistics park in Romania. The Group owns land plots and has signed a number of reservation agreements to purchase new land for planned logistics parks in Poland, Germany and Austria. The current portfolio of properties managed by MLP Group S.A. includes a total of fifteen operational logistics parks located on the three serviced markets in Europe.*

### **MLP Group's plans for 2020**

*Economic uncertainty due to the coronavirus in the medium and long term will increase the sale of online stores at the cost of shops in brick-and-mortar stores, thus significantly increasing demand for warehouse space, although the market may suffer logistic disruptions. In an age of danger, consumers spend much more time at home and can thus devote themselves to e-commerce. Despite that, the growing purchasing trend in this area is a huge logistics challenge.*

*The Group's strategic objective is to keep consistently increasing its leasable warehouse space in Poland and continue its operations on foreign markets. Apart from Poland, the top priority market for the Group is Germany, in particular its five geographical regions where the Group wants to locate its operations, i.e. 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 strong potential for growth. Therefore, we are expanding our logistics centre on the outskirts of Bucharest in the Chitila region. 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 are not planning to sell assets.*

*In the Management Board's opinion, the Group enjoys a robust financial position. We have a robust capital structure, supporting delivery of our long-term strategic goals, a land bank of attractively located plots, and highly qualified management. All these factors 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.*

*Yours sincerely,*

**Radosław T. Krochta**  
Chief Executive Officer  
President of the Management Board  
MLP Group S.A.

## II. Statement of the Management Board

The separate financial statements of MLP Group S.A. S.A. for the period from 1 January 2019 to 31 December 2019 and the comparative data for the period from 1 January 2018 to 31 December 2018 have been prepared in compliance with the applicable accounting policies described in Note 3 and present a true, accurate and fair view of the Company's assets, financial condition and financial results. The Management Board's Report on the activities of MLP Group S.A. presents a true view of the Company's development, achievements and condition, including a description of key threats and risks.

We also represent that the entity qualified to audit the financial statements which audited the separate financial statements of the Company for the 12 months ended 31 December 2019, i.e. PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k., 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 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*

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

*Pruszków, 17 March 2020*

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

Average exchange rates of the Polish zloty against the euro during the period covered by the separate financial statements:

	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Average mid exchange rate during the period*	4,3018	4,2669
Mid exchange rate on the last day of the period	4,2585	4,3000

\*Arithmetic mean of the mid exchange rates effective on the last day of each month in the reporting period.

Key items of the separate statement of financial position translated into the euro:

	<i>as at</i>	<b>31 Dec 2019</b>		<b>31 Dec 2018</b>	
		<b>PLN '000</b>	<b>EUR '000</b>	<b>PLN '000</b>	<b>EUR '000</b>
Non-current assets		380 121	89 262	374 353	87 059
Current assets		89 631	21 048	13 443	3 126
<b>Total assets</b>		<b>469 752</b>	<b>110 310</b>	<b>387 796</b>	<b>90 185</b>
Non-current liabilities		242 635	56 977	226 724	52 727
Current liabilities		70 766	16 618	12 098	2 813
Equity, including:		156 351	36 715	148 974	34 645
Share capital		4 529	1 064	4 529	1 053
<b>Total equity and liabilities</b>		<b>469 752</b>	<b>110 310</b>	<b>387 796</b>	<b>90 185</b>
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		8,63	2,03	8,22	1,91

The data in the separate 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 separate statement of profit or loss and other comprehensive income translated into the euro:

	<i>for the year ended 31 December</i>	<b>2019</b>		<b>2018</b>	
		<b>PLN '000</b>	<b>EUR '000</b>	<b>PLN '000</b>	<b>EUR '000</b>
Revenue		10 821	2 515	9 570	2 243
Distribution costs and administrative expenses		(13 491)	(3 136)	(9 945)	(2 331)
Operating profit/(loss)		(2 700)	(628)	33	8
Profit before tax		7 553	1 756	3 910	916
Net profit		7 377	1 715	612	143
<b>Total comprehensive income</b>		<b>7 377</b>	<b>1 715</b>	<b>612</b>	<b>143</b>
Net profit attributable to the shareholders of the Parent		7 377	1 715	612	143
Earnings per share and diluted earnings per share attributable to owners of the Parent (EUR/PLN)		0,41	0,10	0,03	0,01



The data in the separate 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 separate statement of cash flows translated into the euro:

<i>for the year ended 31 December</i>	2019		2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Net cash flows from operating activities	(983)	(229)	(1 399)	(328)
Cash flows from investing activities	(16 375)	(3 807)	(81 995)	(19 217)
Cash flows from financing activities	52 264	12 149	74 215	17 393
<b>Total cash flows</b>	<b>34 906</b>	<b>8 114</b>	<b>(9 179)</b>	<b>(2 151)</b>

The data in the separate 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 Dec 2019		31 Dec 2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash at beginning of period	7 400	1 721	15 500	3 716
Cash at end of period	41 934	9 748	7 400	1 721

The following exchange rates were used to translate the presented data from the separate 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 2017 was 4.1709.



# **MLP Group S.A.**

**Separate  
financial statements**

**for the year ended 31 December 2019**  
*prepared in accordance with EU IFRS*

## Authorisation of the separate financial statements for issue

On 17 March 2020, the Management Board of MLP Group S.A. authorised for issue the separate financial statements ("Separate Financial Statements") of MLP Group S.A. for the period from 1 January 2019 to 31 December 2019.

The Separate Financial Statements for the period from 1 January 2019 to 31 December 2019 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. Separate statement of profit or loss and other comprehensive income for the period from 1 January 2019 to 31 December 2019, showing a net profit of PLN 7,377 thousand.
2. Separate statement of financial position as at 31 December 2019, showing total assets and total equity and liabilities of PLN 469,752 thousand.
3. Separate statement of cash flows for the period from 1 January to 31 December 2019, showing a net increase in cash of PLN 34,534 thousand.
4. Separate statement of changes in equity for the period from 1 January to 31 December 2019, showing an increase in equity of PLN 7,377 thousand.
5. Notes to the separate financial statements

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

*Signed with a qualified electronic signature.*

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

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

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

Pruszków, 17 March 2020

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

<i>for the year ended 31 December</i>	<b>Note</b>	<b>2019</b>	<b>2018</b>
Revenue	6	10 821	9 570
Other income	7	90	502
Other expenses	8	(120)	(94)
Distribution costs and administrative expenses	9	(13 491)	(9 945)
<b>Operating profit</b>		<b>(2 700)</b>	<b>33</b>
Finance income	10	17 572	9 696
Finance costs	10	(7 319)	(5 819)
<b>Net finance income</b>		<b>10 253</b>	<b>3 877</b>
<b>Profit before tax</b>		<b>7 553</b>	<b>3 910</b>
Income tax	11	(176)	(3 298)
<b>Net profit</b>		<b>7 377</b>	<b>612</b>
<b>Total comprehensive income for the year</b>		<b>7 377</b>	<b>612</b>
<b>Earnings per share:</b>			
Basic and diluted earnings per share (PLN) for the			
- year attributable to holders of ordinary shares of the Parent	20	0,41	0,03

## Separate statement of financial position

	as at	Note	31 Dec 2019	31 Dec 2018
<b>Non-current assets</b>				
Intangible assets			-	678
Property, plant and equipment			105	92
Non-current financial assets in related entities	12		123 396	123 361
Long-term investments	13		253 707	246 894
Deferred tax assets	16		2 524	2 675
Other long-term investments			389	653
<b>Total non-current assets</b>			<b>380 121</b>	<b>374 353</b>
<b>Current assets</b>				
Short-term investments	14		33 883	3 553
Trade and other receivables	17		13 814	2 490
Cash and cash equivalents	18		41 934	7 400
<b>Total current assets</b>			<b>89 631</b>	<b>13 443</b>
<b>TOTAL ASSETS</b>			<b>469 752</b>	<b>387 796</b>
<b>Equity</b>				
	19			
Share capital			4 529	4 529
Capital reserve			4 194	4 194
Share premium			71 121	71 121
Statutory reserve funds			65 097	64 485
Retained earnings			11 410	4 645
<b>Total equity</b>			<b>156 351</b>	<b>148 974</b>
<b>Non-current liabilities</b>				
Non-bank borrowings and other debt instruments	21		242 635	226 724
<b>Total non-current liabilities</b>			<b>242 635</b>	<b>226 724</b>
<b>Current liabilities</b>				
Non-bank borrowings and other debt instruments	21		54 796	9 573
Employee benefit obligations	22		807	918
Trade and other payables	23		15 163	1 607
<b>Total current liabilities</b>			<b>70 766</b>	<b>12 098</b>
<b>Total liabilities</b>			<b>313 401</b>	<b>238 822</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>469 752</b>	<b>387 796</b>

## Separate statement of cash flows

<i>for the year ended 31 December</i>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>			
Profit before tax		7 553	3 910
<i>Total adjustments:</i>			
Depreciation and amortisation		746	211
Net interest		(3 218)	625
Exchange differences		(230)	338
Dividend income		(7 048)	(5 000)
Other		264	(54)
Change in receivables		(424)	(1 132)
Change in current and other liabilities		1 399	(297)
<b>Cash from operating activities</b>		<b>(958)</b>	<b>(1 399)</b>
Income tax (paid)/refunded		(25)	-
<b>Net cash from operating activities</b>		<b>(983)</b>	<b>(1 399)</b>
<b>Cash flows from investing activities</b>			
Repayment of loans		57 130	50 688
Dividends received		12 179	8 023
Interest received		31 487	607
Acquisition of shares	12	(35)	(112)
Purchase of investment property, property, plant and equipment and intangible assets		(81)	(94)
Loans		(117 055)	(141 107)
<b>Cash from investing activities</b>		<b>(16 375)</b>	<b>(81 995)</b>
<b>Cash flows from financing activities</b>			
Proceeds from non-bank borrowings		61 086	38 169
Repayment of borrowings		(1 103)	-
Dividends and other distributions to owners		(3 985)	(3 260)
Issue of bonds		-	42 473
Interest paid on bonds		(3 734)	(3 167)
<b>Cash from financing activities</b>		<b>52 264</b>	<b>74 215</b>
<b>Total cash flows</b>		<b>34 906</b>	<b>(9 179)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>7 400</b>	<b>15 500</b>
Effect of exchange differences on cash and cash equivalents		(372)	1 079
<b>Cash and cash equivalents at end of period</b>	18	<b>41 934</b>	<b>7 400</b>

## Separate statement of changes in equity

	Share capital	Capital reserve	Share premium	Statutory reserve funds	Retained earnings	Total equity
<b>Equity as at 1 January 2018</b>	<b>4 529</b>	<b>4 194</b>	<b>71 121</b>	<b>64 485</b>	<b>7 293</b>	<b>151 622</b>
<b><u>Comprehensive income:</u></b>						
Net profit/(loss)	-	-	-	-	612	<b>612</b>
<b>Comprehensive income for the year ended 31 December 2018</b>	-	-	-	-	<b>612</b>	<b>612</b>
Interim dividend	-	-	-	-	(3 260)	<b>(3 260)</b>
<b>Equity as at 31 December 2018</b>	<b>4 529</b>	<b>4 194</b>	<b>71 121</b>	<b>64 485</b>	<b>4 645</b>	<b>148 974</b>
<b>Equity as at 1 January 2019</b>	<b>4 529</b>	<b>4 194</b>	<b>71 121</b>	<b>64 485</b>	<b>4 645</b>	<b>148 974</b>
<b><u>Comprehensive income:</u></b>						
Net profit/(loss)	-	-	-	-	7 377	<b>7 377</b>
<b>Comprehensive income for the year ended 31 December 2019</b>	-	-	-	-	<b>7 377</b>	<b>7 377</b>
Allocation of net profit for 2018	-	-	-	612	(612)	-
<b>Equity as at 31 December 2019</b>	<b>4 529</b>	<b>4 194</b>	<b>71 121</b>	<b>65 097</b>	<b>11 410</b>	<b>156 351</b>

## Notes to the separate financial statements

### 1. General information

#### 1. 1 **MLP Group S.A.**

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

The Company 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.

The Company's 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. The PKD code of the principal business activity is: 7032Z, i.e. property management services.

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

The Company was established for an indefinite period.

#### 1. 2 **MLP Group S.A. Group**

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

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

At the end of the reporting period, MLP Group S.A. was the parent of 41 subsidiaries: MLP Pruszków I Sp. z o.o., MLP Pruszków II Sp. z o.o., MLP Pruszków III Sp. z o.o., MLP Pruszków IV Sp. z o.o., MLP Spółka z ograniczoną odpowiedzialnością SKA, MLP Energy Sp. z o.o., MLP Poznań Sp. z o.o., MLP Lublin Sp. z o.o., MLP Poznań II Sp. z o.o., MLP Bieruń Sp. z o.o., MLP Bieruń I Sp. z o.o., MLP Sp. z o.o., MLP Property Sp. z o.o., MLP Teresin Sp. z o.o., MLP Poznań West Sp. z o.o., MLP Fin Sp. z o.o., Lokafoop 201 Sp. z o.o. SKA, Lokafoop 201 Sp. z o.o., MLP Wrocław Sp. z o.o., MLP Gliwice Sp. z o.o., MLP Business Park Berlin I LP Sp. z o.o., MLP Czeladź Sp. z o.o., MLP Temp Sp. z o.o., MLP Wrocław West Sp. z o.o., MLP Dortmund LP Sp. z o.o., MLP Dortmund GP Sp. z o.o., MLP Logistic Park Germany I Sp. z o.o. & Co. KG, MLP Poznań West II Sp. z o.o., MLP Bucharest West Sp. z o.o., MLP Teresin II Sp. z o.o., MLP Bucharest West SRL, MLP Pruszków V Sp. z o.o., MLP Germany Management GmbH, MLP Business Park Berlin I Sp. z o.o. & Co. KG., MLP Wrocław West Sp. z o.o., MLP Business Park Berlin I GP sp. z o.o., MLP Łódź II sp. z o.o., MLP Poznań East sp. z o.o., MLP Schwalmthal LP sp. z o.o., MLP Schwalmthal GP sp. z o.o., MLP Property I sp. z o.o., MLP Business Park Berlin I Sp. z o.o. & Co. KG, MLP Schwalmthal Sp. z o.o. & Co. KG

For more information on subordinated entities, see Note 12.



### 1. 3 **Management Board**

As at the date of these separate financial statements, the composition of the Company's Management Board was as follows:

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

### 1. 4 **Supervisory Board:**

As at the date of these Separate financial statements, the composition of the Company's Supervisory Board was as follows:

- 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 Chajderowski - Member of the Supervisory Board
- Maciej Matusiak - Member of the Supervisory Board

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

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

The Company prepared the separate 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 Company applied all standards and interpretations which are applicable in the European Union except for 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 Company 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 separate financial statements.

Standards and interpretations endorsed by the European Union which are not yet effective for annual periods	Potential impact on the separate financial statements	Effective date for periods beginning on or after the date
Amendments to the IFRS Conceptual Framework	no impact	1 Jan 2020
IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	no impact	1 Jan 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 related to IBOR reform	no impact	1 Jan 2020

## **2. 2. 2 Standards and interpretations endorsed by the European Union effective as of 1 January 2019**

The following new standard was applied for the first time in the Company's separate financial statements for 2019:

### **IFRS 16 Leases**

The Company adopted the new IFRS 16 *Leases* as of 1 January 2019. The comparative data for the financial year 2018 was restated.

#### **Recognition of lease liabilities**

The Company does not recognise lease liabilities arising under leases previously classified as operating leases in accordance with IAS 17 *Leases*. The estimated present value of lease payments outstanding on the date of initial application of IFRS 16 was low (PLN 504 thousand) and was related to the lease of company cars.

#### **Recognition of right-of-use assets**

Right-of-use assets are measured at cost.

As at 1 January 2019, the Company chose to recognise the assets at discounted amounts of liabilities. Right-of-use assets are presented in the statement of financial position in the same line item where underlying assets owned by the Company would be presented. Depreciation of right-of-use assets was recognised in the statement of profit or loss in the same line items as other expenses of this type.

#### **Application of estimates and judgements**

The implementation of IFRS 16 requires making certain estimates, judgements and calculations that influence the measurement of finance lease liabilities and right-of-use assets. These include:

- assessment whether a lease payment is a fixed, in-substance fixed or variable payment;
- assessment whether a contract contains a lease under IFRS 16;
- determining the lease term (including for contracts with an indefinite term or an extension option);
- determining the interest rate to be used to discount future cash flows;
- determining the depreciation rate.

#### **Use of practical expedients**

On initial application of IFRS 16, the Company applied the following practical expedients available under the standard:

- application of a single discount rate (4.32%) to a portfolio of leases that have similar characteristics.

#### **Effect on the statement of financial position as at 31 December 2018**

The Company does not incur any costs related to the right of use. The application of the new standard had no effect on these Separate financial statements.

#### **Effect on equity**

The application of IFRS 16 had no effect on retained earnings or equity as at 31 December 2018.

#### **Effect on financial ratios**

The Application of IFRS 16 did not affect the carrying amounts.

## 2. 2. 3 Standards and Interpretations pending approval by the European Union

Standards and interpretations pending approval by the European Union	Potential impact on the separate financial statements	Effective date for periods beginning on or after the date
<b>IFRS 14 <i>Regulatory Deferral Accounts</i></b>	no impact	not endorsed by the European Union
<b>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>)</b>	no impact	The European Commission has decided to indefinitely postpone endorsement of these amendments.
<b>Amendments to IFRS 3 <i>Business Combinations</i></b>	no impact	1 January 2020
<b>Amendments to IAS 1 <i>Presentation of Financial Statements</i></b>	no significant impact	1 January 2020
<b>IFRS 17 <i>Insurance Contracts</i></b>	no impact	1 January 2021

## 2. 3 Basis of preparation

These separate financial statements have been prepared on the assumption that the Company 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 Company's continuing as a going concern.

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

For information on fair value measurement methods, see 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 separate financial statements is presented in the Polish złoty (PLN), rounded to the nearest thousand. The Polish złoty is the functional currency of the Company and the presentation currency of the separate financial statements.

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

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

#### **Separate statement of financial position**

	31 Dec 2019	31 Dec 2018
EUR	4,2585	4,3000
USD	3,7977	3,7597
RON	0,8901	0,9229

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

The preparation of financial statements in accordance with 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 the 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.

## **3. Significant accounting policies**

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

### **3. 1 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.

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

#### **3. 2. 1 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 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 Company 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. 2. 2 *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 Company'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 Company's cash management system.

The Company 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 Company 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. 2. 3 *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 Company 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 Company as measured at fair value through profit or loss. After initial recognition, such liabilities are measured at fair value.

### **3. 2. 4 *Non-current financial assets in related entities***

They consist of equity interests in subsidiaries, which function as specific contracts whereby rights to assets of another entity arise.

Shares in subsidiaries are measured at cost less impairment losses.

### **3. 3. Equity**

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

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

Share capital is disclosed at the amount specified in the Articles of Association and entered in the court register.

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

Preference shares are classified as a liability if they are redeemable on a specific date or 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. 3. 2 Other capital reserve**

Pursuant to the Company's Articles of Association, other capital reserves are allocated to cover any specific losses or expenses.

#### **3. 3. 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. 3. 4 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. 3. 5 Retained earnings**

Retained earnings comprise the profit earned in the current period and undistributed profits from previous years.

### **3. 4. 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 Company where the terms of the agreement transfer substantially all the potential benefits and risks and the assets are used for the Company's own needs, and their expected useful life exceeds one year.

**3. 4. 1 Measurement of property, plant and equipment**

Items of property, plant and equipment are recognised at cost, less depreciation charges and impairment losses.

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 Company 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. 4. 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 Company 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. 4. 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). Depreciation is based on the cost of an item of property, plant and equipment, less its residual value, based on the adopted by the Company 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 separate statement of financial position, the residual value of the asset exceeds its carrying amount, or when the asset has been fully depreciated.

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

### **3. 5. 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 Company.

Intangible assets acquired by the Company 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 statement of financial position, the residual value of the asset exceeds its carrying amount, or when the asset has been fully amortised.

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

#### **3. 6. 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 Company 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.

Under IFRS 9, the Company is required to recognise a loss allowance for lifetime expected credit losses, and if at the reporting date the credit risk on a financial instrument has not increased significantly, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company applies a three-stage impairment model with respect to financial assets other than trade receivables:

- Stage 1 – financial instruments on which the credit risk has not increased significantly since initial recognition. Expected credit losses are determined based on the probability of default occurring within the next 12 months (i.e. total expected credit losses are multiplied by the probability of default occurring in the next 12 months);
- Stage 2 – financial instruments that have had a significant increase in credit risk since initial recognition, but have no objective evidence of impairment; expected credit losses are calculated based on the probability of default over the life of an asset;
- Stage 3 – financial instruments for which there is objective evidence of impairment.



To the extent that the Company is required under the above model to make an assessment as to whether there has been a significant increase in credit risk, such assessment is made taking into account the following factors:

- a loan is past due 30 days or more;
- there have been legislative, technological or macroeconomic changes having a material adverse effect on the debtor;
- a significant adverse event has been reported concerning the loan or another loan taken by the same debtor from another lender, for instance a loan agreement has been terminated, there has been a default under its terms and conditions, or the loan agreement has been renegotiated due to financial distress of the debtor, etc.
- the debtor has lost a significant customer or supplier or has experienced other adverse developments on its market.

With respect to short-term receivables, the Company has performed an analysis of the effect of expected losses using the simplified method, which is permitted to be used under IFRS 9 to estimate the effect of expected credit losses with respect to short-term trade receivables.

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. 6. 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 Company 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. 7. Employee benefits**

#### *Defined benefit plans*

Under current regulations the Company has 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 Company's obligations for each period are estimated based on the amounts to be contributed for a given year.

### **3. 8. Cash-settled share-based payments**

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

The Company 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. 9. Provisions**

Provisions are recognised when the Company 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. 10. 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. 11. Revenue**

#### **3. 11. 1 Rendering of services**

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion of a transaction is assessed by measuring the work performed. 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 Company, 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. 12. Finance income and costs**

Finance income comprises interest income on funds invested by the Company, dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, 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 Company 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. 13. *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. 14. *Earnings per share***

The Company presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to holders of ordinary shares by the weighted average number of ordinary shares in the period. Diluted earnings per share 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.

## 4. Financial risk management

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

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

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

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

The Company'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 Company's business. Using such tools as training, management standards and procedures, the Company 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 Company if a trading partner or counterparty to a transaction fails to meet its contractual obligations. Credit risk arises chiefly from receivables and cash and cash equivalents.

#### 4. 1. 1 Trade and other receivables, and loans

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.

The Company'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 Company will not be able to pay its financial liabilities when they become due.

The Company'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 Company'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 or interest rates, affect the value of the Company's financial instruments or its future results.

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 and non-bank borrowing transactions which are denominated in currencies (chiefly the euro) other than the functional currency of the Company.

The Company takes out non-bank borrowings denominated in EUR. In order to balance the currency risk, the Company also has receivables from loans granted in EUR.

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

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 Company's further growth.

The Management Board monitors return on equity, 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.

During the reporting period the Company did not change its approach to capital management.

The Company is not subject to any external capital requirements.

#### 5. **Segment reporting**

An operating segment is a separate part of the Company which is engaged in providing certain products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and which is exposed to other risks and derives other benefits than the other segments.

The primary and sole business activity of MLP Group S.A is management of logistics space.

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

##### 5. 1. **Key customers of the Company**

The share of key customers in the Company's revenue was as follows:

	<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
MLP Pruszków I Sp. z o.o.		33%	56%
MLP Pruszków III Sp. z o.o.		9%	6%
MLP Logistic Park Germany I Sp. z o.o. & Co. KG		11%	2%
MLP Pruszków V Sp. z o.o.		12%	1%
MLP Pruszków IV Sp. z o.o.		6%	7%
MLP Pruszków II Sp. z o.o.		9%	3%

## 6. Revenue

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Property management	4 009	3 577
Project management	927	728
Advisory services	3 935	4 394
Agency services	1 079	-
Recharge of services	871	871
<b>Total revenue</b>	<b>10 821</b>	<b>9 570</b>
<i>- including from related entities</i>	<i>10 788</i>	<i>9 396</i>

For more information on income from related entities, see Note 26.3.

## 7. Other income

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Reversal of provision for future costs	-	359
Proceeds from sale of property, plant and equipment	11	-
Other	79	137
Past due liabilities written off	-	6
<b>Other income</b>	<b>90</b>	<b>502</b>

## 8. Other expenses

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Court fees	(3)	-
Other expenses	(109)	(86)
Donations made	(8)	(8)
<b>Other expenses</b>	<b>(120)</b>	<b>(94)</b>

## 9. Distribution costs and administrative expenses

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Depreciation and amortisation	(746)	(211)
Raw materials and consumables used	(297)	(319)
Services	(8 656)	(4 758)
Taxes and charges	(156)	(69)
Wages and salaries	(2 799)	(2 936)
Social security and other employee benefits	(447)	(346)
Other expenses by nature	(390)	(1 306)
<b>Distribution costs and administrative expenses</b>	<b>(13 491)</b>	<b>(9 945)</b>

Distribution costs and administrative expenses for the year ended 31 December 2019 were PLN 13,491 thousand. They mostly include costs of servicing and maintenance of income-generating investment properties owned by the subsidiaries, and costs of providing advisory services. The Company recovers these amounts by issuing invoices for managing the properties.

## 10. Finance income and costs

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Interest income on loans to related entities	10 321	4 664
Dividend income	7 048	5 000
Other	13	32
Net exchange differences	190	-
<b>Total finance income</b>	<b>17 572</b>	<b>9 696</b>
Interest expense on non-bank borrowings from related entities	(3 367)	(1 973)
Interest expense on bonds	(3 736)	(3 316)
Net exchange differences	-	(340)
Other finance costs	(216)	(190)
<b>Total finance costs</b>	<b>(7 319)</b>	<b>(5 819)</b>

Exchange differences are mainly attributable to the effect of measurement as at the end of the reporting period of liabilities and receivables under non-bank borrowings and EUR-denominated bonds.

For more information on finance income and expenses of related entities, see Note 26.3.

## 11. Income tax

	<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Income tax on dividend received		25	-
Temporary differences/reversal of temporary differences		151	3 298
<b>Income tax</b>		<b>176</b>	<b>3 298</b>

### Effective tax rate

	<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
<b>Profit before tax</b>		<b>7 553</b>	<b>3 910</b>
Tax at the applicable tax rate (19%)		(1 435)	(743)
Dividend income		25	-
Write-off of assets on tax loss		-	(3 274)
Non-taxable income		1 339	950
Non-tax-deductible costs		(105)	(231)
<b>Income tax</b>		<b>(176)</b>	<b>(3 298)</b>

### Calculation of corporate income tax

	<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
<b>Profit before tax</b>		<b>7 553</b>	<b>3 910</b>
<b>Non-tax deductible expenses:</b>			
Interest on non-bank borrowings		3 367	1 972
Audit provision		126	157
Foreign exchange losses		7 897	8 977
Provision for remuneration of the Supervisory Board and the Management Board		650	376
Provisions for employee benefit obligations		8	789
Interest accrued on bonds		491	514
Share in cost of transfer of a tenant between logistics parks		-	644
Other		2 286	549
PKO - Donations		8	-
		<b>14 833</b>	<b>13 978</b>



<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
<b>Costs increasing tax-deductible expenses</b>		
Reversal of foreign exchange losses on measurement	-	6 864
Release of audit provision	157	91
Payment of employee benefits	-	1 623
Release of provision for remuneration of the Management Board and the Supervisory Board	375	120
reversal of provision for advisory and management services	761	
Release of provision for interest on bonds	514	355
	<b>1 807</b>	<b>9 053</b>
<b>Amounts increasing the tax base</b>		
Reversal of foreign exchange gains	-	1 161
Payment of interest on loan	689	580
	<b>689</b>	<b>1 741</b>
<b>Non-taxable income</b>		
Foreign exchange gains on measurement	7 978	1 608
Dividend received	7 048	5 000
Interest accrued but not paid on borrowings	9 288	4 657
Release of excessive provisions recognised in 2017	-	359
Other	84	-
	<b>24 398</b>	<b>11 624</b>
<b>Loss</b>	<b>(3 130)</b>	<b>(1 048)</b>
<b>Income tax</b>	<b>-</b>	<b>-</b>

Tax laws relating to value added tax, corporate and personal income tax, and social security contributions are frequently amended. Therefore, it is often the case that 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 different state authorities 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 their final amount is determined by the tax authorities.

## 12. Non-current financial assets in related entities

	<i>as at</i> 31 Dec 2019	31 Dec 2018
<b>Gross amount at beginning of period</b>	<b>123 361</b>	<b>123 249</b>
Subscription for shares in MLP Pruszków V Sp. z o.o.	-	5
Subscription for shares in MLP Germany Management GmbH	-	107
Acquisition of shares in MLP Wrocław West Sp. z o.o.	5	-
Acquisition of shares in MLP Business Park Berlin I GP sp. z o.o.	5	-
Acquisition of shares in MLP Łódź II sp. z o.o.	5	-
Acquisition of shares in MLP Poznań East sp. z o.o.	5	-
Acquisition of shares in MLP Schwalmthal LP sp. z o.o.	5	-
Acquisition of shares in MLP Schwalmthal GP sp. z o.o.	5	-
Acquisition of shares in MLP Property I sp. z o.o.	5	-
<b>Gross amount at end of period</b>	<b>123 396</b>	<b>123 361</b>
<b>Net amount at end of period</b>	<b>123 396</b>	<b>123 361</b>

As at 31 December 2019, MLP Group S.A. held directly or indirectly interests in the following entities:

Entity	Country of registration	Direct and indirect interest in equity		Direct and indirect interest in rights	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
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%

Entity	Country of registration	Direct and indirect interest in equity		Direct and indirect interest in rights	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
MLP Business Park Berlin I LP Sp. z o.o. <sup>10)</sup>	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.	Poland	100%	100%	100%	100%
MLP Germany Management GmbH	Germany	100%	100%	100%	100%
MLP Wrocław West Sp. z o.o. <sup>8)</sup>	Poland	100%	-	100%	-
MLP Business Park Berlin I GP sp. z o.o. <sup>1)</sup>	Poland	100%	-	100%	-
MLP Łódź II sp. z o.o. <sup>2)</sup>	Poland	100%	-	100%	-
MLP Poznań East sp. z o.o. <sup>3)</sup>	Poland	100%	-	100%	-
MLP Schwalmtal LP sp. z o.o. <sup>4)</sup>	Poland	100%	-	100%	-
MLP Schwalmtal GP sp. z o.o. <sup>5)</sup>	Poland	100%	-	100%	-
MLP Property I sp. z o.o. <sup>6)</sup>	Poland	100%	-	100%	-
MLP Business Park Berlin I Sp. z o.o. & Co. KG <sup>7)</sup>	Germany	100%	-	100%	-
MLP Schwalmtal Sp. z o.o. & Co. KG <sup>9)</sup>	Germany	100%	-	100%	-

<sup>1)</sup> MLP Business Park Berlin I GP sp. z o.o. was established on 17 July 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).

<sup>2)</sup> MLP Business Park Berlin I LP sp. z o.o. was established on 17 July 2019; on 19 September 2019 the company changed its name to MLP Łódź II sp. z o.o. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).

<sup>3)</sup> MLP Poznań East sp. z o.o. was established on 4 September 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).

<sup>4)</sup> MLP Schwalmtal LP sp. z o.o. was established on 16 September 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).

<sup>5)</sup> MLP Schwalmtal GP sp. z o.o. was established on 16 September 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).

<sup>6)</sup> MLP Property I sp. z o.o. was established on 16 September 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).

<sup>7)</sup> On 23 July 2019, MLP Business Park Berlin I Sp. z o.o. & Co. KG was established as part of the Group. KG

<sup>8)</sup> MLP Wrocław West Sp. z o.o. was established on 17 July 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).

<sup>9)</sup> On 24 October 2019, MLP Schwalmtal Sp. z o.o. & Co. KG was established as part of the Group. KG

<sup>10)</sup> On 5 December 2019, the name of MLP Łódź Sp. z o.o. was changed to MLP Business Park Berlin I LP Sp. z o.o.

### 13. Long-term investments

	<i>as at</i> 31 Dec 2019	31 Dec 2018
Long-term loans to related parties	253 707	246 894
	<b>253 707</b>	<b>246 894</b>

### 14. Short-term investments

	<i>as at</i> 31 Dec 2019	31 Dec 2018
Short-term loans to related parties	33 883	3 553
<b>Short-term investments</b>	<b>33 883</b>	<b>3 553</b>

For more information on borrowings from related entities, see Note 26.2.

### 15. Change in financial assets attributable to financing and other activities

	<i>Shares</i>
<b>Amount as at 31 December 2018</b>	<b>123 361</b>
Subscription for shares	35
<b>Amount as at 31 December 2019</b>	<b>123 396</b>

	<i>Loan assets</i>
<b>Amount as at 31 December 2018</b>	<b>250 447</b>
Loan advanced	117 055
Repayment of principal	(57 130)
Interest accrued	10 321
Interest paid	(31 487)
Realised foreign exchange gains/(losses)	293
Change in carrying amount	(1 909)
<b>Amount as at 31 December 2019</b>	<b>287 590</b>

## 16. Deferred tax

	Deferred tax assets		Deferred tax liabilities		Net amount	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<i>as at</i>						
Loans and non-bank borrowings	-	(891)	116	-	116	(891)
Tax loss	(2 030)	(1 434)	-	-	(2 030)	(1 434)
Other	(517)	(253)	-	-	(517)	(253)
Bonds	(93)	(97)	-	-	(93)	(97)
<b>Deferred tax assets / liabilities</b>	<b>(2 640)</b>	<b>(2 675)</b>	<b>116</b>	<b>-</b>	<b>(2 524)</b>	<b>(2 675)</b>

	1 Jan 2018	changes recognised in profit or loss	31 Dec 2018	changes recognised in profit or loss	31 Dec 2019
	Loans and non-bank borrowings	(974)	83	(891)	1 007
Tax loss	(4 508)	3 074	(1 434)	(596)	(2 030)
Other	(424)	171	(253)	(264)	(517)
Bonds	(67)	(30)	(97)	4	(93)
	<b>(5 973)</b>	<b>3 298</b>	<b>(2 675)</b>	<b>151</b>	<b>(2 524)</b>

As at 31 December 2019, the unrecognised deferred tax asset for tax loss was PLN 3,274 thousand.

MLP Group S.A. does not recognise deferred tax related to its shares in subsidiaries as the Company fully controls its subsidiaries and does not expect to sell its interests in subsidiaries in the foreseeable future.

Based on the tax budgets prepared by the Company, the Management Board considers it justified to recognise a deferred tax asset on tax loss.

## 17. Trade and other receivables

<i>as at</i>	31 Dec 2019	31 Dec 2018
Trade receivables from related parties	2 058	1 873
Trade receivables from other entities	6	3
Taxes and social security receivable	75	22
Prepayments and accrued income	694	549
Dividend receivable	6 915	-
Interim dividend	3 985	-
Other	81	43
<b>Trade and other receivables</b>	<b>13 814</b>	<b>2 490</b>

For information on liabilities to related parties, see Note 26.

Ageing structure of trade and other receivables and impairment losses are presented in the table below.

	31 Dec 2019		31 Dec 2018	
	Gross receivables	Impairment loss	Gross receivables	Impairment loss
Not past due	11 890	-	859	-
Past due from 1 to 90 days	1 045	-	892	-
Past due from 91 to 180 days	81	-	106	-
Pas due over 180 days	29	-	62	-
<b>Total receivables</b>	<b>13 045</b>	<b>-</b>	<b>1 919</b>	<b>-</b>

## 18. Cash and cash equivalents

<i>as at</i>	31 Dec 2019	31 Dec 2018
Cash in hand	8	4
Cash at banks	40 655	6 669
Short-term deposits	1 271	727
<b>Cash and cash equivalents in the separate statement of financial position</b>	<b>41 934</b>	<b>7 400</b>
<b>Cash and cash equivalents in the separate statement of cash flows</b>	<b>41 934</b>	<b>7 400</b>

The Company has no restricted cash.

## 19. Equity

### 19. 1 Share capital

	<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
<b>Share capital</b>			
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
		<b>18 113 255</b>	<b>18 113 255</b>
Par value per share		0,25	0,25

As at 31 December 2019, the share capital of MLP Group S.A. amounted to PLN 4,528,375.75 and was divided into 18,113.255 shares conferring 18,113,225 voting rights in the Company. All shares have a par value of PLN 0.25 and have been fully paid up.

#### 19. 1. 1 Shareholders holding, directly or through subsidiaries, at least 5% of total voting rights in the Company

To the best of the Management Board's knowledge, as at the date of preparation of these Separate financial statements, the shareholders holding, directly or through subsidiaries, at least 5% of total voting rights in the Company were as follows:

Shareholder	Number of shares and voting rights	% of shares and voting rights
CAJAMARCA Holland BV	10 319 842	56,98%
Other shareholders	1 833 620	10,12%
THESINGER LIMITED	1 771 320	9,78%
Aegon Powszechne Towarzystwo Emerytalne S.A.	1 166 133	6,44%
MetLife OFE	1 679 502	9,27%
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%
<b>Total</b>	<b>18 113 255</b>	<b>100,00%</b>

#### 19. 1. 2 Shares and rights to shares of MLP Group S.A. held by members of management and supervisory bodies

Michael Shapiro holds indirectly, through his fully-controlled companies MIRO B.V. and MIRO Ltd., 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, is – indirectly, through a 7.86% interest held in the share capital of a company (Thesinger Limited) holding Issuer shares – the beneficial owner of 0.77% of the share capital of MLP Group S.A., and holds directly an 0.82% interest in the share capital of the Company in the for of shares subscribed for in September 2017. 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 have no direct holdings in the Company's share capital.

## 19. 2 Capital reserve

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

## 20. Earnings and dividend per share

Earnings per share for each reporting period are calculated as the quotient of net profit (loss) for the period and weighted average number of shares outstanding in the reporting period. Diluted earnings per share for each period are calculated as quotient of the net profit/(loss) the period by the sum of the weighted average number of ordinary shares in the reporting period and all potential dilutive shares.

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
<b>Net profit/(loss) for the period</b>	<b>7 377</b>	<b>612</b>
Weighted average number of outstanding shares	18 113 255	18 113 255
<b>Earnings per share for period (PLN per share):</b>		
- basic	0,41	0,03
- diluted	0,41	0,03

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>	<b>2019</b>	<b>2018</b>
<b>Interim dividend paid</b>	<b>3 985</b>	<b>3 260</b>
Weighted average number of outstanding shares	18 113 255	18 113 255
<b>Interim dividend per share for the period (PLN per share):</b>	<b>0,22</b>	<b>0,18</b>

## 21. Non-bank borrowings and other debt instruments

### 21. 1 Non-current liabilities

<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Bonds <sup>1)</sup>	127 755	129 000
Non-bank borrowings from related entities	114 880	97 724
<b>Non-current liabilities under non-bank borrowings and other debt instruments</b>	<b>242 635</b>	<b>226 724</b>

On 9 December 2019, the Management Board of MLP Group S.A. passed Resolution No. 3/12/2019 to establish a bond issue programme (the "Programme"), pursuant to which on 18 December 2019 the Company entered into an agreement with Bank Polska Kasa Opieki S.A. of Warsaw, as the arranger, paying agent, dealer, technical agent, offering agent and bookrunner, and Pekao Investment Banking S.A. of Warsaw as the arranger, technical agent, offering agent and dealer (the "Agreement"). For more information, see Note 28.



## 21. 2 Current liabilities

	<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Bonds		491	514
Non-bank borrowings from related entities		54 305	9 059
<b>Current liabilities under non-bank borrowings and other debt instruments</b>		<b>54 796</b>	<b>9 573</b>

For more information on borrowings from related entities, see Note 26.2.

## 21. 3 Change in financial liabilities attributable to financing and other activities

	<i>Bonds</i>
<b>Amount as at 31 December 2018</b>	<b>129 514</b>
Interest accrued on bonds	3 736
Interest paid on bonds	(3 734)
Change in carrying amount	(1 270)
<b>Amount as at 31 December 2019</b>	<b>128 246</b>

	<i>Non-bank borrowings from related entities</i>
<b>Amount as at 31 December 2018</b>	<b>106 783</b>
Increase in non-bank borrowings	61 086
Repayment of principal	(1 103)
Interest accrued/ paid/ capitalised	3 367
Realised foreign exchange gains/(losses)	4
Change in carrying amount	(952)
<b>Amount as at 31 December 2019</b>	<b>169 185</b>

#### 21. 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	EUR	10 000 000	2023-05-11	6M EURIBOR + margin	none	Catalyst

#### 21. 5 Non-bank borrowings not secured on the Company's assets:

Loan from	currency	effective rate (%)	as at 31 Dec 2019		31 Dec 2018			
			matures in foreign currency	in PLN	matures in foreign currency	in PLN		
MLP Pruszków I Sp. z o.o.	EUR	3M EURIBOR + margin	2027	14 074	59 935	-	-	-
MLP Pruszków I Sp. z o.o.	EUR	3M EURIBOR + margin	2021	288	1 227	2021	345	1 483
MLP Pruszków I Sp. z o.o.	EUR	3M EURIBOR + margin	2020	502	2 138	2020	629	2 703
MLP Pruszków I Sp. z o.o.	PLN	3M WIBOR + margin	2020	-	8 620	2020	-	8 384
MLP Pruszków I Sp. z o.o.	PLN	3M WIBOR + margin	2026	-	40 504	2026	-	39 084
MLP Pruszków I Sp. z o.o.	EUR	1M EURIBOR + margin	2020	7 167	30 520	2020	7 103	30 542
MLP Pruszków III Sp. z o.o.	EUR	3M EURIBOR + margin	2027	297	1 267	-	-	-
MLP Temp Sp. z o.o.	EUR	3M EURIBOR + margin	2027	2 132	9 077	2019	2 107	9 059
MLP Temp Sp. z o.o.	EUR	3M EURIBOR + margin	2020	402	1 710	2020	397	1 708
MLP Bieruń Sp. z o.o.	EUR	3M EURIBOR + margin	2027	6	27	-	-	-
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	PLN	3M WIBOR + margin	2020	-	11 317	2020	-	10 985
MLP Temp Sp. z o.o.	EUR	3M EURIBOR + margin	2025	668	2 843	2025	660	2 835
<b>Total</b>				<b>25 536</b>	<b>169 185</b>		<b>11 241</b>	<b>106 783</b>

## 22. Employee benefit obligations

	<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Special accounts		157	157
Provision for bonuses		650	761
<b>Employee benefit obligations</b>		<b>807</b>	<b>918</b>

## 23. Trade and other payables

	<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Trade payables to related entities		87	-
Trade payables to other entities		643	858
Taxes and social security payable		359	216
Accrued expenses		2 028	532
Investment and other commitments		-	1
Interim dividend paid MLP Pruszków I Sp. z o.o.		12 046	-
<b>Trade and other payables</b>		<b>15 163</b>	<b>1 607</b>

For information on liabilities to related parties, see Note 26.

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

	<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Not past due		14 517	650
Past due from 1 to 90 days		171	741
Past due from 91 to 180 days		30	-
Pas due over 180 days		86	-
<b>Total trade and other payables</b>		<b>14 804</b>	<b>1 391</b>

Trade payables are non-interest bearing and are typically settled within 30 to 60 days. 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 generally settled on the basis of accepted interest notes.

## 24. Financial instruments

### 24. 1 Measurement of financial instruments

The fair value of financial assets and financial liabilities as at 31 December 2019 and 31 December 2018 was equal to the respective amounts disclosed in the separate statement of financial position.

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

- **cash and cash equivalents:** the carrying amounts of those financial instruments correspond to fair value due to their short maturities,
- **trade receivables, other receivables, trade payables, and accrued expenses:** the carrying amounts approximate fair value due to the short-term nature of those instruments,
- **loans:** the carrying amounts correspond to fair value because the variable interest rates of those instruments are close to market interest rates,
- **non-bank borrowings:** the carrying amounts of those instruments approximate fair value because of their variable interest rates,
- **bonds:** the carrying amounts of those instruments approximate fair value because their variable interest rates are based on market rates.

#### 24. 1. 1 Financial assets

<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
<b>Financial assets measured at amortised cost:</b>		
Cash and cash equivalents	41 934	7 400
Loans and receivables, including:		
• Trade and other receivables	13 045	1 919
• Loans	287 590	250 447
	<b>342 569</b>	<b>259 766</b>
<b>Total financial assets</b>	<b>342 569</b>	<b>259 766</b>

#### Measurement of assets at amortised cost as at 31 December 2019:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
<b>Gross carrying amount</b>	<b>340 505</b>	<b>2 064</b>	-
Cash and cash equivalents	41 934	-	-
Loans and receivables, including:			
• Trade and other receivables	10 981	2 064	-
• Loans	287 590	-	-
<b>Impairment losses (IFRS 9)</b>	-	-	-
Cash and cash equivalents	-	-	-
Loans and receivables, including:			
• Trade and other receivables	-	-	-
• Loans	-	-	-
<b>Carrying amount (IFRS 9)</b>	<b>340 505</b>	<b>2 064</b>	-

#### 24. 1. 2 *Financial liabilities*

<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
<b>Financial liabilities measured at amortised cost:</b>		
Non-bank borrowings	169 185	106 783
Trade and other payables	14 804	1 391
Bonds	128 246	129 514
	<b>312 235</b>	<b>237 688</b>
<b>Total financial liabilities</b>	<b>312 235</b>	<b>237 688</b>

#### 24. 2 *Nature and extent of risks arising from financial instruments*

The Company's business involves primarily exposure to the following types of financial risks:

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

##### 24. 2. 1 *Liquidity risk*

Liquidity risk arises chiefly from the Company's future ability to service long-term borrowings with operating cash flows.

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

<b>Loans - expected payments</b>	<b>up to 1 year</b>	<b>from 1 to 5 years</b>	<b>over 5 years</b>	<b>Total</b>
<b>31 December 2019</b>	55 177	1 252	134 876	<b>191 305</b>
<b>31 December 2018</b>	9 059	57 661	53 538	<b>120 258</b>

##### 24. 2. 2 *Currency risk*

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

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

**Currency structure of financial instruments as at 31 December 2019 (PLN thousand):**

<b>Financial assets</b>	<b>PLN</b>	<b>EUR</b>	<b>other</b>	<b>Total</b>
<b>Financial assets measured at amortised cost:</b>				
Cash and cash equivalents	1 280	40 633	21	<b>41 934</b>
Loans and receivables, including:				
● Trade and other receivables	12 108	937	-	<b>13 045</b>
● Loans	111 743	175 647	200	<b>287 590</b>
	<b>125 131</b>	<b>217 217</b>	<b>221</b>	<b>342 569</b>

Financial liabilities	PLN	EUR	other	Total
<b>Financial liabilities measured at amortised cost:</b>				
Non-bank borrowings	60 441	108 744	-	<b>169 185</b>
Trade and other payables	2 696	12 108	-	<b>14 804</b>
Bonds	-	128 246	-	<b>128 246</b>
	<b>63 137</b>	<b>249 098</b>	-	<b>312 235</b>

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

Financial assets	PLN	EUR	other	Total
<b>Financial assets measured at amortised cost:</b>				
Cash and cash equivalents	732	6 633	35	<b>7 400</b>
Loans and receivables, including:				
• Trade and other receivables	1 875	44	-	<b>1 919</b>
• Loans	104 919	142 126	3 402	<b>250 447</b>
	<b>107 526</b>	<b>148 803</b>	<b>3 437</b>	<b>259 766</b>

Financial liabilities	PLN	EUR	other	Total
<b>Financial liabilities measured at amortised cost:</b>				
Non-bank borrowings	58 453	48 330	-	<b>106 783</b>
Trade and other payables	734	645	12	<b>1 391</b>
Bonds	-	129 514	-	<b>129 514</b>
	<b>59 187</b>	<b>178 489</b>	<b>12</b>	<b>237 688</b>

Due to its open short currency position, the Company 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 on the Company's results and equity.

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

	as at	31 Dec 2019	31 Dec 2018
Increase in the EUR/PLN exchange rate by 5%		(1 594)	(1 484)
Increase in the USD/PLN exchange rate by 5%		11	171

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

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

### 24. 2.3 Interest rate risk

Interest rate risk arises chiefly from non-bank borrowings as well as issued bonds bearing interest at variable rates. Interest rate movements affect debt-service cash flows.

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 on borrowings and issued bonds:

	<i>as at</i>	31 Dec 2019	31 Dec 2018
EURIBOR + 50 p.b.		(1 185)	(889)
WIBOR + 50 bp		(302)	(292)

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</i>	31 Dec 2019	31 Dec 2018
EURIBOR + 50 p.b.		878	711
WIBOR + 50 bp		559	525
LIBOR + 50 bp		1	17

The sensitivity analysis presents how much interest income 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 movements on cash flows from monetary assets:

	<i>as at</i>	31 Dec 2019	31 Dec 2018
EURIBOR + 50 p.b.		203	33
WIBOR + 50 bp		6	4

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

### 24. 2.4 Credit risk

Credit risk the risk of financial loss to the Company 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 The age structure of trade and other receivables is presented in Note 17.

## 25. Contingent liabilities and security instruments provided by the Group

As at 31 December 2019 the following security interests were established in the Company's assets:

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

Security interests in MLP Group S.A.'s shares in the following companies:	Secured claims	Value of security interest
<b>Registered pledges on shares:</b>		
MLP Pruszków I Sp. z o.o.	claims of ING Bank Śląskiego S.A. under credit facility of 9 May 2019 to MLP Pruszków I Sp. z o.o.	EUR 140,895 thousand
MLP Pruszków III Sp. z o.o.	claims of ING Bank Śląski S.A. under credit facility of 9 May 2019 granted to MLP Pruszków III Sp. z o.o.	EUR 140,895 thousand
MLP Pruszków V Sp. z o.o.	claims of BNP Paribas Bank Polska S.A. under credit facility of 7 November 2019 granted to MLP Pruszków V	EUR 28,986,9 thousand
MLP Pruszków V Sp. z o.o.	claims of BNP Paribas Bank Polska S.A. under credit facility of 7 November 2019 granted to MLP Pruszków V	(PLN 6000 thousand)
MLP Poznań II Sp. z o.o.	claims of Bank Polska Kasa Opieki S.A. under the ING 11/0002 credit facility granted to MLP Poznań II Sp. z o.o.	14 047 EUR '000
<b>Registered and financial pledges on shares</b>		
MLP Pruszków III Sp. z o.o.	claims of ING Bank Śląski S.A. under credit facility of 9 May granted to MLP Pruszków III Sp. z o.o.	140 895 EUR '000
MLP Wrocław Sp. z o.o.	claims of PEKAO S.A. under facility of 11 October 2017 granted to MLP Wrocław Sp. z o.o.	4 500 PLN '000
MLP Wrocław Sp. z o.o.	claims of PEKAO S.A. under facility of 11 October 2017 granted to MLP Wrocław Sp. z o.o.	27 638 EUR '000
MLP Gliwice Sp. z o.o.	claims of PEKAO S.A. under facility of 13 March 2018 granted to MLP Gliwice Sp. z o.o.	29 915 EUR '000



Security interests in MLP Group S.A.'s shares in the following companies:	Secured claims	Value of security interest
MLP Gliwice Sp. z o.o.	claims of PEKAO S.A. under working capital (VAT) facility of 13 March 2018 granted to MLP Gliwice Sp. z o.o.	4 500 PLN '000
MLP Czeladź Sp. z o.o.	claims of PKO Bank Polski S.A. under Collateral Agreements executed for the purposes of credit facility of 14 December 2018 granted to MLP Czeladź Sp. z o.o.	15 450 EUR '000
MLP Czeladź Sp. z o.o.	claims of PKO Bank Polski S.A. under credit facility of 14 December 2018 granted to MLP Czeladź Sp. z o.o.	32 156 EUR '000
MLP Pruszków I Sp. z o.o.	claims of ING Bank Śląski S.A. under credit facility of 9 May 2019 granted to MLP Pruszków I Sp. z o.o.	EUR 140 895 thousand
MLP Pruszków V Sp. z o.o.	claims of BNP Paribas Bank Polska S.A. under credit facility of 7 November 2019 for MLP Pruszków V Sp. z o.o.	EUR 28 987 thousand
MLP Pruszków V Sp. z o.o.	claims of BNP Paribas Bank Polska S.A. under credit facility of 7 November 2019 for MLP Pruszków V Sp. z o.o.	PLN 6 000 thousand

In connection with a new credit facility agreement signed on 9 May 2019 by MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o. and MLP Pruszków IV Sp. z o.o. with ING Bank Śląski S.A., PKO BP S.A. and ICBC (Europe) S.A. Polish Branch, in May 2019 financial pledges were created, and registered pledges were created and entered in the pledge register, over bank accounts of MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o. and MLP Pruszków IV, and pledges were created over a set of movables and rights representing an organised whole of MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o. and MLP Pruszków IV, for up to the maximum security amount of EUR 140,895 thousand.

As a result of repayment of the credit facility granted to MLP Pruszków I Sp. z o.o. by BGŻ BNP Paribas S.A. (formerly Raiffeisen Bank Polska S.A.), the following pledges were deleted from the register: the registered pledge created over MLP Pruszków I Sp. z o.o. shares held by MLP Group S.A. for up to a total security amount of EUR 80,000 thousand, and the registered and financial pledges created over the same shares for up to a total security amount of EUR 54,750 thousand.

As a result of repayment of the credit facility provided by BGŻ BNP Paribas S.A. to MLP Pruszków III Sp. z o.o., the following pledges were deleted from the register: the registered and financial pledges created over MLP Pruszków III Sp. z o.o. shares held by MLP Group S.A., MLP Property Sp. z o.o. and MLP Pruszków II Sp. z o.o. for up to a total security amount of EUR 34,370 thousand and PLN 4,500 thousand.

## 25. 2 Guarantees

As at 31 December 2019 The Group did not provide any guarantees.

### **25. 3 Sureties**

On 24 May 2019 MLP Group S.A. provided a surety to MLP Gliwice Sp. z o.o. in connection with the Agreement on the reconstruction of the communication system, including liabilities related to the implementation of the Road Investment project in whole or in part - up to PLN 2,745,888.30.

### **25. 4 Other security interests**

- Loan subordination agreement – loan granted to MLP Pruszków I Sp. z o.o.
- Loan subordination agreement – loans to MLP Lublin Sp. z o.o.
- Loan subordination agreement – loans to MLP Teresin Sp. z o.o.
- Loan subordination agreement – loans to MLP Wrocław Sp. z o.o.
- Loan subordination agreement – loan granted to MLP Poznań II Sp. z o.o.
- Loan subordination agreement – loan granted to MLP Poznań Sp. z o.o.
- Loan subordination agreement – loan granted to MLP Czeladź Sp. z o.o.
- Loan subordination agreement – loan granted to MLP Gliwice Sp. z o.o.
- Loan subordination agreement – loans to MLP Pruszków III Sp. z o.o.
- Loan subordination agreement - loans to MLP Pruszków IV Sp. z o.o.
- Loan subordination agreement - loans to MLP Pruszków V Sp. z o.o.
- Support agreement between MLP Group S.A. and MLP Teresin Sp. z o.o., whereby if MLP Teresin Sp. z o.o. is not able to cover any cost overruns on construction of a property with its own funds, the Company will provide an unsecured loan to MLP Teresin Sp. z o.o. to cover such cost overruns, and the repayment of the loan will be subordinated to repayment of the company's other liabilities, up to the amount of EUR 285 thousand.

## 26. Related-party transactions

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

The balances trade and other payables and receivables under related-party transactions as at 31 December 2019 were as follows:

	Trade and other receivables	Trade and other payables <sup>1)</sup>
<b>Parent</b>		
The Israel Land Development Company Ltd., Tel-Awiw	108	-
	<b>108</b>	<b>-</b>
<b>Other related parties</b>		
MLP Pruszków I Sp. z o.o.	282	-
MLP Pruszków II Sp. z o.o.	18	-
MLP Pruszków III Sp. z o.o.	121	-
MLP Pruszków IV Sp. z o.o.	86	-
MLP Pruszków V Sp. z o.o.	330	-
MLP Poznań Sp. z o.o.	20	-
MLP Poznań II Sp. z o.o.	32	-
MLP Lublin Sp. z o.o.	76	-
MLP Teresin Sp. z o.o.	47	-
MLP Energy Sp. z o.o.	10	-
MLP Wrocław Sp. z o.o.	62	-
MLP Czeladź Sp. z o.o.	52	-
MLP Gliwice Sp. z o.o.	48	-
MLP Property Sp. z o.o.	3	-
MLP Poznań West Sp. z o.o.	4	-
MLP Temp Sp. z o.o.	4	-
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	3	-
MLP Bieruń Sp. z o.o.	6 821	-
MLP Bieruń I Sp. z o.o.	8	-
MLP Sp. z o.o.	3	-
MLP FIN Sp. z o.o.	3	-
LOKAFOP 201 Sp. z o.o.	3	-
MLP Business Park Berlin I LP Sp. z o.o.	1	-
MLP Spółka z ograniczoną odpowiedzialnością SKA	3	-
MLP Poznań West II Sp. z o.o.	21	-
MLP WROCŁAW WEST Sp. z o.o.	2	-
MLP Łódź II Sp. z o.o.	3	-
MLP Poznań East Sp. z o.o.	1	-
MLP Property I Sp. z o.o.	1	-
MLP Logistic Park Germany 1 Sp. z o.o. & Co. KG	695	-
MLP Bucharest West SRL	62	-
MLP Germany Management GmbH	11	87
MLP FIN Sp. z o.o. Spółka Komandytowa	7	-
Fenix Polska Sp. z o.o.	9	-
	<b>8 865</b>	<b>87</b>
<b>Total</b>	<b>8 973</b>	<b>87</b>

<sup>1)</sup> Trade and other payables do not include the remuneration of key management personnel and share-based payments disclosed in Note 29.

## 26. 2 Loans and non-bank borrowings

Below are presented the balances of loans to and non-bank borrowings from related parties as at 31 December 2019:

	Loans	Non-bank borrowings
<b>Other related parties</b>		
MLP Pruszków I Sp. z o.o.	298	142 944
MLP Pruszków II Sp. z o.o.	6 107	-
MLP Pruszków III Sp. z o.o.	1 174	1 267
MLP Pruszków IV Sp. z o.o.	2	-
MLP Pruszków V Sp. z o.o.	15 963	-
MLP Poznań Sp. z o.o.	367	-
MLP Poznań II Sp. z o.o.	170	-
MLP Lublin Sp. z o.o.	17 702	-
MLP Teresin Sp. z o.o.	8 301	-
MLP Wrocław Sp. z o.o.	10 465	-
MLP Czeladź Sp z o.o.	17 168	-
MLP Gliwice Sp. z o.o.	28 314	-
MLP Property Sp. z.o.o.	317	-
MLP Poznań West Sp. z o.o.	901	-
MLP Temp Sp. z o.o.	-	13 630
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	-	11 317
MLP Bieruń Sp. z o.o.	59	27
MLP Bieruń I Sp. z o.o.	1 865	-
MLP FIN Sp. z o.o.	58	-
MLP Poznań West II Sp. z o.o.	57 777	-
MLP Bucharest West Sp. z o.o.	18 827	-
MLP MLP Dortmund LP Sp. z o.o.	42	-
MLP MLP Dortmund GP Sp. z o.o.	22	-
MLP Teresin II Sp. z o.o.	21	-
MLP Wrocław West Sp. z o.o.	36	-
MLP FIN Spółka z ograniczoną odpowiedzialnością sp.k.	34	-
MLP Logistic Park Germany I Sp. z o.o. &Co KG.	30 595	-
MLP Bucharest West SRL	33 714	-
MLP Business Park Berlin I LP Sp. z o.o.	2 963	-
MLP Germany Management GmbH	1 674	-
Fenix Polska Sp. z o.o.	32 654	-
	<b>287 590</b>	<b>169 185</b>
<b>Total</b>	<b>287 590</b>	<b>169 185</b>

### 26. 3 *Income and expenses*

Below are presented income and expenses under related-party transactions for the 12 months ended 31 December 2019:

		Sale of services	Interest income	Other finance income
<b>Parent</b>				
904	The Israel Land Development Company Ltd., Tel-Awiw	208	-	-
		<b>208</b>	<b>-</b>	<b>-</b>
<b>Other related parties</b>				
101	MLP Pruszków I	3 588	62	-
102	MLP Pruszków II	195	232	-
103	MLP Pruszków III	1 008	376	-
104	MLP Pruszków IV	679	2	-
906	MLP Logistic Park Germany I Sp. z o.o. & Co. KG	1 173	1 728	-
106	MLP Poznań	207	56	-
107	MLP Poznań II	324	4	-
108	MLP Lublin	536	356	-
109	MLP Teresin	249	239	-
110	MLP Energy	76	-	6 915
111	MLP Wrocław	298	401	-
112	MLP Czeladź	265	732	-
113	MLP Gliwice	359	1 026	-
114	MLP Property	2	9	-
115	MLP Poznań West	3	25	-
116	MLP Temp	3	-	-
117	LOKAFOP 201 Sp. z o.o. SKA	2	-	-
118	MLP Bieruń	2	22	133
119	MLP Bieruń I	29	46	-
120	MLP Spółka z. o.o.	2	-	-
121	MLP FIN Sp.z o.o.	3	2	-
122	Lokafo 201 Sp. z o.o.	3	-	-
123	MLP Business Park Berlin I LP Sp. z o.o.	6	-	-
124	MLP Sp. z o.o. SKA	2	-	-
125	MLP Poznań West II	98	1 411	-
126	LP Bucharest West	2	1 075	-
127	MLP Dortmund LP	3	1	-
128	MLP Dortmund GP	3	-	-
129	MLP Teresin II	3	1	-
130	MLP Pruszków V	1 289	1 199	-
131	MLP Wrocław West	2	-	-
132	MLP Łódź II Sp.z o.o.	2	6	-
133	MLP Poznań East Sp.z o.o.	1	-	-
134	MLP Property I Sp.z o.o.	1	-	-
901	MLP FIN Sp.z o.o. Sp.k.	2	1	-
902	Fenix Sp. z o.o.	4	783	-
907	MLP BUCHAREST WEST SRL	61	492	-
908	MLP Germany Management GmbH	11	34	-
910	MLP Business Park Berlin I Sp. z o.o. & Co. KG	84	-	-
		<b>10 580</b>	<b>10 321</b>	<b>7 048</b>
	<b>Total income</b>	<b>10 788</b>	<b>10 321</b>	<b>7 048</b>

		Purchase of services and salaries	Interest expense
<b>Other related parties</b>			
MLP Pruszków I Sp. z o.o.		(54)	(2 854)
MLP Pruszków III Sp. z o.o.		-	(19)
MLP Teresin Sp. z o.o.		(5)	-
MLP Wrocław Sp. z o.o.		(5)	-
MLP Czeladź Sp z o.o.		(5)	-
MLP Gliwice Sp. z o.o.		(5)	-
MLP Temp Sp. z o.o.		-	(161)
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA		-	(332)
MLP Bieruń Sp. z o.o.		-	(1)
MLP Germany Management GmbH		(455)	-
MLP Poznań West II Sp. z o.o.		(5)	-
MLP Teresin II Sp. z o.o.		(3 192)	-
		<b>(3 726)</b>	<b>(3 367)</b>
<b>Key management personnel</b>			
ROMI CONSULTING, Michael Shapiro	<i>see note 29.</i>	(406)	-
RTK CONSULTING, Radosław T. Krochta	<i>see note 29.</i>	(590)	-
PROFART, Tomasz Zabost	<i>see note 29.</i>	(233)	-
Pozostały kluczowy personel kierowniczy	<i>see note 29.</i>	(789)	-
		<b>(2 018)</b>	<b>-</b>
<b>Total expenses</b>		<b>(5 744)</b>	<b>(3 367)</b>

## 27. Significant litigation and disputes

As at 31 December 2019, the Company was not party to any material litigation.

## 28. Significant events during and subsequent to the reporting period

On 9 December 2019, the Management Board of MLP Group S.A. passed Resolution No. 3/12/2019 to establish a bond issue programme (the "Programme"), pursuant to which on 18 December 2019 the Company entered into an agreement with Bank Polska Kasa Opieki S.A. of Warsaw, as the arranger, paying agent, dealer, technical agent, offering agent and bookrunner, and Pekao Investment Banking S.A. of Warsaw as the arranger, technical agent, offering agent and dealer (the "Agreement").

On 19 February 2020, the Company issued, by way of public offering, 30,000 Series C bearer bonds with a nominal value of EUR 1,000 per bond and the total value of the issue of EUR 30,000,000. The bonds were registered with Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) under ISIN number PLMLPGR00058. The securities will be listed in the continuous trading system, with ticker symbol "MLP0225".

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

The bonds have been issued as unsecured bonds. The objectives of the issue were not specified.

The bonds mature on 19 February 2025, with an early redemption option at the Company's discretion.

Pursuant to a resolution of the Management Board of the Warsaw Stock Exchange of 21 February 2020, 26 February 2020 was set as the first day of trading in Series C bearer bonds in the alternative trading system on Catalyst.

The potential impact of the coronavirus epidemic on the Group is presented in the Management Board' Report.

## 29. Remuneration paid or due to Management and Supervisory Board members

<i>for the year ended 31 December</i>		<b>2019</b>	<b>2018</b>
<b>Remuneration of the Management Board:</b>			
• <b>Remuneration and other benefits</b>			
Radosław T. Krochta	<i>see note 26.3</i>	590	208
Michael Shapiro	<i>see note 26.3</i>	406	384
Tomasz Zabost	<i>see note 26.3</i>	233	61
		<b>1 229</b>	<b>653</b>
• <b>Cash-settled share based payments and other compensation paid or due in the period</b>			
		-	950
		<b>1 229</b>	<b>1 603</b>
<b>Remuneration of the Supervisory Board:</b>			
• <b>Remuneration and other benefits</b>			
Matusiak Maciej		30	30
Tucharz Jacek		-	13
Levy Eytan		30	30
Marfogel Shimshon		30	30
Piotr Chajderowski		30	17
Daniel Nimrodi		30	30
Guy Shapira		30	30
		<b>180</b>	<b>180</b>
<b>Total remuneration paid or due to Management and Supervisory Board members</b>		<b>1 409</b>	<b>1 783</b>
<b>Other management personnel:</b>			
• Remuneration and other benefits <i>see note 26.3</i>			
		789	798
• Cash-settled share based payments made or due in the period			
		-	618
		<b>789</b>	<b>1 416</b>
<b>Total remuneration paid or due to Management and Supervisory Board members</b>		<b>2 198</b>	<b>3 199</b>

Apart from the transactions described in the note above, members of the Management Board and the Supervisory Board and other management personnel did not receive any other benefits from the Company.

### 30. Workforce structure

	<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Number of employees		19	20

*Signed with a qualified electronic signature.*

-----  
**Radosław T. Krochta**  
*President of the*

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

-----  
**Tomasz Zabost**  
*Member of the*

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

*Pruszków, 17 March 2020*





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

**for the year ended 31 December 2019**

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## Authorisation by the MLP Group S.A. Management Board of the Management Board's Report on the activities of MLP Group S.A. in 2019

This Management Board's Report on the activities of the MLP Group S.A. in the 12 months ended 31 December 2019 was prepared as at and authorised for issue by the Company's Management Board on 17 March 2020.

*Signed with a qualified electronic signature.*

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

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

-----  
**Tomasz Zabost**  
*Member of the Management*

*Pruszków, 17 March 2020*

## 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 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 Company's 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. The PKD code of the principal business activity is: 7032Z, i.e. property management services.

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

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

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

### 1.1 Shareholding structure of MLP Group S.A.

As at 31 December 2019, MLP Group S.A. held directly or indirectly interests in 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 Pruszków V Sp. z o.o.	Poland	100%	100%
6	MLP Poznań Sp. z o.o.	Poland	100%	100%
7	MLP Lublin Sp. z o.o.	Poland	100%	100%
8	MLP Poznań II Sp. z o.o.	Poland	100%	100%
9	MLP Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%
10	MLP Energy Sp. z o.o.	Poland	100%	100%
11	MLP Property Sp. z o.o.	Poland	100%	100%
12	MLP Bieruń Sp. z o.o.	Poland	100%	100%
13	MLP Bieruń I Sp. z o.o.	Poland	100%	100%
14	MLP Sp. z o.o.	Poland	100%	100%
15	MLP Teresin Sp. z o.o.	Poland	100%	100%
16	MLP Poznań West Sp. z o.o.	Poland	100%	100%
17	MLP FIN Sp. z o.o.	Poland	100%	100%
18	LOKAFOP 201 Sp. z o.o.	Poland	100%	100%
19	LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%
20	MLP Wrocław Sp. z o.o.	Poland	100%	100%
21	MLP Gliwice Sp. z o.o.	Poland	100%	100%
22	MLP Business Park Berlin I LP Sp. z o.o. <sup>10)</sup>	Poland	100%	100%
23	MLP Czeladź Sp. z o.o.	Poland	100%	100%
24	MLP Temp Sp. z o.o.	Poland	100%	100%
25	MLP Dortmund LP Sp. z o.o.	Poland	100%	100%
26	MLP Dortmund GP Sp. z o.o.	Poland	100%	100%
27	MLP Logistic Park Germany I Sp. z o.o. & Co KG.	Germany	100%	100%
28	MLP Poznań West II Sp. z o.o.	Poland	100%	100%
29	MLP Bucharest West Sp. z o.o.	Poland	100%	100%
30	MLP Bucharest West SRL	Romania	100%	100%
31	MLP Teresin II Sp. z o.o.	Poland	100%	100%
32	MLP Mangement Germany GmbH	Germany	100%	100%
33	MLP Wrocław West Sp. z o.o. <sup>8)</sup>	Poland	100%	100%
34	MLP Business Park Berlin I GP sp. z o.o. <sup>1)</sup>	Poland	100%	100%
35	MLP Łódź II sp. z o.o. <sup>2)</sup>	Poland	100%	100%
36	MLP Poznań East sp. z o.o. <sup>3)</sup>	Poland	100%	100%
37	MLP Schwalmtal LP sp. z o.o. <sup>4)</sup>	Poland	100%	100%
38	MLP Schwalmtal GP sp. z o.o. <sup>5)</sup>	Poland	100%	100%
39	MLP Property I sp. z o.o. <sup>6)</sup>	Poland	100%	100%
40	MLP Business Park Berlin I Sp. z o.o. & Co. KG <sup>7)</sup>	Germany	100%	100%
41	MLP Schwalmtal Sp. z o.o. & Co. KG <sup>9)</sup>	Germany	100%	100%

## Changes in equity interests held

- <sup>1)</sup> MLP Business Park Berlin I GP sp. z o.o. was established on 17 July 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).
- <sup>2)</sup> MLP Business Park Berlin I LP sp. z o.o. was established on 17 July 2019; on 19 September 2019 the company changed its name to MLP Łódź II sp. z o.o. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).
- <sup>3)</sup> MLP Poznań East sp. z o.o. was established on 4 September 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).
- <sup>4)</sup> MLP Schwalmtal LP sp. z o.o. was established on 16 September 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).
- <sup>5)</sup> MLP Schwalmtal GP sp. z o.o. was established on 16 September 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).
- <sup>6)</sup> MLP Schwalmtal GP sp. z o.o. was established on 16 September 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).
- <sup>7)</sup> On 23 July 2019, MLP Business Park Berlin I Sp. z o.o. & Co. KG was established as part of the Group. KG
- <sup>8)</sup> MLP Wrocław West Sp. z o.o. was established on 17 July 2019. All shares in the new company were acquired by MLP Group S.A. (100 shares with a total par value of PLN 5,000).
- <sup>9)</sup> On 24 October 2019, MLP Schwalmtal Sp. z o.o. & Co. KG was established as part of the Group.
- <sup>10)</sup> On 5 December 2019, the name of MLP Łódź Sp. z o.o. was changed to MLP Business Park Berlin I LP Sp. z o.o. MLP Business Park Berlin I LP Sp. z o.o.

## 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.

The Company's principal business activity is construction and management of logistics space. This activity includes:

- purchase of investment property (directly or through acquisition of shares in companies owning real property),
- property management (including activities related to the management of tenant services, such as determination of the target groups of tenants, acquisition of tenants, negotiating lease contracts, re-release of properties),
- securing financing for the properties (determining the target amount of debt to equity and securing the required amount of debt financing for each asset on the best terms available at a given time),
- technical activities and supervision of the properties (including repair and maintenance and cleaning services),
- sale of investment property.

The Company conducts these activities through its subsidiaries. MLP GROUP S.A. is a holding company and manages companies operating at individual logistics parks.

Through its subsidiaries, the Company currently manages seven operational logistics parks in Poland, i.e. MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, MLP Czeladź, and a logistics park construction – MLP Poznań West. In Germany, also through its subsidiaries, the Company currently operates one logistics park - MLP Unna. In Romania, the Company owns a logistics park under construction (MLP Bucharest West). The total areas of the land bank held is 97.3 ha. The Company, through its associated companies in which it holds equity interest, 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 the Group includes a total of 16 operational logistics parks located in the 3 markets in Europe where the Group is present.

Through its subsidiaries, the Company currently manages eleven logistics parks at key locations: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, MLP Czeladź, MLP Poznań West, MLP Wrocław West and MLP Łódź. In Germany, the Company – through its subsidiaries – currently operates three logistics parks: MLP Unna, MLP Business Park Berlin, and MLP Niederrhein. In Romania, the Group owns the logistics park MLP Bucharest West. The total area of the Group's land bank is 121.8 ha. MLP Group S.A., through its subsidiaries, has executed reservation agreements for the purchase of new land for planned logistics parks in Poland, Germany and Austria. In Poland, the land bank has been extended with reservation agreements which cover land for the future projects in Stryków – ca. 25 ha, Pruszków – ca. 20 ha (extension of the existing MLP Pruszków II park), in Germany in Koblenz – ca. 11 ha, in Bochum – ca. 20 ha and in Krefeld – ca. 6 ha and in Austria – ca. 9 ha near Vienna airport. The current and potential portfolio of properties managed by MLP Group includes a total of fifteen logistics parks located in the three markets – Poland, Germany and Romania.

The Group currently operates two types of warehouse space formats:

- (1) big box storage facilities, i.e. large-scale storage facilities with an area of ca. 5,000 m<sup>2</sup>, including BTS facilities, built for a dedicated tenant, and
- (2) City Logistics facilities. Projects are run under the name of MLP Business Park, offering small storage modules ( from 500 m<sup>2</sup>) with office facilities (ca. 20% of total warehouse space), located in urban agglomerations. The first project of this type is MLP Business Park Berlin.

The Group's key customers include logistics, production and e-commerce companies. The structure of tenants is distributed proportionally across the business segments.



Investment property in logistics parks is measured at fair value by independent appraisers.

Fair value of the Company's property portfolio as at 31 December 2019:

Logistics park	Fair value EUR '000	Fair value PLN '000
MLP Pruszków I	90 030	383 393
MLP Pruszków II	128 224	546 042
MLP Poznań	31 750	135 207
MLP Lublin	34 293	146 037
MLP Teresin	16 870	71 841
MLP Gliwice	26 117	111 219
MLP Wrocław	28 800	122 645
MLP Czeladź	19 110	81 380
MLP Poznań West	18 640	79 378
MLP Unna	7 620	32 450
MLP Bucharest West	17 051	72 536
<b>Total</b>	<b>418 505</b>	<b>1 782 128</b>

### 1. 3 Main products and services

The primary and sole business activity of MLP Group S.A is management of logistics space. The Company's revenue comprises revenue from property management and provision of advisory services.

The Company operates in Poland.

Revenue	<i>in the year ended 31 December</i>	2019	2018
<b>Domestic sales</b>			
Sales to external customers		33	174
Sales to related parties		10 580	9 387
<b>Total domestic sales</b>		<b>10 613</b>	<b>9 561</b>
<b>International sales</b>			
Sales to related parties		208	9
<b>Total international sales</b>		<b>208</b>	<b>9</b>
<b>Total revenue</b>		<b>10 821</b>	<b>9 570</b>

### 1. 4 Market, customers and suppliers

The primary and sole business activity of MLP Group S.A is management of logistics space. The Company operates in Poland and, through its subsidiaries, also in Germany and Romania.

#### 1. 4.1 Structure of the Company's sales

The Company derives revenue primarily from (i) administration of investment property by subsidiaries, and (ii) advisory and management services to the subsidiaries. Related-party transactions constitute the main source of the Company's revenue.

Revenue	<i>in the year ended 31 December</i>	2019	2018	<i>change (%)</i>
Property management		4 009	3 577	12%
Project management		927	728	-
Advisory services		3 935	4 394	-10%
Agency services		1 079		
Recharge of services		871	871	0%
<b>Total revenue</b>		<b>10 821</b>	<b>9 570</b>	<b>13,1%</b>
<i>- including from related parties</i>		<i>10 788</i>	<i>9 396</i>	<i>15%</i>

In 2019, the total value of sales to related parties was PLN 10,788 thousand, with MLP Pruszków I Sp. z o.o. being the largest customer for these services. Its share in the revenue from related parties in the reporting period was 33% (2018: 57%). The table below presents the structure of the Company's sales in 2019 and 2018:

<b>Structure of sales to related parties</b>		
<i>in the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
<b>Parent</b>		
The Israel Land Development Ltd	208	152
<b>Subsidiaries</b>		
MLP Pruszków I Sp. z o.o.	3 588	5 359
MLP Pruszków II Sp. z o.o.	195	244
MLP Pruszków III Sp. z o.o.	1 008	599
MLP Pruszków IV Sp. zo.o.	679	631
MLP Logistic Park Germany I Sp. z o.o. &Co KG.	1 173	177
MLP Poznań Sp. z o.o.	207	229
MLP Poznań II Sp. z o.o.	324	325
MLP Lublin Sp. z o.o.	536	364
MLP Teresin Sp. z o.o.	249	252
MLP Energy Sp. z o.o.	76	115
MLP Wrocław Sp. z o.o.	298	216
MLP Czeladź Sp z o.o.	265	171
MLP Gliwice Sp. z o.o.	359	342
MLP Property Sp. z.o.o.	2	3
MLP Poznań West Sp. z o.o.	3	3
MLP Temp Sp. z o.o.	3	3
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	2	3
MLP Bieruń Sp. z o.o.	2	3
MLP Bieruń I Sp. z o.o.	29	29
MLP Sp. z o.o.	2	3
MLP FIN Sp. z o.o.	3	3
LOKAFOP 201 Sp. z o.o.	3	3
MLP Business Park Berlin I LP Sp. z o.o.	6	6
MLP Spółka z ograniczoną odpowiedzialnością SKA	2	3
MLP Poznań West II Sp. z o.o.	98	58
MLP Bucharest West Sp. z o.o.	2	3
MLP MLP Dortmund LP Sp. z o.o.	3	3
MLP MLP Dortmund GP Sp. z o.o.	3	3
MLP Teresin II Sp. z o.o.	3	3
MLP Pruszków V Sp. z o. o.	1 289	51
MLP Wrocław West Sp. z o.o.	2	-
MLP Łódź II Sp.z o.o.	2	-
MLP Poznań East Sp.z o.o.	1	-
MLP Property I Sp.z o.o.	1	-
MLP Business Park Berlin I GP Sp.z o.o.	-	-
MLP Schwalmtal LP Sp.z o.o.	-	-
MLP Schwalmtal GP Sp.z o.o.	-	-
MLP FIN Spółka z ograniczoną odpowiedzialnością sp.k.	2	3
Fenix Polska Sp. z o.o.	4	4
MLP Bucharest West SRL	61	7
MLP Germany Management GmbH	11	23
MLP Business Park Berlin I Sp. z o.o. & Co. KG	84	-
MLP Schwalmtal Sp. z o.o. & Co. KG	-	-
<b>Total</b>	<b>10 788</b>	<b>9 396</b>

#### **1. 4.2 Key trading partners**

In the reporting period the Company cooperated mainly with providers of the following services:

- supply of utilities,
- consulting and advisory services – business and legal,
- financial audit and review services, professional appraising services.

In 2019, the value of turnover with none of the Company's service providers exceeded 10% of the Company's revenue. With a broad base of suppliers, the Company is not dependent on any single one of them.

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

### 2.1 Activities of the MLP Group S.A. Group and the Company in 2019

In 2019, the Company continued its activity consisting in the construction and management of logistics properties. The activity was conducted through subsidiaries.

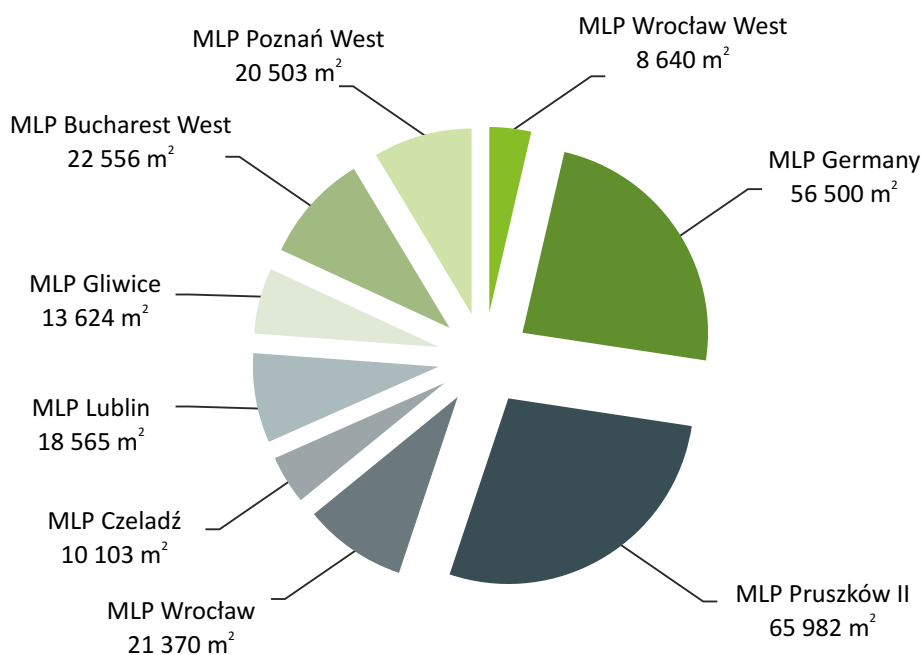
In the reporting period, the Company, acting through its subsidiaries, carried out several property development projects and leased more than 516,000 m<sup>2</sup> of the existing warehouse and office space. The Company's Management Board reviewed and assessed on an ongoing basis:

- 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

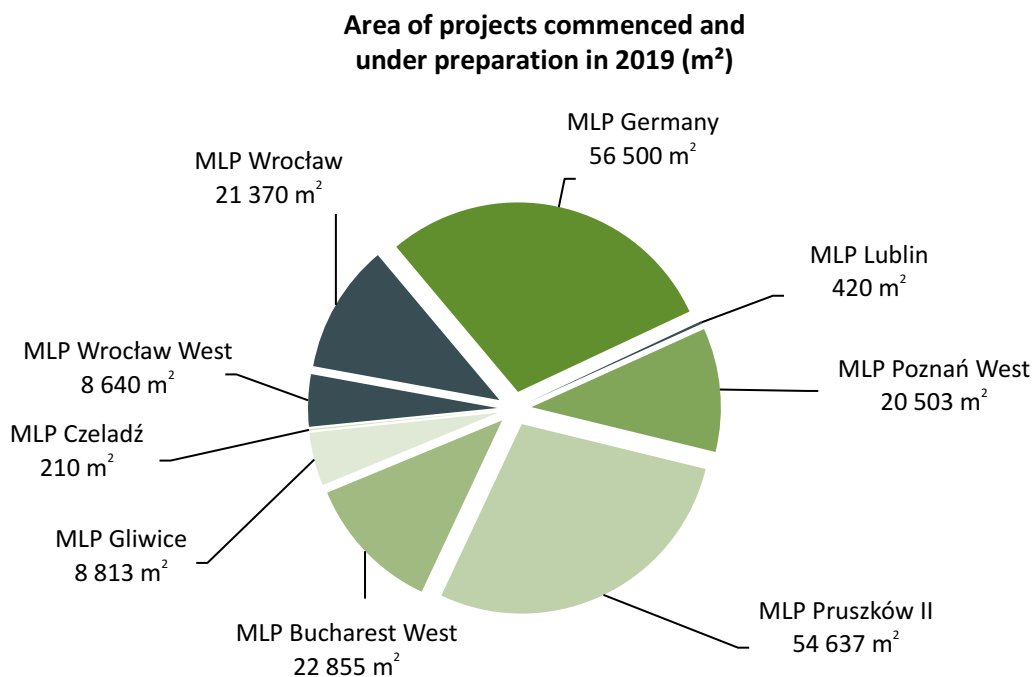
W 2019 roku Spółka prowadziła realizację projektów inwestycyjnych o łącznej powierzchni  
In 2019, the Group was engaged in construction of projects with a total area of 163,403 m<sup>2</sup>, with a further 74,440 m<sup>2</sup> in preparation, i.e. the total area of projects under development was 237,843 m<sup>2</sup>.

**Area of projects under construction and under preparation in 2019 (m<sup>2</sup>)**

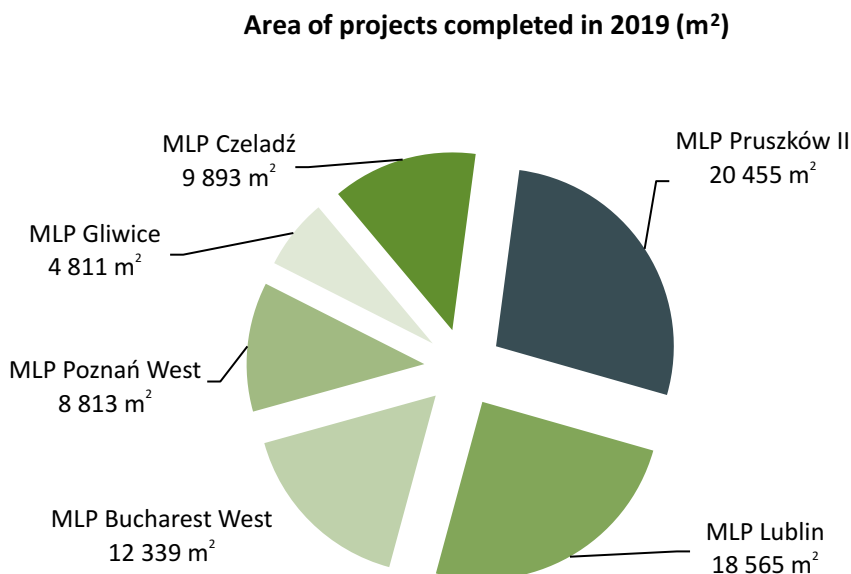


Out of the total, 44,191m<sup>2</sup> was attributable to projects commenced before 2019. In 2019, the Group launched projects with a total area of 119,508 m<sup>2</sup>. As at 31 December 2019, the Group's projects with an area of approximately 74,440 m<sup>2</sup> were under development in Poland and Germany. The projects in Poland (ca. 17,940 m<sup>2</sup>) are scheduled for completion in 2020, and the project in Germany (56,500 m<sup>2</sup>) – in 2021 and 2022.

The chart below presents the area of commenced projects and projects in preparation 2019, by logistics parks:



In 2019, the Group completed all investment projects started in 2018, with a total area of 44,191 m<sup>2</sup>. The total area of projects completed by the Group in 2019 was 74,876 m<sup>2</sup>. The projects were executed at seven logistics parks.



## **2. 1.2 Projects under construction and under preparation**

In 2019, the Company carried out, through its subsidiaries, projects with a total area of 237,843 m<sup>2</sup>. Of these, in 2019, the Group completed projects with a total area of 74,876 m<sup>2</sup>.

As at 31 December 2019, space of 88,524 m<sup>2</sup> was under construction.

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. KG zakupiła nieruchomość gruntową o powierzchni 12,5 ha. This property comprises the MLP Unna logistics park, with buildings on its premises. The buildings and parking lots were partly rented short-term until 2020. Upon expiry of the lease, the Group will start demolition of the existing facilities and will construct a new facility. In 2019, the Group signed a lease contract with L-Shop Team for the construction and lease of 56,500 m<sup>2</sup> of warehouse space with staff amenities and office facilities. The facility is scheduled for completion in mid-2022.

Romania: in 2019, the Group completed the construction of 12,395 m<sup>2</sup>, with the entire space leased out. The entire volume of new space was leased out. In 2019, the Group commenced the construction of a further 10,216 m<sup>2</sup> warehouse space, to be completed in the first quarter 2020.

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.

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

## **2. 1.3 Material agreements**

**Material suppliers with whom in 2019 agreements were concluded with a total value exceeding 10% of the Company's equity**

In the financial year 2019, the Company did not enter into any contracts or agreements with a single supplier where the total value of such arrangements would exceed 10% of the Company's equity.

## **2. 1.4 Shareholder agreements**

MLP Group S.A. is not aware of any agreements between the Company's shareholders.

Further, the Company 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 2019, the Group did not enter into any significant cooperation or partnership agreements with other entities.

## **2. 1.6 Related-party transactions**

For description of related-party transactions, see Note 26 to the Company's Separate Financial Statements for 2019.

## **2. 1.7 Litigation**

**Proceedings pending before courts, arbitration bodies or public administration bodies**

As at 31 December 2019, no single court, arbitration or administrative proceedings were pending with respect to any liabilities or claims of the Company whose value would represent 10% or more of the Company's equity.

As at 31 December 2019, no two or more court, arbitration or administrative proceedings were pending with respect to any liabilities or claims of the Company whose combined value would represent 10% or more of the Company's equity.

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

## 2. 2 Development of MLP Group S.A. and risk factors

Development of the MLP Group S.A. business depends on the development of the subsidiaries comprising the MLP Group S.A. Group.

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

MLP Group S.A. conducts its business through entities in which it holds equity interests. The Company's and the Group's business is exposed to the following risks:

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

The Management Board is responsible for establishing and overseeing the Company's risk management functions, including the identification and analysis of the risks to which the Company 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 Company'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 Company 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 Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without risking unacceptable losses or damage to the Company's reputation. To this end, the Company monitors its cash flows 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 Company mitigates the risk by constantly monitoring the Company's exposures, maintaining the exposures them within assumed limits, and seeking to optimise the rate of return on investment. The risk mitigating measures include applying hedge accounting to minimise the impact of volatility of market prices on financial results.



### **Currency risk**

Most of the subsidiaries' rental income is denominated in EUR. Some of the Group's costs, such as certain construction costs, labour costs and wages, are denominated in PLN, but the vast majority of construction costs are denominated in EUR.

To mitigate the currency risk, the Group companies use primarily natural hedging by raising debt financing denominated in EUR. To reduce the volatility of returns on investment caused by exchange rate fluctuations, the Group companies may also enter into contracts hedging against such risks, including derivative contracts, or may enter into contracts with contractors and service providers (project contracts with general contractors) denominated in EUR. If the Group's currency position is short in the EUR-PLN pair, 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 companies bear interest at variable rates. Interest rates depend, to a significant degree, on many factors, including the monetary policy of central banks, 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 financial liabilities and thus affect the Group's profitability. Any need to hedge interest rate risk is considered on a case-by-case basis.

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

#### **Risk related to the Company's and subsidiaries' dependence on macroeconomic conditions**

The development of the commercial real estate market on which the Company and its companies operate 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 Company's and its subsidiaries' 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 Company's and its subsidiaries' 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 Company's and its subsidiaries' financial results and their ability to implement their plans.

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

The Company'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 Company operates; (iii) the Company's ability to procure appropriate construction, management, maintenance and insurance services. Although the Company 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 Company'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 companies' performance in terms of profits from lease of warehouse space. If tenants default on their obligations or if the Company and its subsidiaries are not able to attract tenants, the Company and its subsidiaries will not earn rental income 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 Company's business, financial condition and results.

#### **Insurance risk**

The Group companies' 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 companies are liable. Given the scope of the subsidiaries' 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 subsidiaries' insurance cover may not protect them against all losses that they may incur in connection with their business, and some types of insurance may not be available on commercially reasonable terms or at all. Accordingly, the insurance cover may not be sufficient to fully compensate for losses incurred in connection with the subsidiaries' real estate.

#### **Risk related to the nature of the Company's business**

Development of the Company's business involves risks inherent in the process of constructing industrial property. During construction of industrial property delays or technical problems may occur, beyond the developer's control, which may result in the Company'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 Company's business, financial condition or results.

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

The Group companies' ability to start and complete development, reconstruction or upgrade projects depends on a number of factors, some of which are beyond their control. These factors include, in particular, the subsidiaries' 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 companies have limited or no control, that may result in a delay or otherwise adversely affect the development or upgrade of the properties include:

increase in the cost of materials, labour costs or other expenses that may cause the completion of a

- defects or limitations of legal title to plots or buildings acquired by the Group companies, or defects, limitations or conditions related to administrative decisions concerning the plots of land owned;
- changes in applicable laws, rules or standards which take effect after the subsidiaries start the planning or construction phase of a project, resulting in the subsidiaries 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, previously unknown 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.

Development 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 companies to develop 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 subsidiaries' control, such as slowdown in the real estate market. The Group companies may not be able to complete these projects on time, within budget or at all, due to any of the above or other factors, which may increase the costs, delay the implementation of the project or cause the project to be abandoned.

#### **Risk relating to general contractors**

In a significant number of cases, subsidiaries outsource the execution of their projects to general contractors or other third parties. The successful completion of construction projects depends on the ability of the Group companies to employ general contractors who carry out projects in accordance with the 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 companies. 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 companies 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 may not cover the total costs and damages incurred in such circumstances.

The subsidiaries' dependence on general contractors also exposes them 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 companies may incur losses due to the need to engage other contractors to correct defective work or to pay damages to persons who incurred losses due to the faulty execution of the work. Furthermore, there is a risk that such losses or costs will not be covered by the Group companies' insurance, by the contractor or the relevant subcontractor.

#### **Risk related to obtaining administrative decisions**

As part of their activities and in the course of managing their assets, the Group companies are 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 their properties. No assurance can be given by the Group companies 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 decisions of public administration authorities may be subject to satisfaction of additional conditions by the subsidiaries (including the provision of appropriate infrastructure by the Company), or such authorities may impose additional conditions and obligations on the subsidiaries, which may entail additional costs and protract the proceedings.

The Group companies may also seek changes in some of the 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 organisations dealing with the protection of the environment, as well as owners of adjacent property and local residents may take action to prevent the Group companies from obtaining the required permits, consents or other decisions, including through participation in administrative and judicial proceedings involving the Group companies, challenging decisions, regulations and rulings issued in the course of such proceedings, as well as disseminating negative and defamatory information about the Company and its projects. Such activities may significantly affect the time needed by the Company to execute its projects and may result in additional costs the Company has to incur in connection with its projects.

## **Risk of the actual and potential influence of COVID-19 on the Company's business**

MLP Group operates in European markets, whereas the tenants of the Group's commercial space are companies with supply chains extending beyond Europe. The global economy is experiencing a negative impact of the Covid-19 spread in the initial months of 2020. As of the date of release of this report, the panic seen on global financial markets led to sharp decline in stock indices. At present, however, the Management Board of the Company does not see a direct impact of the Covid-19 epidemic on the MLP Group's business. Most of the leases with tenants are long-term contracts. New projects are mostly based on pre-let agreements concluded prior to the spread of the virus, which provides high degree of certainty for business development in the following periods. However, in the current situation it is difficult to estimate the further development of the pandemic and its impact on the MLP Group's future financial results. As of the date of release of this report, the Group has not identified any disruption to its business which could be linked to the spread of the Covid-19 virus. The Issuer's Management Board closely monitors the situation on the domestic and European markets. In the event that the COVID 19 coronavirus affects the Issuer's business, financial results or prospects, the Management Board will promptly publish relevant confidential information and take immediate action to minimize the risks.

### **2. 2.2 Business development prospects**

MLP Group S.A. conducts its business by managing the subsidiaries in which it holds equity interests.

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 and Austria. The main objective of the subsidiaries 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 rent 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 2019**

- **Poland**

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

Throughout 2019, the warehouse market in Poland developed very dynamically. Warehouse operators signed lease contracts for 3.75m m<sup>2</sup> of warehouse space. It was the second best result in the history of the Polish market. This confirms the continued strength of the market and its stability at a high level. The growth is mainly driven by new contracts and expansions. Contract renewals accounted for about 32% of the total demand. The Warsaw region remains the strongest market, with gross demand exceeding 1m m<sup>2</sup> last year. Of this, more than 100,000 m<sup>2</sup> concerned areas within the city limits, which confirms the high popularity of urban locations. The largest group of tenants are logistics companies, light industry and retail chains developing their e-commerce presence.

As a result of the high development activity, the vacancy rate at the end of 2019 increased by 2.5 p.p. year-on-year, to 7.6%, and remained low. Rents in Poland were stable, and stand at EUR 2.6-3.2/m<sup>2</sup>/month in suburban big-box warehouses in Central Poland.

In 2019, developers delivered a record 2.8m m<sup>2</sup> of new warehouse space. As a result, the total stock of modern warehouse space in Poland reached 18.7m m<sup>2</sup>. This represented an 19% increase year on year. At the end of last year over 1.9 million m<sup>2</sup> was under construction.

Source: Warehouse market in Poland, February 2020, JLL

- **Germany**

In 2019, the volume of transactions on the German warehouse and logistics markets reached 6.6m m<sup>2</sup>, down 8% year on year. However, compared with the five-year average, the figure improved by 3%, and 20% on the 10-year average. Of this volume, over 1.67m m<sup>2</sup> was leased in the five largest regional warehouse markets in Germany, i.e. in Berlin, Düsseldorf, Frankfurt, Hamburg and Munich. This represented a 22% decrease on the previous year. Relative to the five-year and 10-year averages, last year's was lower by 18% and 13%, respectively. The main reason for the decline was the lack of available properties with an area of more than 5,000 m<sup>2</sup>. Berlin was the only regional market with positive growth, of 21% year on year.

The distribution and logistics sector accounted for 29% of the total demand. The retail sector had a 26% share in the demand, and the manufacturing sector – a 25% share.

In 2019, 656 thousand m<sup>2</sup> of new space was delivered to the five largest markets. Currently, approximately 750 thousand m<sup>2</sup> are under construction, with most of the new projects based in the Munich and Berlin regions.

In 2019, the highest monthly rates for warehouse facilities of more than 5,000 m<sup>2</sup> remained stable in the regions of Munich (EUR 7.10/m<sup>2</sup>) and Berlin (EUR 5.50/m<sup>2</sup>). The other regions reported rate increase, by as much as 10%, to 6.40 EUR/m<sup>2</sup>/month, in the Hamburg region, by 3.3%, to 6.20 EUR/m<sup>2</sup>/month in the Frankfurt region, and by 1.9%, to 5.50 EUR/m<sup>2</sup>/month in the Düsseldorf region.

In 2019, the volume of transactions in the other parts of Germany, outside the five largest markets, was 4.96m m<sup>2</sup>, which is only 2% less than in the previous year. Last year's volume represented a 13% increase on the five-year average and a 37% increase on the ten-year average. The largest volume of transactions among the regional markets was again recorded in the Ruhr area (683,000 m<sup>2</sup>).

Source: JLL, Logistics and Industrial Market Overview, Germany, 4th quarter 2019

- **Romania**

The Romanian industrial and logistics space market is experiencing its best period in history in terms of demand and supply. In 2019, approximately 477,000 m<sup>2</sup> of modern warehouse space was delivered, and the market's total supply at the year's end was 4.3m m<sup>2</sup>. Of this number 43% is located near Bucharest, mainly in the western part of the city.

In 2019, the total demand reached ca. 500 thousand m<sup>2</sup> for the third consecutive year. Approximately 29% of that came from manufacturing companies, with the retail sector accounting for 22% of the demand, and distribution and logistics operators – for 20%.

The vacancy rate remains low level at around 7.3%. Rents are stable and range from EUR 3.5 to EUR 4.0/m<sup>2</sup>/month.

In 2020, industrial developers are expected to complete the construction of about 462 thousand m<sup>2</sup>, thus the overall supply on the Romanian market should exceed 4.8 million m<sup>2</sup> by year end.

Source: Real Estate Market Outlook 2020 Romania, CBRE

### 3. Financial condition of MLP Group S.A. and management of its financial resources

#### 3.1 Key economic and financial data disclosed in MLP Group S.A.'s separate financial statements for 2019

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

Structure of the separate statement of financial position of MLP Group S.A. (selected material items)

	<i>as at</i>	31 Dec 2019	% share	31 Dec 2018	% share	Change (%)
<b>ASSETS</b>		<b>469 752</b>	<b>100%</b>	<b>387 796</b>	<b>100%</b>	<b>21%</b>
<b>Non-current assets</b>		<b>380 121</b>	<b>81%</b>	<b>374 353</b>	<b>97%</b>	<b>2%</b>
Including:						
Non-current financial assets in related entities		123 396	26%	123 361	32%	0%
Inwestycje długoterminowe		253 707	54%	246 894	64%	3%
Deferred tax assets		2 524	1%	2 675	1%	-6%
<b>Current assets</b>		<b>89 631</b>	<b>19%</b>	<b>13 443</b>	<b>3%</b>	<b>567%</b>
Including:						
Short-term investments		33 883	7%	3 553	1%	854%
Trade and other receivables		13 814	3%	2 490	1%	455%
Cash and cash equivalents		41 934	9%	7 400	2%	467%

	<i>as at</i>	31 Dec 2019	% share	31 Dec 2018	% share	Change (%)
<b>EQUITY AND LIABILITIES</b>		<b>469 752</b>	<b>100%</b>	<b>387 796</b>	<b>100%</b>	<b>21%</b>
<b>Total equity</b>		<b>156 351</b>	<b>33%</b>	<b>148 974</b>	<b>38%</b>	<b>5%</b>
<b>Non-current liabilities</b>		<b>242 635</b>	<b>52%</b>	<b>226 724</b>	<b>58%</b>	<b>7%</b>
Non-bank borrowings and other debt instruments		242 635	52%	226 724	58%	7%
<b>Current liabilities</b>		<b>70 766</b>	<b>15%</b>	<b>12 098</b>	<b>3%</b>	<b>485%</b>
Including:						
Non-bank borrowings and other debt instruments		54 796	12%	9 573	2%	472%

As at 31 December 2019, long-term investments were the key item of the Company's assets, accounting for 54% of total assets. The largest item of equity and liabilities was non-current liabilities under non-bank borrowings and other debt instruments (52% of total equity and liabilities) and equity (33% of total equity and liabilities).

As at 31 December 2019, liabilities under borrowings and other debt instruments were the largest item (their share increased by 4pp). This increase was mainly due to the loans received by the Company from related parties to finance the development of the Group. The share of equity fell by 5pp year on year.

#### Non-current financial assets in related entities

	<i>as at 31 Dec</i>	<b>2019</b>	<b>2018</b>
<b>Gross amount at beginning of period</b>		<b>123 361</b>	<b>123 249</b>
Subscription for shares in MLP Pruszków V Sp. z o.o.		-	5
Subscription for shares in MLP Germany Management GmbH		-	107
Acquisition of shares in MLP Wrocław West Sp. z o.o.		5	-
Acquisition of shares in MLP Business Park Berlin I GP sp. z o.o.		5	-
Acquisition of shares in MLP Łódź II sp. z o.o.		5	-
Acquisition of shares in MLP Poznań East sp. z o.o.		5	-
Acquisition of shares in MLP Schwalmtal LP sp. z o.o.		5	-
Acquisition of shares in MLP Schwalmtal GP sp. z o.o.		5	-
Acquisition of shares in MLP Property I sp. z o.o.		5	-
<b>Gross amount at end of period</b>		<b>123 396</b>	<b>123 361</b>
<b>Net amount at end of period</b>		<b>123 396</b>	<b>123 361</b>

The shares held by MLP Group S.A. in the subsidiaries as at 31 December 2019 are presented in section 1.1 (*Shareholding structure of MLP Group S.A.* ).

#### Long-term and short-term investments

	<i>as at 31 Dec</i>	<b>2019</b>	<b>2018</b>
<b>Long-term investments</b>		<b>253 707</b>	<b>246 894</b>
Loans to related parties		253 707	246 894
<b>Short-term investments</b>		<b>33 883</b>	<b>3 553</b>
Loans to related parties		33 883	3 553
<b>Total other investments</b>		<b>287 590</b>	<b>250 447</b>

As at 31 December 2019, the Company disclosed under long-term and short-term investments loans to related entities for a total amount of PLN 287,590 thousand, of which PLN 32,654 thousand were loans advanced to Fenix Polska Sp. z o.o.



## Cash

	<i>as at 31 Dec</i>	<b>2019</b>	<b>2018</b>
Cash in hand		8	4
Cash at banks		40 655	6 669
Short-term deposits		1 271	727
<b>Cash and cash equivalents in the separate statement of financial position</b>		<b>41 934</b>	<b>7 400</b>
<b>Cash and cash equivalents in the separate statement of cash flows</b>		<b>41 934</b>	<b>7 400</b>

As at 31 December 2019, the balance of cash was PLN 41,934 thousand, having increased from PLN 7,400 thousand a year earlier. The main sources of the change were a borrowing loan MLP Pruszków I Sp. z o.o. of PLN 59,063 thousand, as well as interim dividend from MLP Pruszków I Sp. z o.o. in the amount of PLN 11,941 thousand, offset by repayment of borrowings from MLP Pruszków V Sp. z o.o. and MLP Czeladź Sp. z o.o.

## Equity

- **Share capital**

	<i>as at 31 Dec</i>	<b>2019</b>	<b>2018</b>
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
<b>Total</b>		<b>18 113 255</b>	<b>18 113 255</b>
Par value per share		0,25 zł	0,25 zł

As at 31 December 2019, 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 a par value of PLN 0.25 and have been fully paid up.

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

Separate statement of profit or loss for the financial year ended 31 December 2019 vs the previous year:

<i>for the year ended 31 December</i>	<b>2019</b>	<i>% sales</i>	<b>2018</b>	<i>% sales</i>	<b>Change (%)</b>
Revenue	10 821	100%	9 570	100%	13%
Other income	90	1%	502	5%	-82%
Distribution costs and administrative expenses	(13 491)	125%	(9 945)	104%	36%
Other expenses	(120)	1%	(94)	1%	28%
<b>Operating profit/(loss)</b>	<b>(2 700)</b>	<b>-25%</b>	<b>33</b>	<b>0%</b>	<b>-8282%</b>
Net finance income	10 253	-95%	3 877	-41%	164%
<b>Profit before tax</b>	<b>7 553</b>	<b>70%</b>	<b>3 910</b>	<b>41%</b>	<b>93%</b>
Income tax	(176)	2%	(3 298)	34%	-95%
<b>Net profit</b>	<b>7 377</b>	<b>68%</b>	<b>612</b>	<b>6%</b>	<b>1105%</b>

The main source of the Company's revenue stream is the provision of management and advisory services.

Distribution costs and administrative expenses in 2019 were PLN 13,491 thousand, having increased by PLN 3,546 thousand on 2018. These costs increased mainly due to the development of the Group. Salaries and wages, as well as advisory and legal services, represent the main item of the Company's operating expenses.

Distribution costs and administrative expenses also include costs of servicing and maintenance of revenue-generating investment properties owned by the subsidiaries. The Company recovers these amounts by issuing invoices for managing the properties.

In 2019, the Company generated net finance income of PLN 10,253 thousand, which represented an increase year on year. This main cause of the change was an increase in interest on loans granted to related entities in 2019 and dividend income.

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

	<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Net cash from operating activities		-983	-1 399
Net cash from investing activities		-16 375	-81 995
Net cash from financing activities		52 264	74 215
<b>Total net cash flows</b>		<b>34 906</b>	<b>-9 179</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>7 400</b>	<b>15 500</b>
Effect of exchange differences		-372	1 079
<b>Cash and cash equivalents at end of period</b>		<b>41 934</b>	<b>7 400</b>

At the beginning of 2019, the balance of cash was PLN 7,400 thousand, and increased during the year to PLN 41,934 thousand as at 31 December 2019, i.e. by PLN 34,534 thousand.

In 2019, the Company had negative cash flows from operating of PLN 983 thousand. In 2019, the amount of cash flows from operating activities was significantly affected by the cost of services incurred in connection with the Group's expansion on foreign markets.

In 2019, the Company had negative cash flows from investment activities of PLN 16,375 thousand. Loans of PLN 117,055 thousand granted by MLP Group S.A. to its subsidiaries in 2019 were the main source of the cash flows outflows. They were provided to finance the Group's development projects in Poland and abroad. These outflows were offset by the repayment of loans (the Group companies repaid PLN 57,130 thousand of loans granted by MLP Group S.A.), as well as payment of dividend by MLP Bieruń Sp. z o.o. and interim dividend by MLP Pruszków Sp. z o.o. (PLN 12,179 thousand in aggregate), offset by payment of interest on borrowings of PLN 31,487 thousand.

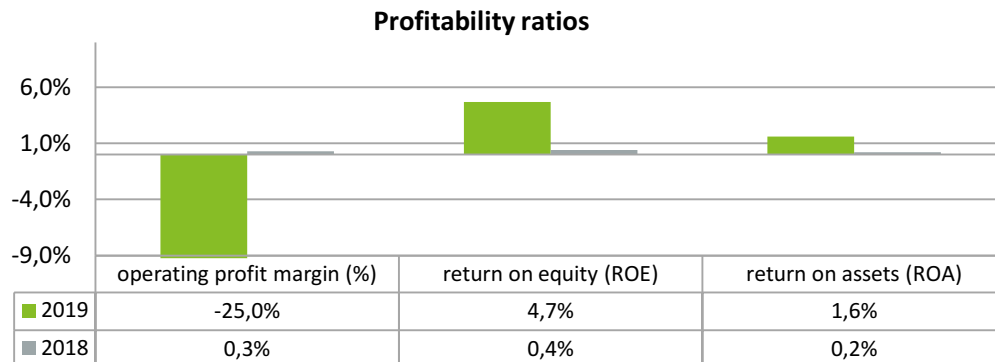
In 2019, cash flows from financing activities decreased year on year, to PLN 52,264 thousand. In 2019, the Company did not issue any bonds, and therefore had no cash inflows from issuance of bonds (2018: PLN 42,473 thousand). The positive cash flows from financing activities were mainly attributable to borrowings of PLN 61,086 thousand, obtained from related companies.

### 3. 2 Management Board's position on published forecasts

The Management Board of MLP Group S.A. has not published any financial forecasts for 2020.

### 3.3 Management of financial resources

#### 3.3.1 Profitability ratios

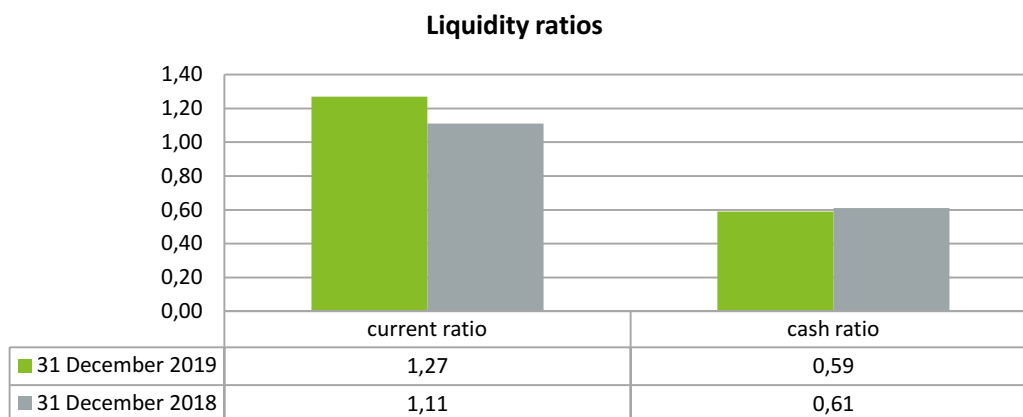


The profitability analysis is based on the following ratios:

- **operating profit margin:** operating profit (before recognition of one-off costs) / revenue;
- **return on equity (ROE):** net profit/(loss) / equity;
- **return on assets (ROA):** net profit (loss) / total assets.

In 2019, the operating margin decreased year on year, to -25%, with the Company's operating profit being the main contributing factor.

#### 3.3.2 Liquidity ratios



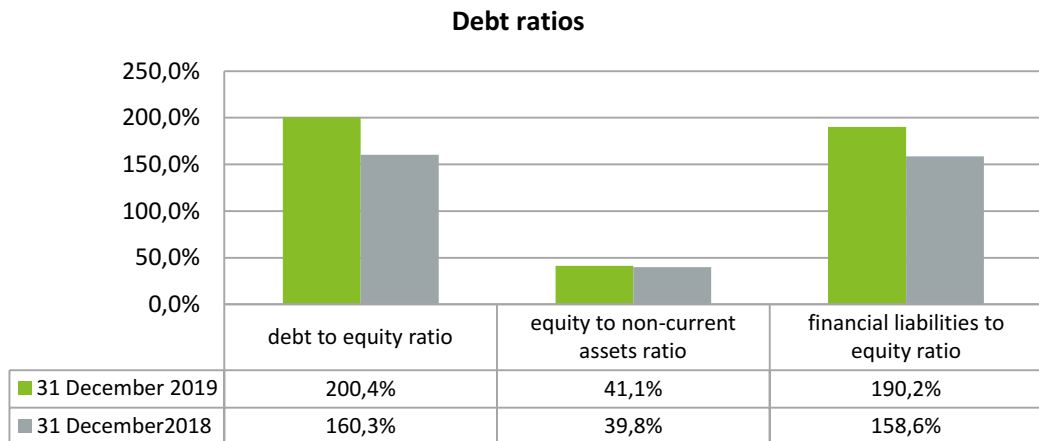
The liquidity analysis is based on the following ratios:

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

The current ratio as at 31 December 2019 increased on year-end 2018 by 0.16pp, mainly due to higher current assets, and the balance of cash in particular. The balance of cash increased from PLN 7,400 thousand in 2018 to PLN 41,934 thousand as at 31 December 2019, mainly as a result of a significant increase in the amount of loans obtained in 2019, and the payment of dividend by MLP Pruszków I Sp. z o.o. (PLN 12,045 thousand). There was also an increase in current liabilities, although the rate of growth was lower than that of cash.

The quick ratio also declined.

### 3. 3.3 Debt ratios



The debt analysis is based on the following ratios:

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

<sup>1)</sup> Financial liabilities include non-current and current liabilities under non-bank borrowings and other debt instruments.

In 2019, the debt to equity ratio and the financial liabilities to equity ratio increased. The increase was mainly due to the increase in the balance of loans received by the Company from related parties. The funds are applied to the financing of the Group's development.

The equity to non-current assets ratio slightly increased year on year, by 1.3pp.

### 3.4 Borrowings, bonds, sureties and guarantees

#### 3.4.1 New and terminated non-bank borrowings

As at 31 December 2019, the Company had the following non-bank borrowings contracted in 2019:

Borrower	Lender	Agreement		Outstanding principal
		date loans	Original amount	
MLP Group S.A.	MLP Pruszków I Sp. z o. o.	2019-05-29	13 869 352 EUR	13 869 352 EUR
MLP Group S.A.	MLP Pruszków III Sp. z o. o.	2019-05-29	293 107 EUR	293 107 EUR
MLP Group S.A.	MLP Bieruń Sp. z o.o.	2019-05-15	31 000 EUR	5 992 EUR

In 2019, the Company did not repay any non-bank borrowings or interest.

In 2019, no non-bank borrowings were terminated.

#### 3.4.2 Bonds

On 9 December 2019, the Management Board of MLP Group S.A. passed Resolution No. 3/12/2019 to establish a bond issue programme (the "Programme"), pursuant to which on 18 December 2019 the Company entered into an agreement with Bank Polska Kasa Opieki S.A. of Warsaw, as the arranger, paying agent, dealer, technical agent, offering agent and bookrunner, and Pekao Investment Banking S.A. of Warsaw as the arranger, technical agent, offering agent and dealer (the "Agreement").

On 19 February 2020, the Company issued, by way of public offering, 30,000 Series C bearer bonds with a nominal value of EUR 1,000 per bond and the total value of the issue of EUR 30,000,000. The bonds were registered with Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) under ISIN number PLMLPGR00058. The securities will be listed in the continuous trading system, with ticker symbol "MLP0225".

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

The bonds have been issued as unsecured bonds. The objectives of the issue were not specified.

The bonds mature on 19 February 2025, with an early redemption option at the Company's discretion.

Pursuant to a resolution of the Management Board of the Warsaw Stock Exchange of 21 February 2020, 26 February 2020 was set as the first day of trading in Series C bearer bonds in the alternative trading system on Catalyst.

### 3. 4.4 Loans advanced

As at 31 December 2019, the Company had outstanding receivables under loans advanced in 2019:

Lender	Borrower	Agreement		Outstanding principal
		date loans	Original amount	
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2019-02-26	297 529 EUR	297 529 EUR
MLP Group S.A.	MLP LUBLIN Sp. z o.o.	2019-02-19	467 100 EUR	467 100 EUR
MLP Group S.A.	MLP LUBLIN Sp. z o.o.	2019-05-29	1 467 513 EUR	1 467 513 EUR
MLP Group S.A.	MLP LUBLIN Sp. z o.o.	2019-12-17	370 404 EUR	370 404 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2019-01-21	290 000 EUR	290 000 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2019-02-07	136 980 EUR	136 980 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2019-02-26	155 030 EUR	155 030 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2019-03-12	50 365 EUR	50 365 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2019-03-20	78 952 EUR	78 952 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2019-02-19	615 000 EUR	566 483 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2019-02-26	127 829 EUR	0 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2019-05-08	177 006 EUR	177 006 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2019-05-29	925 930 EUR	925 930 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2019-07-10	340 743 EUR	340 743 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2019-07-23	206 380 EUR	206 380 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2019-09-02	166 789 EUR	166 789 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2019-12-17	42 474 EUR	42 472 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2019-06-11	200 624 EUR	200 624 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2019-07-10	339 522 EUR	339 522 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2019-08-06	1 350 742 EUR	1 350 742 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2019-09-25	1 523 426 EUR	1 523 426 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2019-11-04	1 013 988 EUR	1 013 988 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2019-12-17	531 022 EUR	531 022 EUR
MLP Group S.A.	MLP Dortmund GP Sp. z o.o.	2019-09-27	5 000 EUR	5 000 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2019-02-19	547 500 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2019-02-26	198 385 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2019-05-29	660 138 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2019-07-10	2 079 874 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2019-07-17	1 254 236 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2019-07-24	1 135 980 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2019-08-22	323 138 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2019-10-24	1 020 316 EUR	1 020 316 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2019-12-17	981 358 EUR	981 358 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO KG c/o MLP Dortmund GP Sp.z o.o.	2019-03-04	100 000 EUR	90 000 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO KG c/o MLP Dortmund GP Sp.z o.o.	2019-05-06	30 000 EUR	30 000 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO KG c/o MLP Dortmund GP Sp.z o.o.	2019-05-29	125 000 EUR	125 000 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO KG c/o MLP Dortmund GP Sp.z o.o.	2019-07-03	800 000 EUR	800 000 EUR

Lender	Borrower	Agreement date loans	Original amount	Outstanding principal
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO KG c/o MLP Dortmund GP Sp.z o.o.	2019-11-29	30 000 EUR	30 000 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO KG c/o MLP Dortmund GP Sp.z o.o.	2019-12-05	250 000 EUR	250 000 EUR
MLP Group S.A.	MLP BUCHAREST WEST SRL	2019-02-19	300 000 EUR	300 000 EUR
MLP Group S.A.	MLP BUCHAREST WEST SRL	2019-05-15	1 000 000 EUR	1 000 000 EUR
MLP Group S.A.	MLP BUCHAREST WEST SRL	2019-05-29	2 400 000 EUR	2 400 000 EUR
MLP Group S.A.	MLP BUCHAREST WEST SRL	2019-06-05	600 000 EUR	600 000 EUR
MLP Group S.A.	MLP BUCHAREST WEST SRL	2019-06-21	900 000 EUR	900 000 EUR
MLP Group S.A.	MLP BUCHAREST WEST SRL	2019-09-10	770 000 EUR	770 000 EUR
MLP Group S.A.	MLP BUCHAREST WEST SRL	2019-11-04	1 000 000 EUR	130 000 EUR
MLP Group S.A.	MLP BUCHAREST WEST SRL	2019-12-13	1 328 839 EUR	1 328 839 EUR
MLP Group S.A.	MLP Germany Management GmbH	2019-01-24	50 000 EUR	50 000 EUR
MLP Group S.A.	MLP Germany Management GmbH	2019-05-06	60 519 EUR	50 000 EUR
MLP Group S.A.	MLP Germany Management GmbH	2019-05-29	25 000 EUR	25 000 EUR
MLP Group S.A.	MLP Germany Management GmbH	2019-07-10	50 000 EUR	160 000 EUR

### 3. 4.5 Sureties issued and received

On 24 May 2019 MLP Group S.A. provided a surety to MLP Gliwice Sp. z o.o. in connection with the Agreement on the reconstruction of the communication system, including liabilities related to the implementation of the Road Investment project in whole or in part - up to PLN 2,745,888.30.

### 3. 4.6 Guarantees provided and received

As at 31 December 2019 the Group did not provide any guarantees.

### 3. 4.7 Other security interests

- Loan subordination agreement – loan granted to MLP Pruszków I Sp. z o.o.
- Loan subordination agreement – loans to MLP Lublin Sp. z o.o.
- Loan subordination agreement – loans to MLP Teresin Sp. z o.o.
- Loan subordination agreement – loans to MLP Wrocław Sp. z o.o.
- Loan subordination agreement – loan granted to MLP Poznań II Sp. z o.o.
- Loan subordination agreement – loan granted to MLP Poznań Sp. z o.o.
- Loan subordination agreement – loan granted to MLP Czeladź Sp. z o.o.
- Loan subordination agreement – loan granted to MLP Gliwice Sp. z o.o.
- Loan subordination agreement – loans to MLP Pruszków III Sp. z o.o.
- Loan subordination agreement - loans to MLP Pruszków IV Sp. z o.o.
- Loan subordination agreement - loans to MLP Pruszków V Sp. z o.o.
- Support agreement between MLP Group S.A. and MLP Teresin Sp. z o.o., whereby if MLP Teresin Sp. z o.o. is not able to cover any cost overruns on construction of a property with its own funds, the Company will provide an unsecured loan to MLP Teresin Sp. z o.o. to cover such cost overruns, and the repayment of the loan will be subordinated to repayment of the company's other liabilities, up to the amount of EUR 285 thousand.



### **3. 5 Feasibility of investment plans**

The Company has adequate capital resources to implement strategic objectives and to finance its day-to-day operations.

Investment projects are implemented through special purpose vehicles in which the Company holds equity interests. The Company 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 and non-bank borrowings.

The Company's assumption is 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 separate financial result for the financial year**

In 2019, there were no non-recurring factor or events that would have a material effect on the separate profit or loss for the financial period.

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

On 9 December 2019, the Management Board of MLP Group S.A. passed Resolution No. 3/12/2019 to establish a bond issue programme (the "Programme"), pursuant to which on 18 December 2019 the Company entered into an agreement with Bank Polska Kasa Opieki S.A. of Warsaw, as the arranger, paying agent, dealer, technical agent, offering agent and bookrunner, and Pekao Investment Banking S.A. of Warsaw as the arranger, technical agent, offering agent and dealer (the "Agreement"). For more information, see Note 3.4.3.

### **3. 8 Significant achievements and failures in the year ended 31 December 2019**

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

### **3. 9 Seasonality and cyclicity**

The Company's business is not seasonal or cyclical.

## 4. Statement of compliance with corporate governance standards

Statement of MLP Group S.A. of Pruszków 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 2019, 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 31 December 2019 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 Supervisory Board, are sufficient, and therefore the Company has decided not to expand their scope.

**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.

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 2019, MLP Group S.A. 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 2019:

Shareholder	Number of shares	kapitale zakładowym	% 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 Powszechne Towarzystwo Emerytalne S.A.	1 166 133	6,44%	6,44%
MetLife OFE	1 679 502	9,27%	9,27%
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%
Pozostali akcjonariusze	1 833 620	10,12%	10,12%
<b>Total</b>	<b>18 113 255</b>	<b>100%</b>	<b>100%</b>

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. 1.2 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 pursuant to 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 18 June 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 2019.

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

On 18 June 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 and opinion – are submitted to the Supervisory Board for assessment prior to the General Meeting.

#### **4. 4.2 Operation of the Management Board**

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 2019, 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	18 June 2018	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. 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 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 2019, 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;<sup>1)</sup> 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;<sup>1)</sup>
- concluding agreements between the Company and members of the Management Board;
- adopting resolutions to approve 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;<sup>1)</sup>
- approving the Rules of Procedure for the Management Board;<sup>1)</sup>
- 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.

<sup>1)</sup> 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 2019 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
Piotr	Chajderowski	Member 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
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.

##### **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 of 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.

#### **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.

#### **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.

As at 31 December 2019, the Audit Committee was composed of the following persons

- Piotr Chajderowski
- Eytan Levy,
- Maciej Matusiak.

As at 31 December 2019, 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 2019, 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 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 2019

- **Remuneration and other benefits:**

Radosław T. Krochta	590
Michael Shapiro	406
Tomasz Zabost	233

**1 229**

The total amount of the remuneration received by and payable to the Management Board from the Company was PLN 1,229 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 2019

Matusiak Maciej	30
Levy Eytan	30
Marfogel Shimshon	30
Piotr Chajderowski	30
Daniel Nimrodi	30
Guy Shapira	30

**180**

In 2019, the total amount of remuneration due to and received by the Supervisory Board was PLN 180 thousand.

In 2019, the number of meetings of the Audit Committee was the same as the number of meetings held by the Supervisory Board (two).

### 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 his fully-controlled companies MIRO B.V. and MIRO Ltd., 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 14.25% of the share capital of MLP Group S.A. Therefore, in aggregate, Mr Shapiro is the beneficial owner of a 16.75% interest in the share capital of MLP Group S.A.

Shimshon Marfogel, Chairman of the Supervisory Board, is – indirectly, through a 7.86% interest held in the share capital of a company (Thesinger Limited) holding Issuer shares – the beneficial owner of 0.77% of the share capital of MLP Group S.A., and holds directly an 0.82% interest in the share capital of the Company in the for of shares subscribed for in September 2017. 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 key business management policies**

In 2019, 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. 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 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 a non-member state, dated 19 February 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 the separate 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 Company presents its financial statements for review or audit, as applicable, by a renowned 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,

The Company's financial and accounting system is the source of data for the entire reporting system operated by the Company, 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 Company'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 Company'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 Company'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 as 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 Company is exposed.

#### 4. 10 Entity qualified to audit the financial statements

By resolutions passed on 22 May 2019, the Company's Supervisory Board, acting pursuant to Art. 21.2g) of the Company's Articles of Association, appointed PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt 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 2019 and to review the interim financial statements prepared as at 30 June 2019 and for the six months then ended.

The registered office of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt komandytowa is located at ul. Polna 11, 00-633 Warsaw. PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt spółka komandytowa is registered as a qualified auditor of financial statements under entry no. 144.

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 21 May 2019.

In 2018, KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa did not provide any services other than audit and review of financial statements or review of subsidiaries accounts.

The table below presents the fees paid to the auditor for the services performed.

	<i>as at</i>	31 Dec 2019	31 Dec 2018
Audit of full-year financial statements		60	107
Audit of separate financial statements for the purpose of interim dividend		40	-
Review of consolidated and separate financial statements		45	73
Audit and review of group reports		170	190
<b>Total fees</b>		<b>315</b>	<b>370</b>

*Signed with a qualified electronic signature.*

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

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

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

Pruszków, 17 March 2020