



**MLP**  
GROUP



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

FOR THE YEAR ENDED DECEMBER 31ST 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 the MLP Group S.A. Group 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.

### **Macroeconomic environment**

2019 saw the Polish economy growing at a slower pace than a year earlier as well as an improved situation on the Polish labour market. At 4.0%, Poland's real GDP growth in 2019 was 5.1%. The unemployment rate at the end of December was down year on year, to 5.2%, which is 0.6 pp. The main growth driver was investments, up by 7.8% (or 8.9% in 2018). The increase was also driven by an 3.8% increase in domestic demand (5.3% in 2018). In 2020, the Polish economy is expected to continue to slow down, in step with the projected global economic downturn. According to recent forecasts by the European Commission, in 2017 Poland will see GDP growth of 3.3%. However, economy is concerned that GDP will fall significantly below 2-3% this year, while some banks expect GDP to fall to 0%. This is due to the spread of the epidemics of the coronavirus in Europe and uncertainty about the impact of the epidemics on the economy in 2020.

### **Warehouse market in Poland, Germany and Romania**

2018 was another very successful year for the Group, confirming that the Polish warehouse market is in an excellent condition. The total area leased in 2019 (gross demand) was 3,75 mcm, the second best result in the history of the Polish market. Net demand (excluding lease contract renewals) totalled 2.6 mcm. The tenants' strong interest was among the regions of Warsaw, Upper Silesia and Wrocław. Which accounted for almost 60% of the total demand.

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

The vacant area ratio rose to 7.6% at the end of last year. Rent remaining stable.

The German and Romanian markets, where the Group is expanding its operations, are also in a robust condition. Germany remains the largest warehouse market in Europe, with the volume of transactions in 2019 reaching 6.6m m<sup>2</sup>, 3% above the average for the last five years and 20% above the 10-year average. In 2019, a total of 479 thousand square metres of storage and logistics space was contracted, down 6% year on year. Of which new space was 477 thousand m<sup>2</sup>, and the total leasable space reached 4.3 million m<sup>2</sup>.

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

The year 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 2018 our total leasable warehouse space stood at 587 thousand m<sup>2</sup>. We also maintain a land bank with a capacity of more than 133.7 ha of target leasable space.

The Group's financial position remains strong. In 2018, its net asset value (NAV) rose by 15.11%, to PLN 938.56m, While net profit came in at PLN 129.4m, up 40% on 2017. Consolidated revenue totalled PLN 140.0m, which was similar to the previous 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 Investor DEKA Immobilien | West Invest, which was sold in 2015. In the first quarter of 2019, the commercialisation process was completed.

Currently, the Group runs eleven logistics parks in Poland's 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 Group currently operates three logistics parks: MLP Unna, MLP Business Park Berlin and MLP Niederrhein. While in Romania it has a logistics park: MLP Bucharest West. The Group also owns, or has signed a number of reservation agreements for the purchase of, plots of land for its planned logistics parks in Poland, Germany and Austria. The current portfolio of properties managed by MLP Group S.A. includes a total of fifteen 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, in Bucharest's defence in the Chitila region, we are expanding our logistics centre. 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 should positively contribute to the long-term strategic goals of the MLP Group.

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

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

## II. Statement of the Management Board

The consolidated financial statements of the MLP Group S.A. Group (“the Group”) for the period from 1 January 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 Group’s assets, financial condition and financial results. The Management Board’s Report on the activities of the MLP Group S.A. Group presents a true view of the development, achievements and condition of the Group, including a description of key threats and risks.

We also represent that the entity qualified to audit the financial statements that audited the consolidated financial statements of the Group for the 12 months ended December 31st 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 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*

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**Tomasz Zabost**

*Member of the Management Board*

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**Maria Ratajczyk**

*Signature of the person preparing the  
financial statements*

*Pruszków, 17 March 2020*



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

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

	31 grudnia 2019	31 December 2018
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 average exchange rates effective as at the last day of each month in the reporting period.

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

as at	Dec 31 2019		31 December 2018*	
	PLN '000	thousand EUR	PLN '000	thousand EUR
Non-current assets	1 838 209	431 656	1 526 027	354 890
Current assets	235 918	55 399	137 362	31 945
<b>Total assets</b>	<b>2 074 127</b>	<b>487 055</b>	<b>1 663 389</b>	<b>386 835</b>
Non-current liabilities	971 135	228 046	762 389	177 300
Current liabilities	164 437	38 614	85 648	19 918
Equity, including:	938 555	220 395	815 352	189 617
Share capital	4 529	1 063	4 529	1 053
<b>Total equity and liabilities</b>	<b>2 074 127</b>	<b>487 055</b>	<b>1 663 389</b>	<b>386 835</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 attributable to owners of the Parent (PLN)	51,82	12,17	45,01	10,47

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

\* Restated.

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

<i>for the year ended 31 December</i>	2019		2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Revenue	140 032	32 552	141 502	33 163
Other income	1 317	306	2 280	534
Gain on revaluation of investment property	120 797	28 081	88 713	20 791
Distribution costs and administrative expenses	(77 726)	(18 068)	(78 919)	(18 496)
Operating profit	180 015	41 846	151 090	35 410
Profit before tax	163 217	37 942	121 684	28 518
<b>Net profit</b>	<b>129 369</b>	<b>30 073</b>	<b>92 391</b>	<b>21 653</b>
Total comprehensive income	123 203	28 640	91 961	21 552
Net profit attributable to owners of the Parent	129 369	30 073	92 391	21 653
Earnings per share and diluted earnings per share attributable to owners of the Parent (PLN)	7,14	1,66	5,10	1,20

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

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

<i>for the year ended 31 December</i>	2019		2018	
	thousand PLN	thousand EUR	thousand PLN	thousand EUR
Net cash from operating activities	86 109	20 017	36 013	8 440
Cash from investing activities	(208 082)	(48 371)	(195 506)	(45 819)
Cash from financing activities	178 192	41 423	139 909	32 789
<b>Total cash flows</b>	<b>56 219</b>	<b>13 069</b>	<b>(19 584)</b>	<b>(4 590)</b>

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

<i>as at</i>	Dec 31 2019		31 December 2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash at beginning of period	46 106	10 722	64 827	15 543
Cash at end of period	102 046	23 963	46 106	10 722

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

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

The EUR/PLN exchange rate on the last day of the reporting period ended 31 December 2017 was 4.1709.



**The Group**  
**MLP Group S.A.**

**Consolidated financial statements  
for the year ended December 31st 2019**

*prepared in accordance with EU IFRS*

## IV. Consolidated financial statements

### Authorisation of the consolidated financial statements for issue

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

The Consolidated 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. Consolidated statement of profit or loss and other comprehensive income for the period from 1 January to 31 December 2019, showing a net profit of PLN 129,369 thousand.
2. Consolidated statement of financial position as at 31 December 2019, showing total assets and total equity and liabilities of PLN 2,074,127 thousand;
3. Consolidated statement of cash flows for the period from 1 January to 31 December 2019, showing a net increase in cash of PLN 55,940 thousand.
4. Statement of changes in consolidated equity for the period from 1 January to 31 December 2019, showing an increase in consolidated equity of PLN 123,203 thousand.
5. Notes and explanations to the Consolidated Financial Statements.

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

*Signed with 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*

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

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

	<i>for the year ended 31 December</i>	<b>Note</b>	<b>2019</b>	<b>2018</b>
Revenue		6	140 032	141 502
Other income		7	1 317	2 280
Gain on revaluation of investment property		12	120 797	88 713
Distribution costs and administrative expenses		9	(77 726)	(78 919)
Other expenses		8	(4 405)	(2 486)
<b>Operating profit</b>			<b>180 015</b>	<b>151 090</b>
Finance income		10	10 310	1 196
Finance costs		10	(27 108)	(30 602)
<b>Net finance (costs)</b>			<b>(16 798)</b>	<b>(29 406)</b>
<b>Profit before tax</b>			<b>163 217</b>	<b>121 684</b>
Income tax		11	(33 848)	(29 293)
<b>Net profit</b>			<b>129 369</b>	<b>92 391</b>
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations			(581)	460
Effective portion of changes in fair value of cash flow hedges			(6 895)	(1 099)
Income tax on other comprehensive income			1 310	209
<b>Other comprehensive income, net</b>			<b>(6 166)</b>	<b>(430)</b>
<b>Total comprehensive income</b>			<b>123 203</b>	<b>91 961</b>
<b>Net profit attributable to:</b>				
Owners of the Parent			129 369	92 391
<b>Net profit</b>			<b>129 369</b>	<b>92 391</b>
<b>Comprehensive income attributable to:</b>				
Owners of the Parent			123 203	91 961
<b>Total comprehensive income</b>			<b>123 203</b>	<b>91 961</b>
<b>Earnings per share</b>				
		19		
- Basic and diluted earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent			7,14	5,10

## Consolidated statement of financial position

	<i>as at 31 December</i>	<b>Note</b>	<b>2019</b>	<b>2018 *</b>
<b>Non-current assets</b>				
Property, plant and equipment			1 520	529
Intangible assets			126	678
Investment property		12	1 809 850	1 448 594
Other long-term investments		14	23 826	72 088
Other non-current assets			392	653
Deferred tax assets		13	2 495	3 485
<b>Total non-current assets</b>			<b>1 838 209</b>	<b>1 526 027</b>
<b>Current assets</b>				
Inventories			48	144
Short-term investments		14	63 688	22 291
Income tax receivable		15	234	516
Trade and other receivables		15	67 128	57 754
Other short-term investments		14	2 774	10 551
Cash and cash equivalents		16	102 046	46 106
<b>Total current assets</b>			<b>235 918</b>	<b>137 362</b>
<b>TOTAL ASSETS</b>			<b>2 074 127</b>	<b>1 663 389</b>
<b>Equity</b>				
		18		
Share capital			4 529	4 529
Capital reserve			83 680	83 680
Share premium			71 121	71 121
Statutory reserve funds			154 575	153 963
Cash flow hedge reserve			(6 683)	(1 098)
Translation reserve			(628)	(70)
Retained earnings			631 961	503 227
<b>Total equity</b>			<b>938 555</b>	<b>815 352</b>
<b>Non-current liabilities</b>				
Borrowings and other debt instruments		20.1	780 493	612 667
Deferred tax liability		13	145 290	119 474
Other non-current liabilities		20.1	45 352	30 248
<b>Total non-current liabilities</b>			<b>971 135</b>	<b>762 389</b>
<b>Current liabilities</b>				
Borrowings and other debt instruments		20.2	54 429	30 996
Other current liabilities		20.2	105	-
Employee benefit obligations		21	1 135	918
Income tax payable		22	222	2 959
Trade and other payables		22	108 546	50 775
<b>Total current liabilities</b>			<b>164 437</b>	<b>85 648</b>
<b>Total liabilities</b>			<b>1 135 572</b>	<b>848 037</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>2 074 127</b>	<b>1 663 389</b>

\* Restated.

## Consolidated statement of cash flows

	<i>for the year ended 31 December</i>	Note	2019	2018
<b>Cash flows from operating activities</b>				
<b>Profit before tax</b>			<b>163 217</b>	<b>121 684</b>
<i>Total adjustments:</i>				
Depreciation and amortisation			930	340
Change in fair value of investment properties			(120 797)	(88 713)
Net interest			19 064	16 295
Exchange differences			(6 554)	12 409
Other			(1 634)	100
Change in receivables		17.2	(5 293)	(31 047)
Change in current and other liabilities		17.3	45 365	8 345
<b>Cash from operating activities</b>			<b>94 298</b>	<b>39 413</b>
Income tax paid			(8 189)	(3 400)
<b>Net cash from operating activities</b>			<b>86 109</b>	<b>36 013</b>
<b>Cash flows from investing activities</b>				
Interest received			7	567
Loans		17.1	(800)	-
Repayment of loans		17.1	800	6 661
Purchase of investment property, property, plant and equipment and intangible assets			(218 329)	(185 778)
Other cash used in investing activities			-	(16 956)
Other cash from investing activities			10 240	-
<b>Cash from investing activities</b>			<b>(208 082)</b>	<b>(195 506)</b>
<b>Cash flows from financing activities</b>				
Increase in borrowings		17.1	507 891	146 703
Repayment of borrowings		17.1	(302 796)	(30 864)
Issue of debt securities			-	42 473
Dividends and other distributions to owners			(3 985)	(3 260)
Interest paid			(22 918)	(15 143)
<b>Cash from financing activities</b>			<b>178 192</b>	<b>139 909</b>
<b>Total cash flows</b>			<b>56 219</b>	<b>(19 584)</b>
<b>Cash and cash equivalents at beginning of period</b>				
		16	<b>46 106</b>	<b>64 827</b>
Effect of exchange differences on cash and cash equivalents			(279)	863
<b>Cash and cash equivalents at end of period</b>		16	<b>102 046</b>	<b>46 106</b>

## Statement of changes in consolidated equity

### Equity attributable to the owners of the Parent

	Share capital	Capital reserve	Share premium	Statutory reserve funds	Cash flow hedge reserve	Translation reserve	Retained earnings	Total equity
<b>Equity as at 1 January 2018</b>	<b>4 529</b>	<b>81 384</b>	<b>71 121</b>	<b>153 963</b>	<b>(208)</b>	<b>(540)</b>	<b>416 402</b>	<b>726 651</b>
<b><u>Comprehensive income:</u></b>								
Net profit/(loss)	-	-	-	-	-	-	92 391	<b>92 391</b>
Total other comprehensive income	-	-	-	-	(890)	460	-	<b>(430)</b>
<b>Total comprehensive income for the year ended 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(890)</b>	<b>460</b>	<b>92 391</b>	<b>91 961</b>
Interim dividend paid	-	-	-	-	-	-	(3 260)	<b>(3 260)</b>
Allocation of net profit <sup>1)</sup>	-	2 296	-	-	-	10	(2 306)	-
<b>Equity as at 31 December 2018</b>	<b>4 529</b>	<b>83 680</b>	<b>71 121</b>	<b>153 963</b>	<b>(1 098)</b>	<b>(70)</b>	<b>503 227</b>	<b>815 352</b>
<b>Equity as at 1 January 2019</b>	<b>4 529</b>	<b>83 680</b>	<b>71 121</b>	<b>153 963</b>	<b>(1 098)</b>	<b>(70)</b>	<b>503 227</b>	<b>815 352</b>
<b><u>Comprehensive income:</u></b>								
Net profit/(loss)	-	-	-	-	-	-	129 369	<b>129 369</b>
Total other comprehensive income	-	-	-	-	(5 585)	(558)	(23)	<b>(6 166)</b>
<b>Total comprehensive income for the year ended December 31st 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5 585)</b>	<b>(558)</b>	<b>129 346</b>	<b>123 203</b>
Allocation of net profit	-	-	-	612	-	-	(612)	-
<b>equity as at December 31st 2019</b>	<b>4 529</b>	<b>83 680</b>	<b>71 121</b>	<b>154 575</b>	<b>(6 683)</b>	<b>(628)</b>	<b>631 961</b>	<b>938 555</b>

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



## Notes to the Consolidated Financial Statements

### 1. General information

#### 1. 1 The Parent

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

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

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

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

#### Management Board:

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

#### Supervisory Board:

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

#### 1. 2 The Group

As at the reporting date, the MLP Group S.A. Group (the "Group") consisted of MLP Group S.A., i.e. the Parent, and 41 subsidiaries.

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

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

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

As at December 31st 2019, the Group comprised the following entities:

Entity	Country of registration	Parent's direct and indirect interest in interest		Parent's direct and indirect interest in voting rights	
		31 December 2019	31 December 2018	31 December 2019	31 December 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%
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%	-

Entity	Country of registration	Parent's direct and indirect interest in		Parent's direct and indirect interest in voting rights	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
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%	-

### 1. 3 Changes in the Group

<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> On July 17th 2019 MLP Wrocław West Sp. z o.o. was established. 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 October 24th 2019, MLP Schwalmtal Sp. z o.o. & Co. KG was established as part of the Group. KG.

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

The Consolidated Financial Statements for the year ended December 31st 2019 includes financial statements of the Parent and of the subsidiaries controlled by the Parent ("the Group").

## 1. 4 Shareholding structure of the Parent

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

From the date of issue of the most recent interim report to the reporting date there were changes in the group of shareholders holding, directly or through subsidiaries, 5% or more of total voting rights in the Company, and as at the end of the reporting period the shareholders were:

Shareholder	Number of shares and voting rights	% interest in equity and voting rights
CAJAMARCA Holland BV	10 319 842	56,98%
Other shareholders	1 833 620	10,12%
THESINGER LIMITED	1 771 320	9,78%
MetLife OFE <sup>2)</sup>	1 679 502	9,27%
Aegon Powszechne Towarzystwo Emerytalne S.A. <sup>1)</sup>	1 166 133	6,44%
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>

<sup>1)</sup>In 2019, Aegon PTE S.A.'s interest increased from 1,149,775 to 1,116,133 Company shares, and now represents 6.44% of the share capital and carries 1,116,133 voting rights, i.e. 6.44% of the total voting rights in the Company.

<sup>2)</sup>In 2019, MetLife OFE's equity interest increased from 948,387 to 1,679,000 Company shares, and now represents 9.27% of the share capital and confers rights to 1,679,000 votes, i.e. 9.27% of total voting rights in the Company.

### 1. 4.2 Shares and rights to shares of the Parent 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 14.25% 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 have no direct holdings in the Company's share capital.

## 2. Basis of preparation of the Consolidated Financial Statements

### 2. 1 Statement of compliance

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

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

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

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

Standards and interpretations endorsed by the European Union which are not yet effective for annual periods	Possible impact on the consolidated financial statements	Effective date for periods beginning on or after the date
Amendments to the IFRS Conceptual Framework	no impact	1 January 2020
<i>IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i>	no impact	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 related to IBOR reform	no impact	1 January 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 Group's consolidated financial statements for 2019:

#### **IFRS 16 Leases**

The Group 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 Group 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 (504 thousand). PLN) and 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 Group 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 Group 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

For presentation of the restatement of comparative data for the period ended December 31st 2018, see Note 32; it pertains to initial recognition of IFRS 16.

### Effect on equity

The application of IFRS 16 had no effect on retained earnings or equity as at 31 December 2018 because the right-of-use assets were recognised at the same amounts as lease liabilities.

### Effect on financial ratios

Since the Group recognises right-of-use assets in its statement of financial position, the adoption of IFRS 16 had an impact on its balance sheet ratios, including the debt to equity ratio. The Group analysed the impact of the changes on its compliance with financial covenants under credit facility agreements. No risk of non-compliance was identified.

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

Standards and interpretations pending approval by the European Union	Possible impact on the consolidated financial statements	Effective date for periods beginning on or after the date
<b>IFRS 14 <i>Regulatory Deferral Accounts</i></b>	no impact	the decision of the European Union is not approved
<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 of the Consolidated Financial Statements**

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future and in conviction that there are no circumstances which would indicate a threat to the Group's continuing as a going concern.

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

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

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 consolidated financial statements is presented in the Polish złoty (PLN), rounded to the nearest thousand. The Polish złoty is the functional currency of the Parent and the presentation currency of the consolidated financial statements. The functional currencies of consolidated foreign entities are the euro (Germany) and the Romanian leu (Romania).

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

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

**Consolidated statement of financial position:**

	31 December 2019	31 December 2018
EUR	4,2585	4,3000
USD	3,7977	3,7597

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

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

For information on the significant uncertainties concerning estimates and judgements made using the accounting policies which had the most significant effect on the amounts disclosed in the consolidated financial statements, see Note 12. "Investment property".

### **3. Significant accounting policies**

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

#### **3. 1 Basis of consolidation**

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

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

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

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

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

#### **3. 2 Foreign currencies**

##### *Foreign currency transactions*

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

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



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

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

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

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

If the Group applies cash flow hedge accounting then:

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

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

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

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

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

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

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

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

### **3. 3. 3 Financial instruments measured at amortised cost**

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

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

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

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

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

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

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

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

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

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

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

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

### **3. 4 Equity**

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

#### **3. 4. 1 Share capital**

Share capital is disclosed at the amount specified in the Articles of Association and entered in the court register. The Group's share capital is the share capital of MLP Group S.A.

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

Preference shares are classified as a liability if they are redeemable on a specific date or at the request of a holder of the shares, or if the dividend payments are not discretionary.

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

#### **3. 4. 2 Statutory reserve funds**

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

#### **3. 4. 3 Share premium**

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

#### **3. 4. 4 Cash flow hedge reserve**

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

#### **3. 4. 5 Reserve capital**

Reserve capital comprises retained earnings from prior years.

#### **3. 4. 6 Retained earnings**

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

### **3. 5 Property, plant and equipment**

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

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

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

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

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

### **3. 5. 2 Subsequent expenditure**

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

### **3. 5. 3 Depreciation**

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

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

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

### **3. 6 Intangible assets**

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

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

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

### **3. 7 Investment property**

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

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

Investment property is depreciated for tax purposes.

#### *Perpetual usufruct*

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

### **3. 8 Investment property under construction**

Investment property under construction is recognised as investment property.

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

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

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

### **3. 9 Leased assets - the Group as the lessee**

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

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

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

### **3. 10 Impairment of assets**

#### **3. 10.1 Financial assets**

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

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

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

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. 10.2 Non-financial assets**

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

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

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

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

### **3. 11 Employee benefits**

#### *Defined benefit plans*

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

### **3. 12 Cash-settled share-based payments**

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

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

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

### **3. 13 Provisions**

Provisions are recognised when the Group has a liability resulting from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are estimated by discounting expected future cash flows at a pre-tax rate which reflects current market estimates of changes in the time value of money and the risks associated with a given item of liabilities.

### **3. 14 Borrowings**

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

### **3. 15 Revenue**

#### **3. 15. 1 Provision of construction services**

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



### **3. 15.2 Rental income**

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

### **3. 16 Lease payments**

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

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

### **3. 17 Finance income and costs**

Finance income comprises interest income on funds invested by the Group, dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, foreign exchange gains, and such gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. Dividend income is recognised in profit or loss when the Group acquires the right to receive the dividend.

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

### **3. 18** *Income tax*

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

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

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

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

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

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

### **3. 19** *Earnings per share*

The Group presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to holders of ordinary shares by the weighted average number of ordinary shares in the period. Diluted earnings per share is calculated taking into account the profit attributable to holders of ordinary shares, the average number of ordinary shares, including notes or bonds convertible into shares, and options for shares granted to employees.

### **3. 20** *Segment reporting*

An operating segment is a separate part of the Group which is engaged in providing certain products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is exposed to other risks and derives other benefits than the other segments. The primary and sole business activity of the Group is construction and management of logistics space. The Group's revenue is derived from renting of own property and from property revaluation. The Group operates in Poland, Germany and Romania.

## 4. Financial risk management

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

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

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

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

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

### 4. 1 Credit risk

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

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

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

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

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

#### **4. 1. 2 Loans**

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

#### **4. 2 Liquidity risk**

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

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

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

#### **4. 3 Market risk**

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

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

##### **4. 3. 1 Currency risk**

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

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

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

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

#### **4. 3. 2 Interest rate risk**

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

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

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

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

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

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

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

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

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

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

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

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

As at 31 December 2019 and in the reporting period then ended the Group had three geographical segments - Poland, Germany and Romania.

## 6. Revenue

	<i>for the year ended 31 December</i>	
	<b>2019</b>	<b>2018</b>
Rental income	109 121	92 954
Other revenue	29 551	26 431
Revenue from development contract concluded by MLP Bieruń Sp. z o.o. <sup>1)</sup>	1 360	22 117
<b>Total revenue</b>	<b>140 032</b>	<b>141 502</b>

	<i>for the year ended 31 December</i>	
	<b>2019</b>	<b>2018</b>
Recharge of utility costs	28 070	25 219
Rental income from apartments	34	34
Services provided to tenants	1 260	947
Other revenue	187	231
<b>Other revenue</b>	<b>29 551</b>	<b>26 431</b>

<sup>1)</sup> Includes the agreement to sell property forming part of the MLP Bieruń logistics park, MLP Bieruń Sp. z o.o. signed a development contract whereby it undertook to complete the construction and to commercialise the park. In the performance of the contract, MLP Bieruń Sp. z o.o. leased 11,340 m<sup>2</sup> of space to Auto Partner and finished the project, with Stage 1 completed in 2017. On this account, in 2017 the Group recognised revenue of PLN 3,789 thousand (PLN 6,272 in Q1 2018), calculated based on the percentage of completion of the work.

In 2018, MLP Bieruń Sp. z o.o. leased the remaining space of 11,560 m<sup>2</sup> to the same tenant and worked on Stage 2 of the project (construction of the warehouse). On this account, in 2018 the Group recognised revenue of PLN 22,117 thousand, calculated based on the percentage of completion of the work. The construction was completed and accounted for in February 2019. As a result, the Group recognised revenue of PLN 1,360 thousand in 2019.

## 7. Other income

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Reimbursement of court fees	3	359
Reversal of impairment losses on receivables	34	81
Contractual penalties received	215	711
Other	1 062	559
Gain on disposal of non-financial non-current assets	-	166
Reversal of provision for future costs	3	404
<b>Other income</b>	<b>1 317</b>	<b>2 280</b>

## 8. Other expenses

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Loss on disposal of non-financial non-current assets	(453)	(40)
Impairment losses on receivables	(1 817)	(1 067)
Court fees	(218)	(91)
Costs of donations made	(18)	-
Costs of insurance policies	(827)	(375)
Other	(919)	(358)
Damages and contractual penalties paid	(153)	(555)
<b>Other expenses</b>	<b>(4 405)</b>	<b>(2 486)</b>

## 9. Distribution costs and administrative expenses

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Depreciation and amortisation	(930)	(340)
Raw materials and consumables used	(27 126)	(22 148)
Services	(26 230)	(35 547)
Taxes and charges	(17 156)	(14 823)
Wages and salaries	(4 407)	(3 698)
Social security and other employee benefits	(568)	(417)
Other expenses by nature	(1 278)	(1 943)
Merchandise and materials sold	(31)	(3)
<b>Distribution costs and administrative expenses</b>	<b>(77 726)</b>	<b>(78 919)</b>

Distribution costs and administrative expenses for the period ended 31 December 2019 were 77,726 thousand and for the most part include expenses related to the maintenance of revenue-generating investment properties. Costs which are not directly related to these properties are depreciation of property, plant and equipment which is used in operating activities but does not generate rental income, and property tax in the part relating to undeveloped space.

Cost of services also includes PLN 649 thousand (PLN 14,047 thousand in the corresponding period of the previous year) incurred in connection with the execution of Stage 2 of the project under the development contract executed in September 2015 between MLP Bieruń Sp. z o.o. and WestInvest Gesellschaft für InvestmentfonmbH. The project was completed and accounted for in February 2019.

## 10. Finance income and costs

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Interest income on loans	1 035	1 084
Net interest income on cash flow hedge	93	-
Ineffective portion of remeasurement of cash flow hedges	3	-
Closure of the IRS transaction in connection with the refinancing of the facilities used by MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o. and MLP Pruszków IV Sp. z o.o.	3 734	-
Interest income on bank deposits	48	72
Other interest income	36	15
Net exchange differences	5 337	-
Interest on receivables	24	25
<b>Total finance income</b>	<b>10 310</b>	<b>1 196</b>

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Interest expense on borrowings	(11 932)	(9 704)
Other interest expense	(208)	(37)
Interest paid on swap contracts	(8 301)	(2 505)
Net interest income on cash flow hedge	-	(31)
Ineffective portion of remeasurement of cash flow hedges	-	(1 823)
Net exchange differences	-	(12 009)
Interest expense on bonds	(3 736)	(3 316)
Other finance costs	(270)	(273)
Debt service costs	(2 661)	(904)
<b>Total finance costs</b>	<b>(27 108)</b>	<b>(30 602)</b>



On 25 January 2019, MLP Gliwice Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with Bank Polska Kasa Opieki S.A.

On 29 March 2019, MLP Czeladź Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with Powszechna Kasa Oszczędności Bank Polski S.A.

On 3 June 2019, each of MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o. and MLP Pruszków IV Sp. z o.o. entered into variable-to-fixed interest rate swap contracts with each of the following banks: ING Bank Śląski S.A., PKO BP S.A. and ICBC (Europe) S.A. Polish Branch. Previous variable-to-fixed interest rate swap contracts concluded by the companies with BGŻ BNP Paribas S.A. and mBank S.A. were terminated following repayment of the credit facilities contracted with those banks.

On 11 July 2019, MLP Wrocław Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with Bank Polska Kasa Opieki S.A.

On 9 October 2019, MLP Lublin Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with Powszechna Kasa Oszczędności Bank Polski S.A.

On 18 December 2019, MLP Pruszków V Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with BGŻ BNP Paribas Bank Polska S.A.

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

Exchange differences are mainly attributable to the effect of measurement of liabilities under EUR-denominated and USD-denominated borrowings at the end of the reporting period. Between 31 December 2018 and 31 December 2019, the Polish currency appreciated by PLN 0.0415, or 0.97%. This led to the recognition of foreign exchange gains of PLN 5,337 thousand, which contributed to the Group's net finance income/(costs).

## 11. Income tax

	<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Current income tax		5 623	5 967
Temporary differences/reversal of temporary		28 225	23 326
<b>Income tax</b>		<b>33 848</b>	<b>29 293</b>

### Effective tax rate

	<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
<b>Profit before tax</b>		<b>163 217</b>	<b>121 684</b>
<i>Tax at the applicable tax rate (19%)</i>		<i>(31 011)</i>	<i>(23 120)</i>
Excess of commercial property tax over income tax		(1 522)	-
Non-taxable income in the previous year		-	(1 232)
Tax rate change from 19% to 9%		615	-
Non-taxable income		-	39
Difference due to different rates of tax paid by the German and Romanian companies		391	79
Unrecognised asset for tax loss		(2 094)	(4 457)
Write off of unused deferred tax asset for tax loss		(6)	(46)
Use of tax previously written off		-	356
Non-tax-deductible costs		(221)	(912)
<b>Income tax</b>		<b>(33 848)</b>	<b>(29 293)</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.

## Operating segments

	<i>year ended</i>		31 December 2019		
	Poland	Germany	Romania	Inter-segment eliminations	Total
<b>Revenue</b>					
Sales to external customers	135 527	4 181	780	(456)	140 032
Gain/(loss) on revaluation of investment property	106 494	7 097	7 206	-	120 797
<b>Total segment revenue</b>	<b>242 021</b>	<b>11 278</b>	<b>7 986</b>	<b>(456)</b>	<b>260 829</b>
Segment's operating profit/(loss)	169 715	5 642	6 983	763	183 103
Segment's other income/(expense)	(3 192)	105	(1)	-	(3 088)
<b>Profit/(loss) before tax and net finance costs</b>	<b>166 523</b>	<b>5 747</b>	<b>6 982</b>	<b>763</b>	<b>180 015</b>
Net finance income/(costs)	(16 036)	(1 751)	(776)	1 765	(16 798)
<b>Profit/(loss) before tax</b>	<b>150 487</b>	<b>3 996</b>	<b>6 206</b>	<b>2 528</b>	<b>163 217</b>
Income tax	(31 451)	(1 254)	(1 143)	-	(33 848)
<b>Net profit/(loss)</b>	<b>119 036</b>	<b>2 742</b>	<b>5 063</b>	<b>2 528</b>	<b>129 369</b>

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

	as at 31 December 2019				
	Poland	Germany	Romania	Inter-segment eliminations	Total
<b>Assets and liabilities</b>					
Segment's assets	2 027 472	55 651	81 120	(90 116)	2 074 127
<b>Total assets</b>	<b>2 027 472</b>	<b>55 651</b>	<b>81 120</b>	<b>(90 116)</b>	<b>2 074 127</b>
Segment's liabilities	1 108 283	51 383	66 022	(90 116)	1 135 572
Equity	919 189	4 268	15 098	-	938 555
<b>Total equity and liabilities</b>	<b>2 027 472</b>	<b>55 651</b>	<b>81 120</b>	<b>(90 116)</b>	<b>2 074 127</b>
<b>Expenditure on properties</b>	<b>207 699</b>	<b>714</b>	<b>33 607</b>	<b>-</b>	<b>242 020</b>

	as at 31 December 2018				
	Poland *	Germany	Romania	Inter-segment eliminations	Total *
<b>Assets and liabilities</b>					
Segment's assets	1 645 689	26 412	32 452	(41 164)	1 663 389
<b>Total assets</b>	<b>1 645 689</b>	<b>26 412</b>	<b>32 452</b>	<b>(41 164)</b>	<b>1 663 389</b>
Segment's liabilities	842 470	24 853	21 878	(41 164)	848 037
Equity	803 219	1 559	10 574	-	815 352
<b>Total equity and liabilities</b>	<b>1 645 689</b>	<b>26 412</b>	<b>32 452</b>	<b>(41 164)</b>	<b>1 663 389</b>
<b>Expenditure on properties</b>	<b>184 559</b>	<b>3 300</b>	<b>2 047</b>	<b>-</b>	<b>189 906</b>

\* Restated.

Inter-segment eliminations are related to intercompany loans advanced by the Group's Polish companies to the companies in Germany and Romania, as well as intercompany services.

## 12. Investment property

	<i>as at 31 December</i>	<b>2019</b>	<b>2018 *</b>
<b>Gross amount at beginning of period</b>		<b>1 448 594</b>	<b>1 168 303</b>
Expenditure on properties		242 020	189 906
Currency translation differences		(1 561)	1 672
Change in fair value		120 797	88 713
<b>Gross amount at end of period</b>		<b>1 809 850</b>	<b>1 448 594</b>

\* Restated.

Investment property includes warehouses and land for development. Rental income from lease of warehouses is the key source of the Group's revenue. Investment property as at 31 December 2019 includes usufruct rights of 24,688 thousand. PLN. The change resulted from implementation of IFRS 16 by the Group as of 1 January 2019.

In the period from 31 December 2018 to 31 December 2019, the value of investment property increased by 84,250 thousand, to EUR 418,505 thousand. The change was mainly attributable to the expenditure on the construction work at new parks, execution of new contracts for lease of space in the new facilities, and obtaining a building permit for new facilities. The appreciation of the Polish currency by 4.15 grosz (0.97%) contributed to a change in the value of investment property as translated from the euro into the złoty and a PLN 13,872 thousand decrease in the property's fair value as at 31 December 2019.

The Group is a party to litigation concerning revision of the usufruct charge rate. As at the date of issue of this report, the Management Board of MLP Group S.A. was not able to estimate the amount of the charge. The amount determined by the court may affect the carrying amount of investment property and the finance lease liabilities.

### Investment property by parks

	<i>as at 31 December</i>	<b>2019</b>	<b>2018 *</b>
<b>MLP Pruszków I park</b>			
Fair value of property - MLP Pruszków I		383 393	351 997
Usufruct - MLP Pruszków I		17 774	8 977
		<b>401 167</b>	<b>360 974</b>
<b>MLP Pruszków II park</b>			
Fair value of property - MLP Pruszków II		546 042	461 790
Usufruct - MLP Pruszków II		6 914	1 701
		<b>552 956</b>	<b>463 491</b>
<b>MLP Poznań park</b>			
Fair value of property - MLP Poznań		135 207	133 188
		<b>135 207</b>	<b>133 188</b>
<b>MLP Lublin park</b>			
Fair value of property - MLP Lublin		146 037	88 498
		<b>146 037</b>	<b>88 498</b>

\* Restated.

	<i>as at 31 December</i>	<b>2019</b>	<b>2018 *</b>
<b>MLP Teresin park</b>			
Fair value of property - MLP Teresin		71 841	70 004
		<b>71 841</b>	<b>70 004</b>
<b>MLP Gliwice park</b>			
Fair value of property - MLP Gliwice		111 219	99 459
		<b>111 219</b>	<b>99 459</b>
<b>MLP Wrocław park</b>			
Fair value of property - MLP Wrocław		122 645	84 994
		<b>122 645</b>	<b>84 994</b>
<b>MLP Czeladź park</b>			
Fair value of property - MLP Czeladź		81 380	59 000
		<b>81 380</b>	<b>59 000</b>
<b>MLP Poznań West park<sup>1)</sup></b>			
Fair value of property - MLP Poznań West		79 378	32 035
		<b>79 378</b>	<b>32 035</b>
<b>MLP Unna park</b>			
Fair value of property - MLP Unna		32 450	24 639
		<b>32 450</b>	<b>24 639</b>
<b>MLP Bucharest West park</b>			
Fair value of property - MLP Bucharest West		72 536	31 723
		<b>72 536</b>	<b>31 723</b>
Expenditure on new projects		<b>2 909</b>	<b>454</b>
<b>MLP Energy - apartments</b>		<b>125</b>	<b>135</b>
<b>Gross amount at end of period</b>		<b>1 809 850</b>	<b>1 448 594</b>

\* Restated.

<sup>1)</sup> On 4 March 2019, the Group signed a material lease contract and obtained a building permit for the construction of facilities in the MLP Poznań West logistics park, which increased the property valuation.

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

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

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

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

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

The income approach was used in the valuation of existing buildings and land with building permits, while in the case of undeveloped land the market approach was applied.

Due to the different locations and characteristics of the Group's investment properties, the yield rates assumed by the appraisers for the individual logistics parks range from 5.5% to 8.5%.

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

The valuation method did not change relative to previous periods.

In the year ended 31 December 2019, there were no reclassifications between levels.

### Fair value measurement using significant unobservable inputs (Level 3)

	Fair value as at 31 Dec 2019	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
<b>MLP Pruszków I logistics park</b>					
(i) warehouse and office buildings	90 030 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	(EUR 3.33/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	5.75%–8% (6.88%)	The lower the yield rate, the higher the fair value
<b>90 030 tys. EUR</b>					
<b>MLP Pruszków II logistics park</b>					
(i) warehouse and office buildings	101 405 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	EUR 3.41–4.70/m <sup>2</sup> (EUR 3.84/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	5.5%–8% (6.75%)	The lower the yield rate, the higher the fair value
(ii) stack	4 170 thousand EUR	Income approach	Monthly rent	30,64 tys. EUR	The higher rent, the higher the fair value
			Yield rate	8,00%	The lower the yield rate, the higher the fair value
(iii) parking lot	3 195 thousand EUR	Income approach	Monthly rent	7,798 - 11,522 tys. EUR (9,66 tys. EUR)	The higher rent, the higher the fair value
			Yield rate	6.5%–8% (7.25%)	The lower the yield rate, the higher the fair value
(iv) land reserve	3 194 thousand EUR	Market approach	Price per m <sup>2</sup>	EUR 58.71/m <sup>2</sup> (PLN 250.00/m <sup>2</sup> )	The higher the price per m <sup>2</sup> , the higher the fair value
(v) land with building permit	16 260 thousand EUR	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>128 224 thousand EUR</b>					



	Fair value as at 31 Dec 2019	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
<b>MLP Poznań logistics park</b>					
(i) warehouse and office buildings	29 140 thousand. EUR	Income approach	Monthly rent rate per m <sup>2</sup>	EUR 3.34–3.8 EUR/m <sup>2</sup> (EUR 3.61/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	6.5%–7.25% (6.88%)	The lower the yield rate, the higher the fair value
(ii) land with building permit	2 610 thousand EUR	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>31 750 thousand EUR</b>					
<b>MLP Lublin logistics park</b>					
(i) warehouse and office buildings	34 160 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	EUR 3.25–3.8/m <sup>2</sup> (EUR 3.57/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	6.00%	The lower the yield rate, the higher the fair value
(ii) land reserve	133 thousand EUR	Market approach	Price per m <sup>2</sup>	EUR 45.79/m <sup>2</sup> (PLN 195.00/m <sup>2</sup> )	The higher the price per m <sup>2</sup> , the higher the fair value
<b>34 293 thousand EUR</b>					

	Fair value as at 31 Dec 2019	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
<b>MLP Teresin logistics park</b>					
(i) warehouse and office buildings	16 870 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	(EUR 2.92/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	6.75%–7.25% (7.00%)	The lower the yield rate, the higher the fair value
<b>16 870 thousand EUR</b>					
<b>MLP Gliwice logistics park</b>					
(i) warehouse and office buildings	22 057 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	EUR 3.28–3.83/m <sup>2</sup> (EUR 3.56/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	5.75%–6.5% (6.13%)	The lower the yield rate, the higher the fair value
(ii) land with building permit	4 060 thousand EUR	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>26 117 thousand EUR</b>					
<b>MLP Wrocław logistics park</b>					
(i) warehouse and office buildings	17 930 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	EUR 3.55–4.22/m <sup>2</sup> (EUR 3.88/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	5.5%–6.5% (6.00%)	The lower the yield rate, the higher the fair value
(ii) land with building permit	10 870 thousand EUR	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>28 800 thousand EUR</b>					

	Fair value as at 31 Dec 2019	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
<b>MLP Czeladź logistics park</b>					
(i) warehouse and office buildings	12 910 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	(EUR 3.88/m <sup>2</sup> )	The lower the estimated capitalised net income, the lower the fair value
			Yield rate	5.5%–6.5% (6.00%)	The higher the estimated construction costs, the lower the fair value
(ii) land with building permit	6 200 thousand EUR	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>19 110 thousand EUR</b>					
<b>MLP Unna logistics park</b>					
(i) land with building permit	7 620 thousand EUR	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>7 620 thousand EUR</b>					
<b>MLP Bucharest West logistics park</b>					
(i) warehouse and office buildings	11 684 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	EUR 4.00–4.05/m <sup>2</sup> (4.03 EUR/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	8.25%–8.5% (8.38%)	The lower the yield rate, the higher the fair value
(ii) land reserve	5 367 thousand EUR	Market approach	Price per m <sup>2</sup>	EUR 39/m <sup>2</sup> (PLN 166.08/m <sup>2</sup> )	The higher the price per m <sup>2</sup> , the higher the fair value
<b>17 051 thousand EUR</b>					

	Fair value as at 31 Dec 2019	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
<b>MLP Poznań West logistic park</b>					
(i) warehouse and office buildings	10 790 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	(EUR 6.35/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	5,75%	The lower the yield rate, the higher the fair value
(ii) land with building permit	7 850 thousand EUR	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>18 640 thousand EUR</b>					
<b>418 505 thousand EUR</b>					

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

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

### Fair value measurement using significant unobservable inputs (Level 3)

	Fair value as at 31 Dec 2018	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
<b>MLP Pruszków I logistics park</b>					
(i) warehouse and office buildings	81 860 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	EUR 1.30–9.29/m <sup>2</sup> (EUR 3.25/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	7.50%–8.50% (8.00%)	The lower the yield rate, the higher the fair value
<b>81 860 thousand EUR</b>					
<b>MLP Pruszków II logistics park</b>					
(i) warehouse and office buildings	81 420 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	EUR 2.03–9.58/m <sup>2</sup> (EUR 3.4/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	6.5%–7% (7.02%)	The lower the yield rate, the higher the fair value
(ii) stack	4 177 thousand EUR	Income approach	Monthly rent	EUR 29.31 thousand	The higher rent, the higher the fair value
			Yield rate	-8,25%	The lower the yield rate, the higher the fair value
(iii) parking lot	2 756 thousand. EUR	Income approach	Monthly rent	EUR 8 - 9.662 thousand (EUR 8.831 thousand)	The higher rent, the higher the fair value
			Yield rate	-8,25%	The lower the yield rate, the higher the fair value
(iv) land reserve	5 580 thousand EUR	Market approach	Price per m <sup>2</sup>	EUR 56.98/m <sup>2</sup> (PLN 274.00/m <sup>2</sup> )	The higher the price per m <sup>2</sup> , the higher the fair value
(v) land with building permit	13 460 thousand EUR	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>107 393 thousand EUR</b>					

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

	Fair value as at 31 Dec 2018	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
<b>MLP Teresin logistics park</b>					
(i) warehouse and office buildings	16 280 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	(EUR 2.92/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	(7.05%)	The lower the yield rate, the higher the fair value
<b>16 280 thousand EUR</b>					
<b>MLP Gliwice logistics park</b>					
(i) warehouse and office buildings	20 260 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	EUR 3.27–3.83/m <sup>2</sup> (EUR 3.55/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	(6.25%)	The lower the yield rate, the higher the fair value
(ii) land with building permit	2 870 thousand EUR	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>23 130 thousand EUR</b>					
<b>MLP Wrocław logistics park</b>					
(i) warehouse and office buildings	14 406 thousand EUR	Income approach	Monthly rent rate per m <sup>2</sup>	EUR 3.29–4.28/m <sup>2</sup> (EUR 3.79/m <sup>2</sup> )	The higher the rent rate, the higher the fair value
			Yield rate	(6.25%)	The lower the yield rate, the higher the fair value
(ii) land with building permit	5 360 thousand EUR	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>19 766 thousand EUR</b>					

	Fair value as at 31 Dec 2018	Valuation approach	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship between unobservable inputs and fair value
<b>MLP Czeladź logistics park</b>					
(i) land with building permit	5 911 thousand EUR	Residual approach	Capitalised net income	(EUR 4.28/m <sup>2</sup> )	The lower the estimated capitalised net income, the lower the fair value
			Yield rate	(6.25%)	The lower the yield rate, the higher the fair value
(ii) land with building permit	7 810 thousand EUR	Residual approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>13 721 thousand EUR</b>					
<b>MLP Unna logistics park</b>					
(i) land with building permit	5 730 thousand EUR	Mixed approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>5 730 thousand EUR</b>					
<b>MLP Bucharest West logistics park</b>					
(i) land reserve	7 370 thousand EUR	Market approach	Price per m <sup>2</sup>	EUR 30.00/m <sup>2</sup>	The higher the price per m <sup>2</sup> , the higher the fair value
<b>7 370 thousand EUR</b>					
<b>MLP Poznań West Logistic Park</b>					
(i) land with building permit	7 450 thousand EUR	Mixed approach	Capitalised net income	(a)	The lower the estimated capitalised net income, the lower the fair value
			Construction costs	(b)	The higher the estimated construction costs, the lower the fair value
<b>7 450 thousand EUR</b>					
<b>334 255 thousand EUR</b>					

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

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



### 13. Deferred tax

	<i>as at</i>	Deferred tax assets		Deferred tax liabilities		Net amount	
		2019	2018	2019	2018	2019	2018
Investment property	-	-	-	148 706	121 282	148 706	121 282
Borrowings and loans	-	-	861	575	-	575	(861)
Derivatives	1 574	995	-	-	(1 574)	(995)	
Other	971	-	-	522	(971)	522	
Tax losses deductible in future periods	3 848	3 862	-	-	(3 848)	(3 862)	
Interest on bonds	93	97	-	-	(93)	(97)	
<b>Deferred tax assets / liabilities</b>		<b>6 486</b>	<b>5 815</b>	<b>149 281</b>	<b>121 804</b>	<b>142 795</b>	<b>115 989</b>

	<i>as at 31 December</i>	2019	2018
<b>Including:</b>			
Deferred tax asset		(2 495)	(3 485)
Deferred tax liability		145 290	119 474
		<b>142 795</b>	<b>115 989</b>

As at 31 December 2019, the unrecognised deferred tax asset for tax loss was PLN 10,205 thousand.

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

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

	1 Jan 2019	changes recognised in profit or loss	changes recognised in other comprehensive income	currency translation differences	31 Dec 2019
Investment property	121 282	27 533	-	(109)	148 706
Borrowings and loans	(861)	1 436	-	-	575
Derivatives	(995)	731	(1 310)	-	(1 574)
Other	522	(1 493)	-	-	(971)
Tax losses deductible in future periods	(3 862)	14	-	-	(3 848)
Interest on bonds	(97)	4	-	-	(93)
	<b>115 989</b>	<b>28 225</b>	<b>(1 310)</b>	<b>(109)</b>	<b>142 795</b>

## 14. Investments and other investments

	<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Other long-term investments		19 832	22 295
Long-term loans to related entities		3 994	49 793
<b>Other long-term investments</b>		<b>23 826</b>	<b>72 088</b>
Short-term loans to related entities		41 549	152
Short-term loans to other entities		22 139	22 139
<b>Short-term investments</b>		<b>63 688</b>	<b>22 291</b>
Restricted cash		2 774	10 551
<b>Other short-term investments</b>		<b>2 774</b>	<b>10 551</b>

Other long-term investments comprise the non-current portion of restricted cash of PLN 19,832 thousand, including: (i) cash of PLN 10,713 thousand, which set aside pursuant to the provisions of credit facility agreements to secure payment of principal and interest, (ii) PLN 2,981 thousand, a deposit created from a security deposit retained from the tenant, (iii) as well as other retained security deposits of PLN 6,138 thousand.

Other short-term investments comprise the current portion of restricted cash of PLN 2,774 thousand, including: (i) a short-term portion of retained security deposit of PLN 2,078 thousand and (ii) a short-term portion of funds set aside pursuant to the terms of credit facility agreements of PLN 696 thousand.

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

	<i>Loan assets</i>
<b>Amount as at 31 December 2018</b>	<b>72 084</b>
Interest accrued	1 034
Payment of interest on loan	(7)
Loan advanced	800
Repayment of principal	(6 110)
Realised foreign exchange gains/(losses)	119
Change in carrying amount	(238)
<b>Amount as at 31 December 2019</b>	<b>67 682</b>

## 15. Trade and other receivables

	<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Trade receivables		7 886	14 503
Investment settlements		4 175	1 579
Prepayments and accrued income		8 617	2 376
Accrued income from the development contract concluded by MLP Bieruń Sp. z o.o.		10	22 304
Advance payment for purchase of land		15 677	2 040
Interim dividend		3 985	-
Taxes and social security receivable		26 778	14 952
<b>Trade and other receivables</b>		<b>67 128</b>	<b>57 754</b>
Income tax receivable		234	516
<b>Short-term receivables</b>		<b>67 362</b>	<b>58 270</b>

For more information on receivables from related entities, see Note 27.

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

	<i>as at 31 December</i>		<b>2019</b>		<b>2018</b>	
		<b>Gross receivables</b>	<b>Impairment loss</b>	<b>Gross receivables</b>	<b>Impairment loss</b>	
Not past due		5 102		4 936	-	
Past due:						
1 to 90 days		4 937		6 776	(1)	
91 to 180 days		477	(3)	2 589	-	
over 180 days		8 679	(7 321)	5 728	(5 525)	
<b>Total receivables</b>		<b>19 195</b>	<b>(7 324)</b>	<b>20 029</b>	<b>(5 526)</b>	

## 16. Cash and cash equivalents

	<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Cash in hand		53	61
Cash at banks		94 179	41 654
Short-term deposits		7 814	4 391
<b>Cash and cash equivalents in the consolidated statement of financial position</b>		<b>102 046</b>	<b>46 106</b>
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>		<b>102 046</b>	<b>46 106</b>

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

Cash and cash equivalents in the consolidated statement of financial position include cash in hand and bank deposits with original maturities of up to three months.

## 17. Notes to the consolidated statement of cash flows

### 17. 1 Cash flows from borrowings

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Proceeds from bank borrowings	507 993	146 703
Proceeds from non-bank borrowings	(102)	-
<b>Cash flows from borrowings</b>	<b>507 891</b>	<b>146 703</b>
<b>Cash flows from borrowings - amount disclosed in the consolidated statement of cash flows</b>	<b>507 891</b>	<b>146 703</b>

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Repayment of principal instalments on bank borrowings	(302 918)	(23 860)
Repayment of non-bank borrowings	(5 188)	(7 569)
<b>Total cash flows from borrowings</b>	<b>(308 106)</b>	<b>(31 429)</b>
Elimination of borrowings repaid to Fenix Polska Sp. z o.o.	5 310	565
<b>Cash flows from repayment of borrowings</b>	<b>(302 796)</b>	<b>(30 864)</b>
<b>Cash flows from repayment of borrowings – amount disclosed in the consolidated statement of cash flows</b>	<b>(302 796)</b>	<b>(30 864)</b>

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Cash flows from loans	800	-
<b>Cash flows from loans</b>	<b>800</b>	<b>-</b>
<b>Total cash flows from loans - amount disclosed in the consolidated statement of cash flows</b>	<b>800</b>	<b>-</b>

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Total cash flows from repayment of loans	6 110	7 226
Elimination of borrowings repaid to Fenix Polska Sp. z o.o.	(5 310)	(565)
<b>Total cash flows from repayment of loans</b>	<b>800</b>	<b>6 661</b>
<b>Total cash flows from repayment of loans - amount disclosed in the consolidated statement of cash flows</b>	<b>800</b>	<b>6 661</b>

## 17. 2 Change in receivables

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Change in inventories	96	101
Change in trade and other receivables	(9 374)	(26 614)
Elimination of advance payment for land purchase	-	680
Other adjustments	3 985	(5 214)
<b>Change in receivables</b>	<b>(5 293)</b>	<b>(31 047)</b>
<b>Change in receivables disclosed in the consolidated statement of cash flows</b>	<b>(5 293)</b>	<b>(31 047)</b>

## 17. 3 Change in current and other liabilities

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Change in trade and other payables	57 771	12 815
Change in employee benefit obligations	217	(1 209)
Change in current liabilities under performance bonds and security deposits	(1 851)	1 509
Change in finance lease liabilities	14 009	(14)
Elimination of changes in investment commitments	(24 781)	(4 756)
<b>Change in current and other liabilities</b>	<b>45 365</b>	<b>8 345</b>
<b>Change in current and other liabilities disclosed in the consolidated statement of cash flows</b>	<b>45 365</b>	<b>8 345</b>

## 18. Equity

### 18. 1 Share capital

<i>as at 31 December</i>	<b>2019</b>	<b>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 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.

In the year ended 31 December 2019 there were no changes in share capital.

## 19. Earnings and dividend per share

Earnings per share for each reporting period are calculated as the quotient of net profit for the period attributable to owners of the Parent and 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>Net profit/(loss) for the period</b>		<b>129 369</b>	<b>92 391</b>
Number of outstanding shares (units)		18 113 255	18 113 255
Weighted average number of outstanding shares		18 113 255	18 113 255
Earnings per share attributable to owners of the Parent during the reporting period (PLN per share):			
- basic		7,14	5,10
- diluted		7,14	5,10

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>as at 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>

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

### 20. 1 Non-current liabilities

	<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Borrowings secured over the Group's assets		638 455	433 592
Bonds <sup>1)</sup>		127 755	129 000
Non-bank borrowings		14 283	50 075
<b>Non-current liabilities under borrowings and other debt instruments</b>		<b>780 493</b>	<b>612 667</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 29.

	<i>as at 31 December</i>	<b>2019</b>	<b>2018 *</b>
Finance lease liabilities (perpetual usufruct of land) <sup>2)</sup>		24 688	10 679
Liabilities from measurement of SWAP transactions		8 161	5 215
Performance bonds		9 017	10 379
Security deposits from tenants and other deposits		3 486	3 975
<b>Other non-current liabilities</b>		<b>45 352</b>	<b>30 248</b>

<sup>2)</sup> The Group is a party to court proceedings concerning revision of the usufruct charge rate. The Management Board of MLP Group S.A. estimated, as at the date of release of the report and with respect to justified cases, the amount of provision for some potential claims against MLP Pruszków III Sp. z o.o. The amount determined by the court may affect the carrying amount of investment property and the finance lease liabilities.

\* Restated.

## 20. 2 Current liabilities

	<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Short-term bank borrowings and short-term portion of bank borrowings secured over the Group's assets		22 523	30 482
Bonds		491	514
Non-bank borrowings		31 415	-
<b>Current liabilities under borrowings and other debt instruments</b>		<b>54 429</b>	<b>30 996</b>

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

	<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Liabilities from measurement of SWAP transactions		105	-
<b>Other current liabilities</b>		<b>105</b>	<b>-</b>



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

	<b>Bonds</b>
<b>Amount as at 31 December 2018</b>	<b>129 514</b>
Interest accrued on bonds	3 735
Interest paid on bonds	(3 734)
Change in carrying amount	(1 269)
<b>Amount as at 31 December 2019</b>	<b>128 246</b>

	<b>Liabilities under non-bank borrowings</b>
<b>Amount as at 31 December 2018</b>	<b>50 075</b>
Repayment of principal	(5 188)
Interest accrued	1 326
Realised foreign exchange gains/(losses)	22
Change in carrying amount	(537)
<b>Amount as at 31 December 2019</b>	<b>45 698</b>

	<b>Liabilities under bank borrowings</b>
<b>Amount as at 31 December 2018</b>	<b>464 074</b>
<b><i>including derecognised commission fee as at 31 December 2018</i></b>	<b>726</b>
Interest accrued	10 607
Interest paid	(10 884)
IRS interest accrued	8 274
IRS interest paid	(8 300)
Increase in bank borrowings	507 993
repayment of principal	(302 918)
Realised foreign exchange gains/(losses)	517
Unrealised foreign exchange gains/(losses)	(6 667)
Interest capitalised	281
<b>Amount as at 31 December 2019</b>	<b>660 978</b>
<b><i>including derecognised commission fee as at 31 December 2019</i></b>	<b>2 725</b>

## 20. 4 Liabilities under bonds

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

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

	effective interest rate currency	as at matures in	31 Dec 2019		31 Dec 2018		
			in currency *	in PLN	matures in	in currency *	in PLN
<b>Bank borrowings secured over the Group's assets</b>							
Investment credit facility PKO BP S.A.	EUR 3M EURIBOR + margin	2028	3 228	13 744	-	-	-
Construction credit facility PKO BP S.A.	EUR 3M EURIBOR + margin	2028	2 003	8 530	-	-	-
Investment credit facility mBank S.A.	EUR 1M EURIBOR + margin	-	-	-	2021	12 445	53 439
Investment credit facility ING Bank Śląski S.A., PKO BP S.A. and ICBC (Europe) S.A. Polish Branch	EUR 3M EURIBOR + margin	2025	92 521	391 572	-	-	-
Investment credit facility PEKAO S.A.	EUR 1M EURIBOR + margin	2025	6 067	25 837	2025	6 468	27 813
Investment credit facility PEKAO S.A.	EUR 1M EURIBOR + margin	2028	3 370	14 350	2028	3 540	15 218
Investment credit facility PEKAO S.A.	EUR 1M EURIBOR + margin	2029	4 346	18 509	2029	2 939	12 638
Working capital (VAT) facility PKO BP S.A.	PLN 1M WIBOR + margin	-	-	-	2019	-	1 956
Investment credit facility Raiffeisen Bank Polska S.A.	EUR 3M EURIBOR + margin	-	-	-	2023	34 252	146 891
Investment credit facility BGŻ BNP Paribas S.A.	EUR 3M EURIBOR + margin	-	-	-	2022	7 112	30 335
Investment credit facility BGŻ BNP Paribas S.A.	EUR 3M EURIBOR + margin	-	-	-	2024	6 730	28 941
Investment credit facility BGŻ BNP Paribas S.A.	EUR 3M EURIBOR + margin	-	-	-	2024	4 971	21 377
Investment credit facility BGŻ BNP Paribas S.A.	EUR 3M EURIBOR + margin	2029	11 549	48 886	-	-	-
Working capital (VAT) facility BGŻ BNP Paribas S.A.	PLN 1M EURIBOR + margin	-	-	-	2019	-	985
Investment credit facility PKO BP S.A.	EUR 3M EURIBOR + margin	2030	12 121	51 616	2030	7 252	31 184
Investment credit facility ING Bank Śląski S.A.	EUR 1M EURIBOR + margin	2024	1 750	7 453	2024	1 925	8 264
Investment credit facility ING Bank Śląski S.A.	EUR 3M EURIBOR + margin	2024	4 273	18 197	2024	4 565	19 632
Investment credit facility ING Bank Śląski S.A.	EUR 1M EURIBOR + margin	2024	5 335	22 717	2024	5 561	23 912
Investment credit facility PEKAO S.A.	EUR 1M EURIBOR + margin	2030	7 906	33 669	2030	8 300	35 689
Investment credit facility PEKAO S.A.	EUR 1M EURIBOR + margin	2029	1 385	5 898	2030	1 349	5 800
<b>Total bank borrowings:</b>				<b>660 978</b>			<b>464 074</b>

\*Borrowing amounts in EUR are presented inclusive of commission fees.

		effective interest rate (%)	as at matures in	31 Dec 2019		as at matures in	31 Dec 2018	
	currency			in foreign currency	in PLN		in foreign currency	in PLN
<b>Non-bank borrowings not secured over the Group's assets:</b>								
Fenix Polska S.A.	PLN	3M WIBOR + margin	2021	-	2 976	2021	-	2 905
Fenix Polska S.A.	PLN	3M WIBOR + margin	2020	-	8 303	2020	-	8 116
Fenix Polska S.A.	PLN	3M WIBOR + margin	2025	-	12	2025	-	12
Fenix Polska S.A.	PLN	3M WIBOR + margin	2029	-	253	2029	-	253
Fenix Polska S.A.	PLN	3M WIBOR + margin	2027	-	1 632	2027	-	1 632
Fenix Polska S.A.	PLN	3M WIBOR + margin	2021	-	152	2021	-	148
Fenix Polska S.A.	PLN	3M WIBOR + margin	2030	-	465	2030	-	465
Fenix Polska S.A.	PLN	3M WIBOR + margin	2020	-	22 582	2020	-	21 951
Fenix Polska S.A.	PLN	3M WIBOR + margin	-	-	-	2025	-	115
Fenix Polska S.A.	PLN	3M WIBOR + margin	2025	-	415	2025	-	300
Fenix Polska S.A.	PLN	3M WIBOR + margin	2028	-	7	2028	-	7
Fenix Polska S.A.	EUR	3M EURIBOR + margin	2029	1 966	8 371	2029	1 943	8 354
Fenix Polska S.A.	EUR	3M EURIBOR + margin	2020	124	530	2020	1 353	5 817
<b>Total non-bank borrowings:</b>					<b>45 698</b>			<b>50 075</b>
<b>Total borrowings secured and not secured over the Group's assets</b>					<b>706 676</b>			<b>514 149</b>

## 21. Employee benefit obligations

<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Special accounts	157	157
Provision for bonuses	978	761
<b>Employee benefit obligations</b>	<b>1 135</b>	<b>918</b>

## 22. Trade and other payables

<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Trade payables	9 315	12 531
Liabilities for execution of development contract	-	30
Deferred income	513	415
Taxes and social security receivable	2 980	2 833
Unbilled trade payables	4 963	4 123
Investment commitments, security deposits and other obligations	90 775	30 843
<b>Trade and other payables</b>	<b>108 546</b>	<b>50 775</b>
Income tax payable	222	2 959
<b>Current liabilities</b>	<b>108 768</b>	<b>53 734</b>

As at 31 December 2019, the Group did not carry any outstanding trade payables towards related parties.

The table below presents the ageing structure of trade and other payables.

<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Not past due	107 950	56 097
Past due from 1 to 90 days	7 238	3 120
Past due from 91 to 180 days	247	213
Pas due over 180 days	2 121	2 451
<b>Total trade and other payables</b>	<b>117 556</b>	<b>61 881</b>

The ageing structure presented above includes non-current liabilities.

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

## 23. Financial instruments

### 23. 1 Measurement of financial instruments

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

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

- **cash and cash equivalents:** the carrying 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,
- **borrowings and bonds:** the carrying amounts of those instruments approximate fair value because their variable interest rates are based on market rates,
- **liabilities from measurement of swap transactions:** the fair value is determined by reference to instruments traded on an active market.

#### 23. 1. 1 Financial assets

<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
<b>Financial assets measured at amortised cost:</b>		
Cash and cash equivalents	102 046	46 106
Loans and receivables, including:		
• Trade and other receivables	16 056	38 386
• Loans	67 682	72 084
• Other long-term investments	19 832	22 295
• Other short-term investments	2 774	10 551
	<b>208 390</b>	<b>189 422</b>
<b>Total financial assets</b>	<b>208 390</b>	<b>189 422</b>

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

	Stage 1	Stage 2	Stage 3
<b>Gross carrying amount</b>	<b>192 334</b>	<b>23 380</b>	-
Cash and cash equivalents	102 046	-	-
Loans and receivables, including:			
• Trade and other receivables	-	23 380	-
• Loans	67 682	-	-
• Other long-term investments	19 832	-	-
• Other short-term investments	2 774		
<b>Impairment losses (IFRS 9)</b>	-	<b>(7 324)</b>	-
Cash and cash equivalents	-	-	-
Loans and receivables, including:			
• Trade and other receivables	-	(7 324)	-
• Loans	-	-	-
• Other long-term investments	-	-	-
• Other short-term investments	-	-	-
<b>Carrying amount (IFRS 9)</b>	<b>192 334</b>	<b>16 056</b>	-

**23. 1. 2 Financial liabilities**

	as at 31 December	2019	2018 *
<b>Hedging financial instruments:</b>			
Liabilities from measurement of SWAP transactions		8 266	5 215
		<b>8 266</b>	<b>5 215</b>
<b>Financial liabilities measured at amortised cost:</b>			
Bank borrowings		660 978	464 074
Non-bank borrowings		45 698	50 075
Trade and other payables		117 556	61 881
Lease liabilities		24 688	10 679
Bonds		128 246	129 514
		<b>977 166</b>	<b>716 223</b>
<b>Total financial liabilities</b>		<b>985 432</b>	<b>721 438</b>

\* Restated.

As at 31 December 2019, the fair value of hedging instruments was PLN 8,266 thousand, measured on the basis of other directly or indirectly observable quotations (Level 2). The information is provided by banks and is based on references to instruments traded on an active market.

In the year ended 31 December 2019, there were no transfers between the levels.

**23. 2 Other disclosures relating to financial instruments**

**Hedging**

For information on collateral, see Note 26.

### **Hedge accounting**

On 25 January 2019, MLP Gliwice Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with Bank Polska Kasa Opieki S.A.

On 29 March 2019, MLP Czeladź Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with Powszechna Kasa Oszczędności Bank Polski S.A.

On 3 June 2019, each of MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o. and MLP Pruszków IV Sp. z o.o. entered into variable-to-fixed interest rate swap contracts with each of the following banks: ING Bank Śląski S.A., PKO BP S.A. and ICBC (Europe) S.A. Polish Branch. Previous variable-to-fixed interest rate swap contracts concluded by the companies with BGŻ BNP Paribas S.A. and mBank S.A. were terminated following repayment of the credit facilities contracted with those banks.

On 11 July 2019, MLP Wrocław Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with Bank Polska Kasa Opieki S.A.

On 10 October 2019, MLP Lublin Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with Powszechna Kasa Oszczędności Bank Polski S.A.

On 18 December 2019, MLP Pruszków V Sp. z o.o. entered into a variable-to-fixed interest rate swap contract with BGŻ BNP Paribas Bank Polska S.A.

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

### Hedging instruments and hedged item

Entity	Hedged item as at 31 Dec 2019 of:		Hedging instrument – amortised interest rate swap:		Fair value of the hedging instrument (EUR '000) as at 31 Dec		Fair value of the hedging instrument (PLN thousand) as at 31 Dec	
	EUR '000	PLN '000	EUR '000	PLN '000	2019	2018	2019	2018
MLP Pruszków I Sp. z o.o.	45 693	194 584	45 693	194 584	(634)	(554)	(2 701)	(2 382)
MLP Wrocław Sp. z o. o.	5 656	24 086	5 656	24 086	(132)	(51)	(561)	(221)
MLP Pruszków III Sp. z o.o.	23 484	100 007	23 484	100 007	(326)	(117)	(1 388)	(504)
MLP Gliwice Sp. z o. o.	6 890	29 341	6 890	29 341	(217)	(121)	(924)	(522)
MLP Poznań Sp. z o. o.	3 734	15 901	3 734	15 901	(124)	(86)	(529)	(371)
MLP Teresin Sp. z o.o.	2 620	11 157	2 620	11 157	(60)	(43)	(257)	(186)
MLP Poznań II Sp. z o.o.	4 992	21 258	4 992	21 258	(4)	(53)	(19)	(229)
MLP Pruszków IV Sp. z o.o.	14 317	60 969	14 317	60 969	(199)	(90)	(846)	(389)
MLP Pruszków V Sp. z o.o.	11 549	49 181	11 549	49 181	(99)	-	(421)	-
MLP Czeladź Sp. z o.o.	1 616	6 882	1 616	6 882	(37)	-	(157)	-
MLP Lublin Sp. z o.o.	7 336	31 240	7 336	31 240	(109)	(96)	(463)	(411)
	<b>127 887</b>	<b>544 606</b>	<b>127 887</b>	<b>544 606</b>	<b>(1 941)</b>	<b>(1 211)</b>	<b>(8 266)</b>	<b>(5 215)</b>

Hedged item and hedging instrument – amortised Interest Rate Swap as at 31 December 2019.



**Amounts recognized in the consolidated statement of profit or loss and other comprehensive income in 2019:**

Entity	Amounts recognized as finance costs - ineffective portion	Amounts recognised as finance costs - net interest income	Amounts recognised in other comprehensive income
MLP Pruszków I Sp. z o.o.	2 382	-	(2 700)
MLP Pruszków III Sp. z o.o.	381	1	(1 266)
MLP Pruszków V Sp. z o.o.	-	-	(800)
MLP Pruszków IV Sp. z o.o.	341	3	(421)
MLP Czeladź Sp. z o.o.	-	-	(157)
MLP Teresin Sp. z o.o.	-	(13)	(71)
MLP Poznań II Sp. z o.o.	26	1	180
MLP Poznań Sp. z o.o.	302	-	(460)
MLP Gliwice Sp. z o. o.	-	1	(403)
MLP Wrocław Sp. z o. o.	-	-	(340)
MLP Lublin Sp. z o.o.	305	100	(457)
	<b>3 737</b>	<b>93</b>	<b>(6 895)</b>

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

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

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

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

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

### 23. 3.1 Liquidity risk

Liquidity risk is primarily the risk that the Group will encounter difficulty in meeting its future obligations under long-term borrowings.

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

Bank borrowings - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
<b>2019</b>	34 234	175 081	516 851	<b>726 166</b>
<b>2018</b>	40 092	291 488	178 159	<b>509 739</b>

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

Derivative instruments - expected payments		up to 1 year	from 1 to 5 years	over 5 years	Total
<b>2019</b>	inflows	4 801	60 264	133	<b>65 198</b>
	outflows	(7 219)	(66 151)	(94)	<b>(73 464)</b>
		<b>(2 418)</b>	<b>(5 887)</b>	<b>39</b>	<b>(8 266)</b>
<b>2018</b>	inflows	32	67 134	32 103	<b>99 269</b>
	outflows	(1 184)	(71 197)	(32 103)	<b>(104 484)</b>
		<b>(1 152)</b>	<b>(4 063)</b>	-	<b>(5 215)</b>

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

Loans - expected payments	up to 1 year	from 1 to 5 years	over 5 years	Total
<b>2019</b>	32 237	3 276	12 109	<b>47 622</b>
<b>2018</b>	-	40 947	12 260	<b>53 207</b>

Liabilities under finance leases are charges for usufruct rights to land.

### 23. 3.2 Currency risk

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

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

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

Financial assets	PLN	EUR	other	Total
<b>Financial assets measured at amortised cost:</b>				
Cash and cash equivalents	46 649	54 976	421	<b>102 046</b>
Loans and receivables, including:				
• Trade and other receivables	207	15 849	-	<b>16 056</b>
• Loans	58 822	8 860	-	<b>67 682</b>
• Other long-term investments	2 367	17 465	-	<b>19 832</b>
• Other short-term investments	424	2 350	-	<b>2 774</b>
	<b>108 469</b>	<b>99 500</b>	<b>421</b>	<b>208 390</b>

Financial liabilities	PLN	EUR	other	Total
<b>Hedging financial instruments:</b>				
Liabilities from measurement of SWAP transactions	-	8 266	-	8 266
<b>Financial liabilities measured at amortised cost:</b>				
Bank borrowings	-	660 978	-	660 978
Non-bank borrowings	36 797	8 901	-	45 698
Trade and other payables	30 450	87 106	-	117 556
Lease liabilities	24 688	-	-	24 688
Bonds	-	128 246	-	128 246
	<b>91 935</b>	<b>893 497</b>	-	<b>985 432</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	32 896	12 985	225	46 106
Loans and receivables, including:				
• Trade and other receivables	38 006	380	-	38 386
• Loans	57 947	14 137	-	72 084
• Other long-term investments	899	21 396	-	22 295
• Other short-term investments	10 032	519	-	10 551
	<b>139 780</b>	<b>49 417</b>	<b>225</b>	<b>189 422</b>

Financial liabilities	PLN	EUR	other	Total
<b>Hedging financial instruments:</b>				
Liabilities from measurement of SWAP transactions	-	5 215	-	5 215
<b>Financial liabilities measured at amortised cost:</b>				
Bank borrowings	2 941	461 133	-	464 074
Non-bank borrowings	35 904	14 171	-	50 075
Trade and other payables	21 260	40 609	12	61 881
Lease liabilities *	10 679	-	-	10 679
Bonds	-	129 514	-	129 514
	<b>70 784</b>	<b>650 642</b>	<b>12</b>	<b>721 438</b>

\* Restated.

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

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

<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Increase in the EUR/PLN exchange rate by 5%	(39 695)	(30 061)
Increase in the USD/PLN exchange rate by 5%	21	11

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

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

**23. 3.3 Interest rate risk**

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

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

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

<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
EURIBOR + 50 p.b.	(3 113)	(1 037)
WIBOR + 50 bp	(184)	(194)

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

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

<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
EURIBOR + 50 p.b.	44	71
WIBOR + 50 bp	294	290

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

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

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

	<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
EURIBOR + 50 p.b.		374	175
WIBOR + 50 bp		247	219
US LIBOR + 50bp		2	1

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

**23. 3.4 Credit risk**

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

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

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

	<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Security deposits from tenants at end of reporting period		3 546	4 254

**24. Operating leases**

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

As at 31 December 2019, the aggregate amount of rental income (assuming the EUR/PLN and USD/PLN exchange rates are constant and the rental rates are not indexed) was PLN 1,030.5 million, of which PLN 167.9 million was receivable within one year, PLN 491.3 million in two to five years, and PLN 371.3 million after five years.

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

**25. Contractual investment commitments**

	<i>as at 31 December</i>	<b>2019</b>	<b>2018</b>
Contractual investment commitments		57 631	54 670

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

## 26. Contingent liabilities and security instruments

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

### 26. 1. Mortgages

Entity	Land register number	Details	Mortgage charge
MLP Pruszków I Sp. z o.o. <sup>2)</sup>	WA1P/00036973/9	Joint contractual mortgage securing claims of ING Bank Śląski S.A. under credit facility of on 9 May 2019, established as security with highest ranking priority in favour of the Mortgage Administrator, i.e. ING Bank Śląski S.A., and as pari passu ranking security in favour of ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Industrial and Commercial Bank of China LTD, Luxembourg Branch	EUR 140,895 thousand <sup>1)</sup>
	WA1P/00038590/4		
	WA1P/00038589/4		
	WA1P/00038595/9		
MLP Pruszków III Sp. z o.o. <sup>2)</sup>	WA1P/00038591/1	Joint contractual mortgage securing claims of ING Bank Śląski S.A. under Master Agreement No. 1 of 9 May 2019	3,386 thousand EUR <sup>1)</sup>
	WA1P/00038596/6		
	WA1P/00038593/5		
		Joint contractual mortgage securing claims of PKO Bank Polski S.A. under Master Agreement of 9 May 2019	EUR 2,818 thousand <sup>1)</sup>
		Joint contractual mortgage securing claims of INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD, LUXEMBOURG BRANCH S.A., LUXEMBOURG under Master Agreement No. 3 of 9 May 2019	EUR 2,250 thousand <sup>1)</sup>
MLP Pruszków III Sp. z o.o. <sup>2)</sup>	WA1P/00079808/5	Joint contractual mortgage securing claims of ING Bank Śląski S.A. under credit facility of on 9 May 2019, established as security with highest ranking priority in favour of the Mortgage Administrator, i.e. ING Bank Śląski S.A., and as pari passu ranking security in favour of ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Industrial and Commercial Bank of China LTD, Luxembourg Branch	EUR 140,895 thousand <sup>1)</sup>
	WA1P/00101970/5		
		Joint contractual mortgage securing claims of ING Bank Śląski S.A. under Master Agreement No. 1 of 9 May 2019	3,386 thousand EUR <sup>1)</sup>
		Joint contractual mortgage securing claims of PKO Bank Polski S.A. under Master Agreement of 9 May 2019	PLN 2,818 thousand <sup>1)</sup>
		Joint contractual mortgage securing claims of INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD, LUXEMBOURG BRANCH S.A., LUXEMBOURG under Master Agreement No. 3 of 9 May 2019	PLN 2,250 thousand <sup>1)</sup>

Entity	Land register number	Details	Mortgage charge
MLP Pruszków IV Sp. z o.o. <sup>2)</sup>	WA1P/00111450/7	Joint contractual mortgage securing claims of ING Bank Śląski S.A. under credit facility of on 9 May 2019, established as security with highest ranking priority in favour of the Mortgage Administrator, i.e. ING Bank Śląski S.A., and as pari passu ranking security in favour of ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Industrial and Commercial Bank of China LTD, Luxembourg Branch	EUR 140,895 thousand <sup>1)</sup>
		Joint contractual mortgage securing claims of ING Bank Śląski S.A. under Master Agreement No. 1 of 9 May 2019	3 385,8 thousand EUR <sup>1)</sup>
		Joint contractual mortgage securing claims of PKO Bank Polski S.A. under Master Agreement No. 2 of 9 May 2019	EUR 2,818 thousand <sup>1)</sup>
		Joint contractual mortgage securing claims of INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD, LUXEMBOURG BRANCH S.A., LUXEMBOURG under Master Agreement No. 3 of 9 May 2019	EUR 2,250 thousand <sup>1)</sup>
MLP Poznań Sp. z o.o. MLP Poznań II Sp. z o.o.	PO1D/00041539/8 PO1D/00050729/3 PO1D/00041540/8 PO1D/00050728/6 PO1D/00051882/0	Joint contractual mortgage established to secure: a) repayment of tranches b, d and h of the credit facility, b) variable contractual interest, described in § 2 of the credit facility agreement of 8 August 2011 as amended (credit agreement), accrued on the amounts referred to in a) above, c) increased interest on past-due receivables described in § 8 of the credit agreement, accrued on the amounts referred to in a) and b) above, d) commissions and fees described in § 5 of the credit agreement due to the bank, charged on the amounts referred in a) above, e) all other documented costs, described in § 6 of the credit agreement due to the bank and related to the amounts described in a) above, credit facility agreement No. 11/0002 of 8 August 2011, amended, inter alia, by Annex 2 of 29 November 2013, Annex 7 of 7 July 2017, Annex 8 of 31 October 2017, and Annex 9 of 11 June 2018	EUR 25 910 thousand

Entity	Land register number	Details	Mortgage charge
		Joint contractual mortgage established in favour of ING Bank Śląski S.A. to secure repayment of the bank's claims under: 1) transaction 1 and transaction 2 executed under a master agreement of 11 June 2018 ("MASTER AGREEMENT") concerning execution of transaction 1 and transaction 2	EUR 1,500 thousand <sup>6)</sup>
MLP Poznań Sp. z o.o.	PO1D/00041539/8	Joint contractual mortgage established in favour of ING Bank Śląski S.A. to secure repayment of credit facility pursuant to credit agreement no. 11/0002 of 8 August 2011, as amended; the mortgage secures repayment of tranches A, C, investment tranche A3 (including tranches E and F), tranche G, tranche A5, and payment of interest	EUR 9,357 thousand
	PO1D/00050729/3		
MLP Poznań II Sp. z o.o.	PO1D/00041540/8		
	PO1D/00050728/6		
		Joint contractual mortgage established in favour of ING Bank Śląski S.A. to secure repayment of credit facility pursuant to credit agreement no. 11/0002 of 8 August 2011, as amended, and credit agreement of 9 February 2017, as amended; the mortgage secures repayment of tranches B, D, H, and payment of interest	EUR 1,353 thousand
MLP Poznań Sp. z o.o.	PO1D/00041539/8	Joint contractual mortgage established in favour of ING Bank Śląski S.A. to secure payment of claims under hedging transactions (Transactions 1, 2, 3, 4 and 5), pursuant to the master agreement of 13 December 2013 for execution financial forward transactions and sale and repurchase transactions	1,788 thousand EUR <sup>3)4)</sup>
	PO1D/00050729/3		
MLP Poznań II Sp. z o.o.	PO1D/00041540/8		
	PO1D/00050728/6		
	PO1D/00051882/0	Joint contractual mortgage established in favour of ING Bank Śląski S.A. to secure repayment of VAT facility and variable rate payments under VAT facility of 9 February 2017	PLN 6,000 thousand <sup>3)7)</sup>
MLP Lublin Sp. z o.o.	LU1S/00012867/9	Contractual mortgage established to secure claims of PKO B.P. S.A. under: investment facility agreement, working capital (VAT) facility agreement of 13 April 2015, as amended, and claims under concluded IRS transactions	EUR 25,502 thousand



Entity	Land register number	Details	Mortgage charge
MLP Teresin Sp. z o.o.	WA1G/00076402/9	Contractual mortgage established in favour of PEKAO S.A. to secure repayment of credit facility under credit facility agreement of 31 May 2016	EUR 10,796 thousand
		Contractual mortgage established in favour of PEKAO S.A. to secure repayment of VAT facility under credit facility agreement of 31 May 2016	PLN 6,000 thousand
		Contractual mortgage in favour of PEKAO S.A. to secure repayment of any receivables due to the bank under Collateral Agreements concluded for the purposes of credit agreement dated 31 May 2016.	PLN 5,600 thousand
		Contractual mortgage established in favour of PEKAO S.A. to secure repayment of principal, interest, late payment interest, CAP transactions, and claims under IRS transactions, under credit facility agreement of 31 May 2016	PLN 5,600 thousand
MLP Wrocław Sp. z o.o.	WR1E/00102562/6	Contractual mortgage established in favour of PEKAO S.A. to secure credit facility under credit facility agreement of 11 October 2017	EUR 27,638 thousand
		Contractual mortgage established in favour of PEKAO S.A. to secure credit facility under credit facility agreement of 11 October 2017	PLN 4,500 thousand
		Contractual mortgage established in favour of PEKAO S.A. to secure credit facility under credit facility agreement of 11 October 2017	PLN 12,000 thousand
		Contractual mortgage established in favour of PEKAO S.A. to secure the bank's claim for payment of final closing amount, pursuant to framework agreement of 11 October 2017, as amended by Annex 1 of 12 April 2018.	PLN 12,000 thousand
MLP Gliwice Sp. z o.o.	GL1T/00099961/3	Contractual mortgage established in favour of PEKAO S.A. to secure credit facility under credit facility agreement of 13 March 2018	EUR 29,915 thousand
		Contractual mortgage established in favour of PEKAO S.A. to secure VAT facility under credit facility agreement of 13 March 2018	PLN 4,500 thousand
		Contractual mortgage in favour of PEKAO S.A. to secure repayment of any receivables due to the bank under Collateral Agreements concluded for the purposes of the credit agreement dated 13 March 2018.	PLN 12,000 thousand

Entity	Land register number	Details	Mortgage charge
MLP Czeladź Sp. z o.o.	KA1B/00019862/9	Contractual mortgage established in favour of PKO Bank Polski S.A. to secure repayment of credit facility under credit facility agreement of 14 December 2018	34,121 thousand EUR <sup>8)</sup>
		Contractual mortgage established in favour of PKO Bank Polski S.A. to secure repayment of credit facility under credit facility agreement of 28 November 2018	EUR 15,450 thousand <sup>9)</sup>
MLP Pruszków V sp. z o.o. <sup>10)</sup>	WA1P/00130140/0 WA1P/00130142/4 WA1P/00048722/2 WA1P/00079403/6 WA1P/00131542/5 WA1P/00079402/9W A1P/00103820/3	Joint contractual mortgage in favour of BGŻ BNP PARIBAS BANK POLSKA S.A. to secure repayment of credit facility under credit facility agreement of 7 November 2019 (Mortgage securing term loans)	EUR 28,986.9 thousand
		Joint contractual mortgage in favour of BGŻ BNP PARIBAS BANK POLSKA S.A. to secure repayment of credit facility under credit facility agreement of 7 November 2019 (Mortgage securing hedging transactions)	PLN 6,036 thousand
		Joint contractual mortgage in favour of BGŻ BNP PARIBAS BANK POLSKA S.A. to secure repayment of credit facility under credit facility agreement of 7 November 2019 (Mortgage securing VAT facility)	PLN 6,000 thousand

<sup>1)</sup> In September 2019, a first ranking mortgage for up to EUR 140,895,000 was recorded in the Land and Mortgage Registers for MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o. and MLP Pruszków IV Sp. z o.o. in favour of the Mortgage Administrator, i.e. ING Bank Śląski S.A.; and second-ranking mortgages for up to EUR 3,385,800 in favour of ING Bank Śląski S.A., for up to EUR 2,817,900 in favour of Powszechna Kasa Oszczędności Bank Polski S.A., and for up to EUR 2,250,000 in favour of Industrial and Commercial Bank of China LTD, Luxembourg Branch.

<sup>2)</sup> In the third quarter 2019, the following mortgages were deleted from the respective Land and Mortgage Registers: for MLP Pruszków I Sp. z o.o. – mortgages for up to EUR 54,750 thousand and EUR 14,426 thousand in favour of Raiffeisen Bank S.A.; for MLP Pruszków III Sp. z o.o. – mortgages for up to EUR 32,179 thousand, PLN 3,930 thousand and PLN 4,500 thousand in favour of BGŻ BNP Paribas S.A.; and for MLP Pruszków IV Sp. z o.o. – mortgages for up to EUR 18,107 thousand, EUR 3,473 thousand and PLN 7,600 thousand in favour of mBank S.A.

<sup>3)</sup> In January 2019, contractual mortgages of up to the aggregate amount of EUR 27,410 thousand were recorded in the land and mortgage registers of MLP Poznań Sp. z o.o. and MLP Poznań II Sp. z o.o., in favour of ING Bank Śląski S.A., as security for Refinanced Facility with interest, Construction and Investment Facility (following conversion of the construction facility into to the investment facility) with interest; and up to PLN 6,000 thousand as security for the VAT facility. In February 2019, the total amount of joint mortgage was changed from EUR 1,354 thousand to EUR 1,788 thousand.

<sup>4)</sup> On 1 January 2019, the amount of mortgage recorded in the Land and Mortgage Register for MLP Poznań Sp. z o.o. was increased from EUR 1,353 thousand to EUR 1,788 thousand.

<sup>5)</sup> In January 2019, a contractual mortgage for up to EUR 25,910 thousand was recorded in the Land and Mortgage Register for MLP Poznań II Sp. z o.o. in favour of ING Bank Śląski S.A. to secure the credit facility granted to the company under an agreement of 9 February 2017.

<sup>6)</sup> In January 2019, a contractual mortgage for up to EUR 1,500 thousand was recorded in the Land and Mortgage Register for MLP Poznań II Sp. z o.o. in favour of ING Bank Śląski S.A. to secure the credit facility granted to the company under an agreement of 9 February 2017.

<sup>7)</sup> In February 2019, a contractual mortgage for up to PLN 6,000 thousand was recorded in the Land and Mortgage Register for MLP Poznań II Sp. z o.o. in favour of ING Bank Śląski S.A. to secure the credit facility granted to the company under an agreement of 9 February 2017.

<sup>8)</sup> In March 2019, a contractual mortgage for up to EUR 34,121 thousand was recorded in the Land and Mortgage Register for MLP Czeladź Sp. z o.o. in favour of PKO BP S.A. to secure the credit facility granted to the company under an agreement of 14 December 2018.

<sup>9)</sup> In March 2019, a contractual mortgage for up to EUR 15,450 thousand was recorded in the Land and Mortgage Register for MLP Czeladź Sp. z o.o. in favour of PKO BP S.A. to secure the credit facility granted to the company under an agreement of 28 November 2018.

<sup>10)</sup> Pursuant to the credit facility agreement of 7 November 2019, joint contractual mortgages for two Buildings Credit Facilities, Hedging Transactions and the VAT Credit Facility will be established. Relevant entries are recorded in the land and mortgage registers.

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

Type of security interest	Secured claims	Amount of security interest
<b><u>Security interests in MLP Group S.A.'s shares in the following companies:</u></b>		
<b><i>Registered pledges on shares:</i></b>		
MLP Pruszków I Sp. z o.o.	claims of ING Bank Śląskiego S.A. under credit facility of 9 May 2019 granted 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 BGŻ BNP Paribas Bank Polska S.A. under credit facility of 7 November 2019 granted to MLP Pruszków V	EUR 28,987 thousand
MLP Pruszków V Sp. z o.o.	claims of BGŻ BNP Paribas Bank Polska S.A. under credit facility of 7 November 2019 granted to MLP Pruszków V	PLN 6,000 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.	EUR 14,047 thousand

**Financial pledges on shares:**

Type of security interest	Secured claims	Amount of security interest
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 Wrocław Sp. z o.o.	claims of PEKAO S.A. under facility of 11 October 2017 granted to MLP Wrocław Sp. z o.o.	PLN 4,500 thousand
MLP Wrocław Sp. z o.o.	claims of PEKAO S.A. under facility of 11 October 2017 granted to MLP Wrocław Sp. z o.o.	EUR 27,638 thousand
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.	EUR 29,915 thousand
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.	PLN 4,500 thousand
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.	EUR 15,450 thousand
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.	EUR 32,156 thousand
MLP Pruszków I Sp. z o.o. <sup>1)2)</sup>	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 BGŻ BNP Paribas Bank Polska S.A. under credit facility of 7 November 2019 granted to 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

**Security interests in MLP Property Sp. z o.o.'s shares in the following companies:**

**Financial pledges on shares:**

MLP Lublin Sp. z o.o.	claims of PKO Bank Polski S.A. under investment credit facility	EUR 19 221 thousand
MLP Teresin Sp. z o.o.	claims of Polska Kasa Opieki S.A. under credit facility of 31 May 2016	EUR 10,796 thousand
MLP Teresin Sp. z o.o.	claims of Polska Kasa Opieki S.A. under credit facility of 31 May 2016	EUR 10,796 thousand

Type of security interest	Secured claims	Amount of security interest
MLP Teresin Sp. z o.o.	claims of Polska Kasa Opieki S.A. under credit facility of 31 May 2016	EUR 6,000 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 IV Sp. z o.o.	claims of ING Bank Śląski S.A. under credit facility of 9 May 2019 granted to MLP Pruszków IV Sp. z o.o.	EUR 140,895 thousand
MLP Poznań II Sp. z o.o.	claims of ING Bank Śląski S.A. under facility no. ING 11/0002	EUR 14 047
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
<b>Registered pledges on shares:</b>		
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.	PLN 140,895 thousand
MLP Pruszków IV Sp. z o.o.	claims of ING Bank Śląski S.A. under credit facility of 9 May 2019 granted to MLP Pruszków IV Sp. z o.o.	EUR 140,895 thousand
MLP Teresin Sp. z o.o.	claims of PEKAO S.A. under credit facility of 31 May 2016 granted to MLP Teresin Sp. z o.o.	EUR 10,796 thousand
MLP Teresin Sp. z o.o.	claims of PEKAO S.A. under credit facility of 31 May 2016 granted to MLP Teresin Sp. z o.o. (VAT facility)	EUR 6000 thousand
<b>Security interests in MLP Poznań Sp. z o.o.'s shares in the following companies:</b>		
<b>Registered and financial pledges on shares</b>		
MLP Poznań II Sp. z o.o.	claims of ING Bank Śląski S.A. under facility no. ING 11/0002 granted to MLP Poznań II Sp. z o.o.	EUR 14,047 thousand

**Security interests in MLP Pruszków II Sp. z o.o.'s shares in the following companies:**

***Registered and financial pledges on shares***

Type of security interest	Secured claims	Amount of security interest
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 IV Sp. z o.o.	claims of ING Bank Śląski S.A. under credit facility of 9 May 2019 granted to MLP Pruszków IV Sp. z o.o.	EUR 140,895 thousand
MLP Pruszków V Sp. z o.o.	claims of BGŻ BNP Paribas Bank Polska S.A. under credit facility of 7 November 2019 granted to MLP Pruszków V Sp. z o.o.	EUR 28,987 thousand
MLP Pruszków V Sp. z o.o.	claims of BGŻ BNP Paribas Bank Polska S.A. under credit facility of 7 November 2019 granted to MLP Pruszków V Sp. z o.o.	EUR 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 recorded 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 amount secured 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.

As a result of repayment of the credit facility provided by mBank S.A. to MLP Pruszków IV Sp. z o.o., the following pledges were deleted from the register: the registered and financial pledges created over MLP Pruszków IV Sp. z o.o. shares held by MLP Property Sp. z o.o. and MLP Pruszków II Sp. z o.o. for up to a total security amount of EUR 10,579 thousand, EUR 21,579 thousand and PLN 3,750 thousand.

### **26. 3. Pledges on cash receivables**

In connection with the 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 recorded 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 amount secured of EUR 140,895 thousand.

On 28 November 2019, a receivables transfer agreement (relating to the credit facility agreement of 31 May 2016) was concluded between Bank Polska Kasa Opieki S.A. and PEKAO Bank Hipoteczny S.A., under which Bank Polska Kasa Opieki S.A. transferred a part of the receivables to PEKAO Bank Hipoteczny S.A.

On 22 January 2020 MLP Teresin Sp. z o.o, Bank Polska Kasa Opieki S.A. and PEKAO Bank Hipoteczny S.A. concluded Amending Agreement No. 1 to the Agreement of 10 June 2016 on registered pledges and financial pledges on receivables for payment of funds from bank accounts under which, following the transfer by Bank Polska Kasa Opieki S.A. of part of the secured receivables to PEKAO Bank Hipoteczny S.A. and in order to secure their payment, MLP Teresin sp. z o.o. established financial pledges up to EUR 10,795,500.00 (9 pledges) in favour of PEKAO Bank Hipoteczny S.A.

On 22 January 2020 MLP Teresin Sp. z o.o, Bank Polska Kasa Opieki S.A. and PEKAO Bank Hipoteczny S.A. concluded Amending Agreement No. 1 to the Agreement of 13 December 2016 on registered pledges and financial pledges on receivables for payment of funds from bank accounts under which, following the transfer by Bank Polska Kasa Opieki S.A. of part of the secured receivables to PEKAO Bank Hipoteczny S.A. and in order to secure their payment, MLP Teresin sp. z o.o. established financial pledges up to EUR 10,795,500 (2 pledges) in favour of PEKAO Bank Hipoteczny S.A.

On 22 January 2020 MLP Teresin Sp. z o.o, Bank Polska Kasa Opieki S.A. and PEKAO Bank Hipoteczny S.A. concluded Amending Agreement No. 1 to the Agreement of 10 June 2016 on registered pledges and financial pledges on receivables for payment of funds from bank accounts under which, following the transfer by Bank Polska Kasa Opieki S.A. of part of the secured receivables to PEKAO Bank Hipoteczny S.A. and in order to secure their payment, MLP Teresin sp. z o.o. established financial pledges up to EUR 10,795,500.00 (8 pledges) in favour of PEKAO Bank Hipoteczny S.A.

On 22 January 2020, MLP Property sp. z o.o., Bank Polska Kasa Opieki S.A. and PEKAO Bank Hipoteczny S.A. concluded Amending Agreement No. 1 to the Agreement of 10 June 2016 on registered and financial pledges over shares, pursuant to which following the transfer by Bank Polska Kasa Opieki S.A. of part of the secured receivables to PEKAO Bank Hipoteczny S.A. and to secure their payment. MLP Property Sp. z o.o. established, in favour of Bank Polska Kasa Opieki S.A., a registered pledge over shares up to the maximum amount secured of EUR 10,795,500.00, a registered pledge over shares up to the maximum amount secured of PLN 6,000,000, as well as two financial pledges of up to EUR 10,795,500, and a financial pledge of up to PLN 6,000,000.

On 22 January 2020 MLP Property sp. z o.o., Bank Polska Kasa Opieki S.A. and PEKAO Bank Hipoteczny S.A. concluded Amending Agreement No. 1 to the Agreement of 10 June 2016 on registered and financial pledges over shares under which, following the transfer by Bank Polska Kasa Opieki S.A. of part of the secured receivables to PEKAO Bank Hipoteczny S.A. and in order to secure their payment, MLP Property sp. z o.o. established, in favour of PEKAO Bank Hipoteczny S.A. a financial pledge over shares up to the maximum amount secured of EUR 10,795,500.00.

#### **26. 4. Guarantees**

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

#### **26. 5. 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.

#### **26. 6. Other security interests**

- **Other security interests created in favour of Bank mBank S.A.:**
  - Assignment of claims under insurance policy,
  - Assignment of rights under lease contracts,
  - Power of attorney to all accounts of the borrower,
  - Loan subordination agreement,
  - Blank promissory note,
  - Declaration on voluntary submission to enforcement.
  
- **Other security interests created in favour of Bank BGŻ BNP Paribas S.A.:**
  - Power of attorney to all accounts of the borrowers,
  - Assignment of rights under assignment agreement,
  - Declaration on voluntary submission to enforcement by each borrower;
  - Declaration on voluntary submission to enforcement by each shareholder of any of the borrowers;
  - Subordination of claims under subordination agreement
  - Deposit in debt service reserve account,
  - Assignment of claims under insurance policy,
  
- **Other security interests created in favour of Bank ING Bank Śląski S.A.:**
  - Assignment of claims under insurance policy,
  - Security deposit of EUR 85,000,
  - Assignment of rights under lease contracts,
  - Power of attorney to all accounts of the borrower,
  - Agreement on establishment of cash security deposit in favour of ING Bank Śląski S.A. to secure repayment of the bank's claims under credit facility granted to MLP Poznań II Sp. z o.o., as well as related interest, commissions, fees and expenses
  - Signed annex to agreement on creation of financial and registered pledge over shares in MLP Poznań II Sp. z o.o.



- **Other security provided in favour of ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Industrial and Commerical Bank of China (Europe) S.A. Polish Branch under the credit facility agreement of 9 May 2019:**
  - power of attorney over all accounts of each of the borrowers and power to issue instructions to block the accounts;
  - declaration on voluntary submission to enforcement by each borrower;
  - loan subordination agreement;
  - assignment of rights under insurance policies,
  - assignment of rights under assignment agreement;
  - assignment of rights under each borrower's lease contracts,
  - assignment of rights under guarantees provided by each borrower's tenants,
  - assignment of rights under subordinated loans,
  - assignment of rights under each borrower's future debt claims.
- **On 7 November 2019, MLP Pruszków V Sp. z o.o. entered into a credit facility agreement with BNP Paribas Bank Polska S.A. The following security interests will be created in favour of BNP Paribas Bank Polski S.A.:**
  - 3 joint contractual mortgages for the Buildings Credit Facility up to EUR 28,986,919.50, for Hedging Transactions up to PLN 6,036,000.00, and for the VAT Credit Facility up to PLN 6,000,000. Relevant entries are recorded in the land and mortgage registers.
  - power of attorney to all accounts of the borrower,
  - assignment of rights under assignment agreement,
  - registered pledges and financial pledges over receivables for payment of funds from each of the borrower's bank accounts,
  - registered pledges and financial pledges over all shares in the borrower's share capital,
  - declaration on voluntary submission to enforcement by the borrower;
  - declaration on voluntary submission to enforcement by each shareholder in the borrower;
  - subordination of claims under subordination agreement,
  - sponsor obligations under support agreements.
- **Other security interests created in favour of PKO BP S.A.:**
  - Borrower's blank promissory note with promissory note declaration,
  - Set-off clause with respect to borrower's accounts maintained with the bank;
  - Assignment of monetary claims under insurance contracts in respect of real property under construction and after its completion (throughout the lending period),
  - Assignment of cash receivables under lease contracts,
  - Assignment of cash receivables under guarantees issued to the borrower as security for lease contracts,
  - Surety under civil law for the full amount of the facility, provided by MLP Group S.A. and effective until the decision on registration of the mortgage becomes final,
  - Assignment of cash receivables under a management contract concluded with MLP Group S.A. or another entity;
  - Assignment of claims under the contract/s concluded with the general contractor and assignment of cash receivables under the performance bond,
  - Payment into the bank's account of cash collateral to secure repayment of the facility,
  - Assignment of cash receivables under insurance policy for loss of profit before tax by the borrower,

- **Other security interests created in favour of PEKAO S.A.:**
  - Power of attorney to all bank accounts,
  - Obligations under support agreements,
  - Assignment by way of security under assignment agreement,
  - Statement of voluntary submission to enforcement,
  - Subordination of claims under subordination agreement
  - Deposit in debt service account,

## 26. 7. Other contingent liabilities and commitments

- Under an agreement of May 2018, Bank PKO BP S.A. granted to MLP Czeladź Sp. z o.o. a bank guarantee for the performance of the company's obligations towards the Municipality of Czeladź and the State Treasury, concerning reconstruction of a traffic circulation system in Czeladź as part of construction of a logistics park. The guarantee amount was PLN 5,927 thousand.
- MLP Pruszków I Sp. z o.o., MLP Pruszków II Sp. z o.o. and MLP Pruszków III received decisions concerning change of perpetual usufruct charge. According to the decisions, as at 31 December 2019 the total amount potentially due was PLN 18,390 thousand. The management board of the companies does not accept the amount of the charge, and therefore the case was referred to the court. The *starostwo* did not take into account the expenses incurred by the companies.

The Group recognised a provision for some of the potential claims of Pruszków *Starost* for change of the perpetual usufruct charge against MLP Pruszków III Sp. z o.o. in justified cases, in the amount of PLN 901 thousand.

## 27. Related-party transactions

### 27. 1 Trade and other receivables and payables

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

	Trade and other receivables	Trade and other payables <sup>1)</sup>
The Israel Land Development Company Ltd., Tel-Awiw	108	-
	<b>108</b>	-
<b>Other related parties</b>		
MLP FIN Spółka z ograniczoną odpowiedzialnością Sp.k.	8	-
Fenix Polska Sp. z o.o.	9	-
<b>Total</b>	<b>125</b>	-

<sup>1)</sup> Trade and other payables do not include the remuneration of key management personnel and share-based payments disclosed in Note 30.

## 27. 2 Loans and non-bank borrowings

Balances of loans to and non-bank borrowings from related parties as at December 31st 2019 were as follows:

	Loans	Non-bank borrowings
<b>Other related parties</b>		
Fenix Polska Sp. z o.o.	45 509	(45 698)
MLP FIN Spółka z ograniczoną odpowiedzialnością Sp.k.	34	-
<b>Total</b>	<b>45 543</b>	<b>(45 698)</b>

## 27. 3 Income and expenses

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

	Revenue	Procurement of services and cost of wages and	Interest income	Interest expense
<b>Parent</b>				
The Israel Land Development Company Ltd., Tel-Awiw	208	-	-	-
	<b>208</b>	-	-	-
<b>Other related parties</b>				
Fenix Polska Sp. z o.o.	4		1 034	(1 050)
MLP FIN Spółka z ograniczoną odpowiedzialnością Sp.k.	4	-	1	-
	<b>8</b>	-	<b>1 035</b>	<b>(1 050)</b>
<b>Key management personnel</b>				
RTK CONSULTING, Radosław T. Krochta	-	(1 323)	-	-
ROMI CONSULTING, Michael Shapiro	-	(792)	-	-
PROFART, Tomasz Zabost	-	(802)	-	-
PEOB, Marcin Dobieszewski	-	(369)	-	-
Other key management personnel	-	(1 240)	-	-
	-	<b>(4 526)</b>	-	-
<b>Total</b>	<b>216</b>	<b>(4 526)</b>	<b>1 035</b>	<b>(1 050)</b>

Fenix Polska Sp. z o.o. is related to the Group through Cajamarca Holland B.V., which as at 31 December 2019 held 100% of shares in Fenix Polska Sp. z o.o. and 56.98% of the Group's share capital.

## 28. Significant litigation and disputes

### 28. 1 Czerwona Torebka S.A.

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

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

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

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

with the proviso that with respect to the amount of PLN 21,258,766.01 plus statutory interest for late payment accrued from the day of filing the lawsuit to the date of payment the responsibility of the respondents is joint and several, or that payment of the amount by one of the respondents releases the other respondent from the responsibility.

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

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

## **28. 2 CreditForce Holding B.V**

On 12 January 2012, the Regional Court of Warsaw issued a judgment awarding payment of PLN 2005 thousand to MLP Tychy Sp. z o.o. (currently MLP Sp. z o.o. SKA) with accrued contractual interest from CreditForce Holding B.V. of Houten, the Netherlands, jointly and severally with European Bakeries Sp. z o.o., which was appealed next to the judgment on 16 March 2011.

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

On 22 November 2012, CreditForce Holding BV filed a complaint with the District Court in Warsaw requesting that the proceedings be reopened. The court suspended the execution of the judgment. In the course of the proceedings, the Company received information that CreditForce Holding BV was declared bankrupt.

Currently there are two proceedings before the Warsaw District Court: to reopen the proceedings ended with a legally valid verdict, and objection to the default verdict in the case (proceedings were suspended On 24 June 2015, a response was submitted to the complaint by European Bakeries Sp. z o.o. to renew the proceedings, which were then discontinued on 12 August 2016.

## **28. 3 OLPIZ Sp. z o.o.**

Court case brought by OLPIZ Sp. z o.o. against MLP Sp. z o.o., concerning payment of PLN 5,406,352.46, was closed with the final judgment dismissing the claim.

## **29. Significant events during and subsequent to the reporting period**

- MLP Teresin sp. z o.o./MLP Poznań II sp. z o.o.'s claims against Piotr i Paweł S.A. which arose before 12 September 2018 are covered by subject to restructuring proceedings. Under the composition arrangement of 2 March 2020, MLP Teresin sp. z o.o./MLP Poznań II sp. z o.o. were classified as Category 2 creditors, and their cash claims against Piotr and Paweł S.A. were reduced: the principal and incidental claims (including interest) were reduced by 80% and 95%, respectively, with the balance of the principal and incidental claims (20% and 5%, respectively) to be paid in cash on a one-off basis.
- For reasons beyond the control of MLP Teresin Sp. z o.o., there was a temporary breach of covenants to maintain certain financial ratios tested by the lending bank (Pekao S.A.). The company obtained the bank's waiver of the covenants. The waiver was obtained in the second quarter of 2019, and therefore as at 31 March 2019 the outstanding facility amount was disclosed as a current liability; as at 30 June 2019, 30 September 2019 and 31 December 2019 it was presented consistently with the facility repayment schedule.
- On 9 May 2019, the following three Group companies: MLP Pruszków I Sp. z o.o. of Pruszków, MLP Pruszków III Sp. z o.o. of Pruszków and MLP Pruszków IV Sp. z o.o. of Pruszków (the "Borrowers"), executed a credit facility agreement with ING BANK ŚLĄSKI S.A. of Katowice, Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw and Industrial and Commercial Bank of China (EUROPE) S.A. ODDZIAŁ W POLSCE of Warsaw („Banks"). The facility amount is EUR 93,930,000.00, and the funds will be used to refinance the Borrowers' existing loans and to fund the Group's investment projects. The agreement provides that the principal will be repaid in equal instalments. The term of the agreement is six years from the signing date.

- On 25 July 2019, MLP Business Park Berlin I Sp. z o.o. & Co KG of Munich, Germany, executed in Germany a conditional agreement, in the form of a notarial deed, for purchase of the ownership title to undeveloped land with an area of 49,661 m<sup>2</sup> in Ludwigsfelde (a town adjacent to Berlin, situated close to the Berlin-Schönefeld Airport) for EUR 3,401,778.50 plus VAT at the applicable rate (19%).
- The property has been designated as the site for the development of MLP Business Park Berlin I, a project consisting of small warehouse and logistics units with accompanying office space, intended for lease. The final transfer of the ownership title to the property to the Buyer is subject to the following conditions precedent: the municipality of Ludwigsfelde's waiver of its statutory right of pre-emption and the Buyer's securing a permit to remove vegetation covering the property. If the conditions precedent are not satisfied by 30 April 2020, each party may withdraw from the agreement.
- On 10 July 2019, Powszechna Kasa Oszczędności Bank Polska S.A. disbursed another tranche of the credit facility to MLP Czeladź Sp. z o.o.
- On 7 November 2019, MLP Pruszków V Sp. z o.o. entered into a credit facility agreement with BNP Paribas Bank Polska S.A. The first tranche of the facility was disbursed on 12 December.
- 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.
- On 31 January 2020, MLP Gliwice Sp. z o.o. received a court judgment, issued on 22 January 2020, in which the court ruled in favour of DEPENDBROCK Polska Sp. z o.o. sp. k. and ordered MLP Gliwice Sp. z o.o. to pay to DEPENDBROCK Polska Sp. z o.o. sp. k. EUR 865,777.48 and reimburse the court costs of PLN 15,017.00. On 13 February 2020, the Company appealed against the judgment. The dispute concerns unpaid invoices related to a development, with the payments withheld due to improperly performed services. The Company holds cash necessary to pay the liability.
- The potential impact of the coronavirus epidemic on the Group is presented in the Management Board' Report.

In the period from the end of the reporting period to the date of authorisation of these consolidated financial statements for issue, no events occurred which should have been but were not included in the accounting books of the reporting period and the Group's consolidated financial statements of the Group.

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

<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
<b>Remuneration of the Management Board:</b>		
Radosław T. Krochta	1 323	467
Michael Shapiro	792	235
Tomasz Zabost	802	326
Marcin Dobieszewski	369	162
	<b>3 286</b>	<b>1 190</b>
	<b>3 286</b>	<b>2 001</b>
<b>Remuneration of the Supervisory Board:</b>		
• <b>Remuneration and other benefits</b>		
Maciej Matusiak	30	22
Jacek Tucharz	-	13
Eytan Levy	30	22
Shimshon Marfogel	30	22
Daniel Nimrodi	30	22
Guy Shapira	30	22
Piotr Chajderowski	30	10
Yosef Zvi Meir	-	-
	<b>180</b>	<b>133</b>
<b>Total remuneration paid or due to Management Board, Supervisory Board and Key Management Personnel</b>	<b>3 466</b>	<b>2 134</b>
<b>Other Key Management Personnel:</b>		
• Remuneration and other benefits	1 240	613
• Cash-settled share based payments made or due in the	-	464
	<b>1 240</b>	<b>1 077</b>
<b>Total remuneration paid or due to Management Board members, Supervisory Board members and key management personnel</b>	<b>4 706</b>	<b>3 211</b>

### 31. Workforce structure

	<i>for the year ended 31 December</i>	<b>2019</b>	<b>2018</b>
Average headcount in the period		26	23

### 32. Change resulting from the entry into force of IFRS 16 *Leases* *Usufruct of land*

The Group reviewed the amount of liabilities under usufruct of land in accordance with IFRS 16 *Leases* effective as of 1 January 2019. Below is presented the effect of the revision, made to ensure compliance with the new regulations, on the amounts of investment property and financial liabilities for usufruct of land in the comparative period as at 31 December 2018.

	<b>Data presented in the approved financial statements as at 31 Dec 2018</b>	<b>Restatement</b>	<b>Restated data as at 31 Dec 2018</b>
<b>MLP Pruszków I park</b>			
Usufruct - MLP Pruszków I	2 639	6 338	8 977
<b>MLP Pruszków II park</b>			
Usufruct - MLP Pruszków II	2 616	(915)	1 701
<b>Investment property</b>	<b>5 255</b>	<b>5 423</b>	<b>10 678</b>
Finance lease liabilities	5 256	5 423	10 679
<b>Other non-current liabilities</b>	<b>5 256</b>	<b>5 423</b>	<b>10 679</b>

*Signed with qualified electronic signature.*

-----  
**Radosław T. Krochta**

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

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**Tomasz Zabost**

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

*Pruszków, 17 March 2020*





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

**for the 12 months ended 31 December 2019**

This Management Board's Report on the activities of the MLP Group S.A. for the 12 months ended December 31st 2019 has been prepared pursuant to the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (Dz. U. of 2018, item 757).

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## Authorisation by the MLP Group S.A. Management Board of the Management Board's Report on the activities of the MLP Group S.A. Group in the 12 months ended 31 December 2019

This Management Board's Report on the activities of the MLP Group S.A. Group 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 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. Group (the "Group"). The Company is entered in the National Court Register maintained by the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register, under No. 0000053299. The Company's registered office is located at ul. 3-go Maja 8 in Pruszków, Poland.

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

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

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

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

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

### 1.1 Structure of the Group

As at 31 December 2019, the Group comprised the following entities:

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

No.	Entity	Country of registration	Parent's direct and indirect interest in equity	Parent's direct and indirect interest in voting rights
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 the Group

<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.

<sup>8)</sup> On 17 July 2019 MLP Wrocław West Sp. z o.o. was established. 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> MLP Schwalmtal Sp. z o.o.&Co. KG, a limited partnership, was established on 24 October 2019, with MLP Schwalmtal LP Sp. z o.o. as the limited partner and MLP Schwalmtal GP Sp. z o.o. as the general partner.

<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.

## 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 markets as an industrial developer, consultant and property manager, providing comprehensive solutions to numerous Polish and international logistics, distribution and production companies, enabling them to optimise their warehouse and production space.

In order to provide high quality services, all projects undertaken by the Group are distinguished by attractive location of the logistics parks, application of built-to-suit solutions, and support given to tenants during the lease term. The Management Board believes that the attractiveness of its logistics parks locations stems from:

- location near large metropolitan areas,
- location near road transport nodes,
- easy access to the logistics parks by public transport.

At present, the Group operates eleven logistics parks in the following 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. 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. The commercialisation process was completed in the first quarter of 2019. In Germany, the Group 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. The Group has also signed a number of reservation agreements to purchase 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 the 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.



### 1.3 The Group's property portfolio

The Group classifies its portfolio properties into two main categories:

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

The table below presents the structure of the Group's property portfolio by category as at 31 December 2019:

Logistics parks in Poland	Location	Target area (m <sup>2</sup> )	Existing leasable space (m <sup>2</sup> )	Space under construction and under preparation (m <sup>2</sup> )	Land bank (m <sup>2</sup> )
MLP Pruszków I	Pruszków	168 334	168 334	-	-
MLP Pruszków II	Brwinów	309 048	159 663	48 006	202 758
MLP Poznań	Poznań	89 935	48 389	-	83 092
MLP Poznań West	Dąbrówka	82 818	8 813	11 690	117 555
MLP Lublin	Lublin	48 314	46 424	-	3 780
MLP Teresin	Teresin	37 954	37 954	-	-
MLP Gliwice	Szałsza	52 888	35 564	8 813	17 022
MLP Wrocław	Mirków	63 234	26 100	20 250	33 768
MLP Wrocław West	Mokronos Dolny	70 000	-	8 640	151 800
MLP Czeladź	Czeladź	68 332	18 891	-	98 882
MLP Łódź <sup>3)</sup>	Łódź	76 000	-	-	179 440
MLP Unna <sup>2)</sup>	Unna	56 500	24 192	56 500	-
MLP Business Park Berlin <sup>1)</sup>	Berlin	18 900	-	-	50 000
MLP Niederrhein <sup>4)</sup>	Niederrhein	64 000	-	-	125 000
MLP Bucharest	Bukareszt	99 000	12 395	10 216	148 704
<b>Total</b>		<b>1 305 257</b>	<b>586 719</b>	<b>164 115</b>	<b>1 211 801</b>

<sup>1)</sup> On 23 December 2019, the Group purchased 5 ha of land for development of MLP Business Park Berlin. MLP Business Park Berlin will be the Group's first City Logistic project.

<sup>2)</sup> On 4 April 2017, MLP Logistic Park Germany I Sp. z o.o. &Co KG. purchased a land property with an area of 12.5 ha, developed with warehouse and office buildings. The MLP Unna Logistics Park is located on the land and comprises buildings which are planned to be demolished as the Group intends to build new storage facilities instead. \*In the MLP Unna logistics park, there are old buildings that are partly leased (leased space: 24,284 m<sup>2</sup>). The Company signed a contract with the tenant for delivery of a new facility with a total area of 56,500 m<sup>2</sup>, to be constructed after the existing old buildings are demolished. The construction process is expected to commence in 2021.

<sup>3)</sup> In December 2019, MLP Łódź Sp. z o.o. purchased 0.92 ha of land (out of the planned 18 ha). The Company intends to finalise the purchase of land by the end of March 2020.

<sup>4)</sup> In November 2019, MLP Schwalmtal Sp. z o.o. & Co. KG concluded a preliminary agreement for the sale of 12,5 ha of land, to be used for development MLP Niederrhein, a new logistics park. The transaction will be completed by the end of 2020.

Summary of leasable area owned by the Group in Poland as at 31 December 2019 (m<sup>2</sup>):

Target space upon completion (m <sup>2</sup> )	Space completed (m <sup>2</sup> )	Space under construction and under preparation (m <sup>2</sup> )	Space completed and leased out (m <sup>2</sup> )	Pre-leased space under construction and under preparation (m <sup>2</sup> )	Space completed but not leased out (m <sup>2</sup> )
<b>POLAND:</b>					
1 066 857	550 132	97 399	534 829	76 609	15 303
<b>GERMANY:</b>					
139 400	24 192	56 500	24 192	56 500	-
<b>ROMANIA:</b>					
99 000	12 395	10 216	12 395	-	-
<b>1 305 257</b>	<b>586 719</b>	<b>164 115</b>	<b>571 416</b>	<b>133 109</b>	<b>15 303</b>

#### Types of rental space offered:

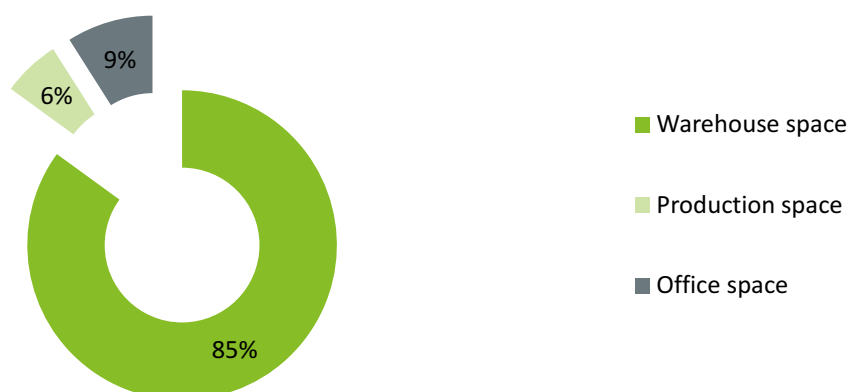
The Group offers two types of space to its tenants:

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

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

The chart below presents the structure of the Group's total developed space as at 31 December 2019:

#### Group's developed space by type as at 31 December 2019



Fair value of the Group'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>

The value of investment property portfolio disclosed in the consolidated financial statements as at 31 December 2019 included: (i) market value of investment property of PLN 1,782,128 thousand, (ii) perpetual usufruct right to land of PLN 21,142 thousand, and expenditure on future investment projects of PLN 2.909 thousand in new locations of interest to the Group.

## 1. 4 Market, customers and suppliers

The Group's property portfolio currently comprises eleven logistics parks in the following 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 Group 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.

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

The Group earns revenue from lease of investment property in logistics parks in Poland and Germany, and since July 2019 – also in Romania. The table below presents the types of revenue derived from lease of the properties.

Revenue in the year ended 31 December	2019	2018	change (%)
<b>Sales to external customers:</b>			
Rental income from investment property	81 864	71 839	14,0%
Recharge of service charges	27 257	21 115	29,1%
Recharge of utility costs	28 070	25 219	11,3%
Other revenue	1 481	1 212	22,2%
Revenue from property development contract concluded by MLP Bieruń Sp. z o.o. <sup>1)</sup>	1 360	22 117	-93,9%
<b>Total</b>	<b>140 032</b>	<b>141 502</b>	<b>-1,0%</b>

The structure of the Group's tenants is highly diversified and therefore the Group is not exposed to any material risk related to a single tenant or group of tenants. As at 31 December 2019, the average space of income-generating properties per tenant was approximately 6.6 thousand m<sup>2</sup> (31 December 2018: 6.2 thousand m<sup>2</sup>).

As at 31 December 2019, the 10 largest tenants occupied about 43% of the total leased space in all of the Group's parks (31 December 2018: 45%).

The increase in rental income (by PLN 10,025 thousand), income from re-charge of operating expenses (by PLN 6,142 thousand), and income from re-charge of utilities (by PLN 2,851 thousand) was mainly attributable to the fact that in 2019 a total of 74,876 m<sup>2</sup> of area was completed and leased out. Additionally, in 2019, two new logistics parks, i.e. MLP Poznań West and MLP Bucharest West, which were under construction in 2018, started to generate rental income.

<sup>1)</sup> Includes the agreement to sell property forming part of the MLP Bieruń logistics park, MLP Bieruń Sp. z o.o. signed a development contract whereby it undertook to complete the construction and to commercialise the park. In performance of the contract, in 2017 MLP Bieruń Sp. z o.o. completed construction of Stage 1 of the building for Auto Partner. In 2018, the company leased the remaining target area of 11,560 m<sup>2</sup> to the tenant and commenced construction of the warehouse. In 2018, the Group recognised revenue from the park of PLN 22,177 thousand (2017: PLN 3,789 thousand), proportionately to the costs incurred, which represented 97% of the total planned construction costs.

In 2018, MLP Bieruń Sp. z o.o. leased the remaining space of 11,560 m<sup>2</sup> to the same tenant and worked on Stage 2 of the project (construction of the warehouse). On this account, in 2018 the Group recognised revenue of PLN 22,117 thousand, calculated based on the percentage of completion of the work. The construction was completed and accounted for in February 2019. As a result, the Group recognised revenue of PLN 1,360 thousand in 2019.

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

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

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

For construction services, general contractors are selected in internally organised tender procedures. In 2019, the Group worked with two construction companies Pekabex Bet S.A., Bln - Biuro Inżynierskie Sp. z o.o., Wielkopolskie Przedsiębiorstwo Inżynierii Przemysłowej Spółka Komandytowa, Firma Budowlana Antczak Marek Sp. z o.o., and – on a general contracting basis – with Atlas Ward Poska Sp. z o.o. with which the turnover in 2019 exceeded 10% of the Group's revenue.

The other services are procured from a broad base of suppliers, and therefore the Group is not dependent on any single supplier. In 2019, none of the Group's other suppliers accounted for more than 10% of the Group's revenue.

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

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

In 2019, the Group continued its principal business activity consisting in the construction and lease of warehouse and office space. The construction work was mainly outsourced to specialist third-party service providers on the general contractor basis.

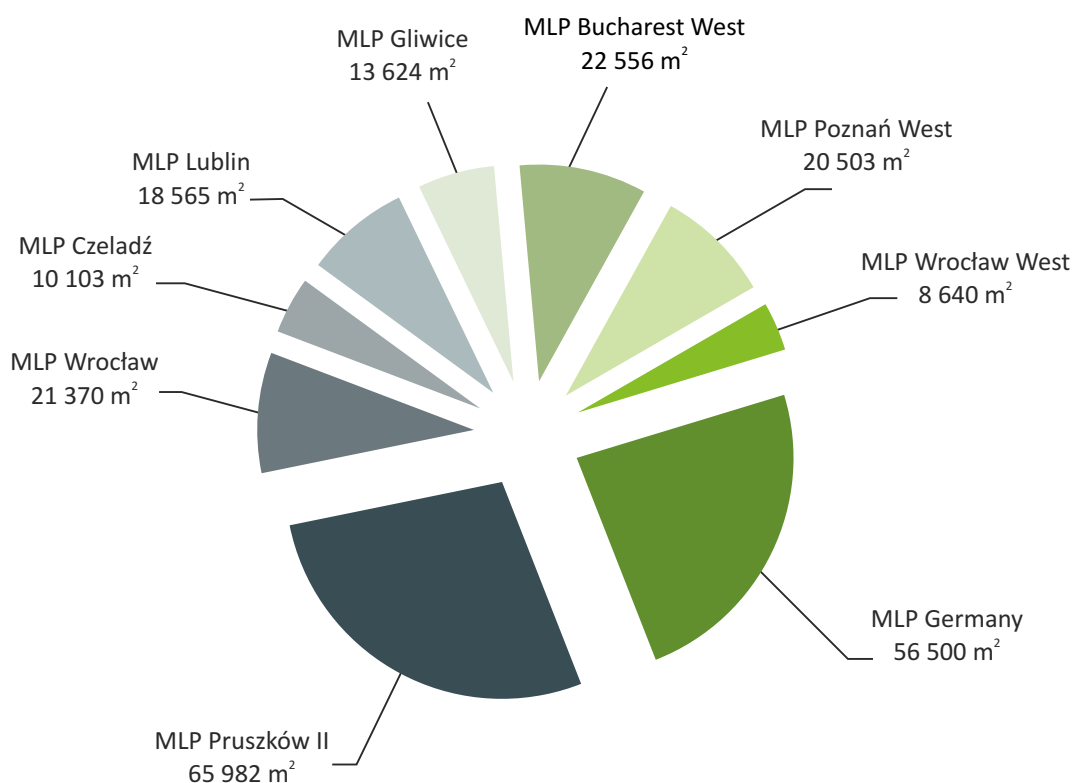
In the period under review, the Group carried out several property development projects and leased more than 571,000 m<sup>2</sup> of the existing warehouse and office space. The Company's Management Board reviewed and assessed on an ongoing basis:

- 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

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>.

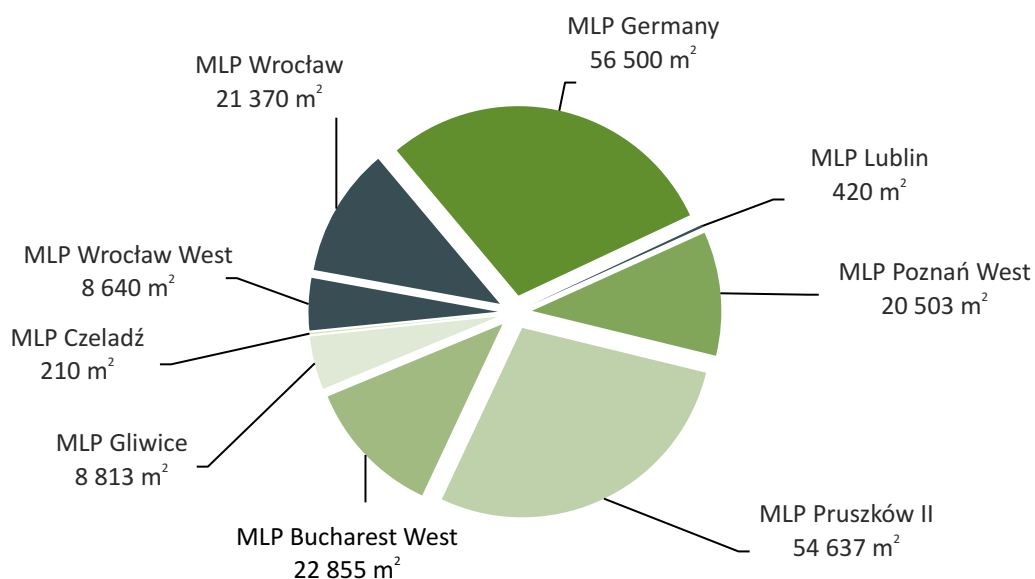
**Area of projects under construction and under preparation in 2019 (m<sup>2</sup>)**



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.

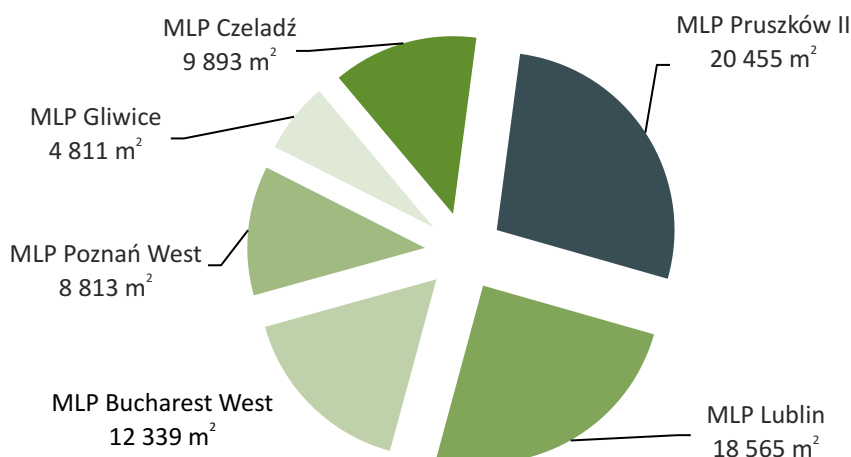
The chart below presents the area of projects which were commenced and/or in preparation in 2019, by logistics park:

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



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.

**Area of projects completed in 2019 (m<sup>2</sup>)**



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

In 2019, the Group worked on development of 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. 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. 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 on foreign markets (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 new logistics projects.

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

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

In performance of the contract, in 2017 MLP Bieruń Sp. z o.o. completed construction of Stage 1 of the building for Auto Partner. In 2018, the company leased the remaining area of 11,560 m<sup>2</sup> to the tenant. In 2019, the company completed construction of the warehouse and transferred the facility for use to the tenant.

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 agreements with a total value exceeding 10% of the Group's equity were concluded in 2019***

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

## **2. 1.4 Shareholder agreements**

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

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



### **2. 1.5 Partnership or cooperation agreements**

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

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

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

For description of related-party transactions, see Note 27 to the Group's full-year consolidated financial statements for the 12 months ended 31 December 2019.

### **2. 1.7 Litigation**

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

As at 31 December 2019, the Group was party to proceedings with a total amount of liabilities and claims under litigation of approximately PLN 25,882 thousand, including liabilities under litigation of approximately PLN 80 thousand, and claims under litigation of approximately PLN 25,802 thousand (including PLN 21,888.7 thousand under litigation with Czerwona Torebka S.A.).

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

Court case brought by OLPIZ Sp. z o.o. against MLP Sp. z o.o., concerning payment of PLN 5,406,352.46, was closed with the final judgment dismissing the claim.

MLP Teresin sp. z o.o./MLP Poznań II sp. z o.o.'s claims against Piotr i Paweł S.A. which arose before 12 September 2018 are covered by subject to restructuring proceedings. Under the composition arrangement of 2 March 2020, MLP Teresin sp. z o.o./MLP Poznań II sp. z o.o. were classified as Category 2 creditors, and their cash claims against Piotr and Paweł S.A. were reduced: the principal and incidental claims (including interest) were reduced by 80% and 95%, respectively, with the balance of the principal and incidental claims (20% and 5%, respectively) to be paid in cash on a one-off basis.

On 31 January 2020, MLP Gliwice Sp. z o.o. received a court judgment, issued on 22 January 2020, in which the court ruled in favour of DEPENBROCK Polska Sp. z o.o. sp. k. and ordered MLP Gliwice Sp. z o.o. to pay to DEPENBROCK Polska Sp. z o.o. sp. k. EUR 865,777.48 and reimburse the court costs of PLN 15,017.00. On 13 February 2020, the Company appealed against the judgment. The dispute concerns unpaid invoices related to a development, with the payments withheld due to improperly performed services. The Company holds cash necessary to pay the liability.

## 2. 2 Development of the Group and risk factors

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

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

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

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

#### Credit risk

Credit risk is the risk of financial loss to the Company and the Group companies if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from debt instruments. The objective of risk management is to maintain, in terms of quality and value, a stable and sustainable portfolio of loans and other investments in debt instruments, by operating an appropriate credit limit policy.

#### Liquidity risk

Liquidity risk is the risk of the Group not being able to meet in a timely manner its liabilities that are to be settled by delivery of cash or other financial assets. The Group's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without risking unacceptable losses or damage to the Group's reputation. To this end, the Group monitors its cash flows 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 Group mitigates the risk by constantly monitoring the Group'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**

The consolidated financial statements of the Group are prepared in PLN, which is the functional currency of the Group. Most of the Group's rental income is denominated in EUR and occasionally in PLN. 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 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 by the Group on a case-by-case basis. In order to mitigate the interest rate risk, the Group companies enter into Interest Rate Swap transactions with their financing banks. Changes in interest rates may have a material adverse effect on the financial position and results of the Group.

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

### **Risk related to the Group's dependence on macroeconomic conditions**

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

### **Risks related with factors specific to the real estate sector**

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

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

#### **Risk related to a possible downturn on the real estate market and general economic slowdown**

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

#### **Insurance risk**

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

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

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

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

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

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

- increase in the cost of materials, labour costs or other expenses that may cause the completion of a project to be unprofitable;
- actions of public authorities and local governments resulting in unexpected changes in the land use planning and architectural requirements;
- defects or limitations of legal title to plots or buildings acquired by the Group, or defects, limitations or conditions related to administrative decisions concerning the plots of land owned by the Group;
- changes in applicable laws, rules or standards which take effect after the Group commences the planning or construction phase of a project, resulting in the Group incurring additional costs or resulting in delays in the project or its interpretation or application;
- violations of building standards, incorrect methods of construction or faulty construction materials;
- industrial accidents, 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.

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

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

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

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

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

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

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

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

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

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

### **Risk related to land acquisition**

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

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

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

### **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 inside information and take immediate action to minimize the risks.

## 2. 2.2 Business development prospects

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

Poland's GDP growth, as well as the country's growing importance as a provider of services to e-commerce operators catering to the needs of Western European markets, are a major factor stimulating the demand. In addition, low interest rates and the lowest rent rates in Europe strengthen Poland as one of the most attractive 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 high stability. 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 2.5pp 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 a 19% increase year on year. At the end of last year, over 1.9m 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 400,000 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, 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 the Group; management of financial resources

#### 3.1 Key economic and financial data disclosed in the Group's full-year consolidated financial statements for 2019

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

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

	<i>as at</i>	31 Dec 2019	% share	31 Dec 2018	% share	Change (%)
<b>ASSETS</b>		<b>2 074 127</b>	<b>100%</b>	<b>1 663 389</b>	<b>100%</b>	<b>25%</b>
<b>Non-current assets</b>		<b>1 838 209</b>	<b>89%</b>	<b>1 526 027</b>	<b>91%</b>	<b>20%</b>
Including:						
Investment property		1 809 850	87%	1 448 594	86%	25%
Other long-term investments		23 826	2%	72 088	6%	-67%
<b>Current assets</b>		<b>235 918</b>	<b>11%</b>	<b>137 362</b>	<b>9%</b>	<b>72%</b>
Including:						
Short-term investments		63 688	3%	22 291	2%	186%
Trade and other receivables		67 128	3%	57 754	2%	16%
Other short-term investments		2 774	0%	10 551	0%	-74%
Cash and cash equivalents		102 046	5%	46 106	5%	121%

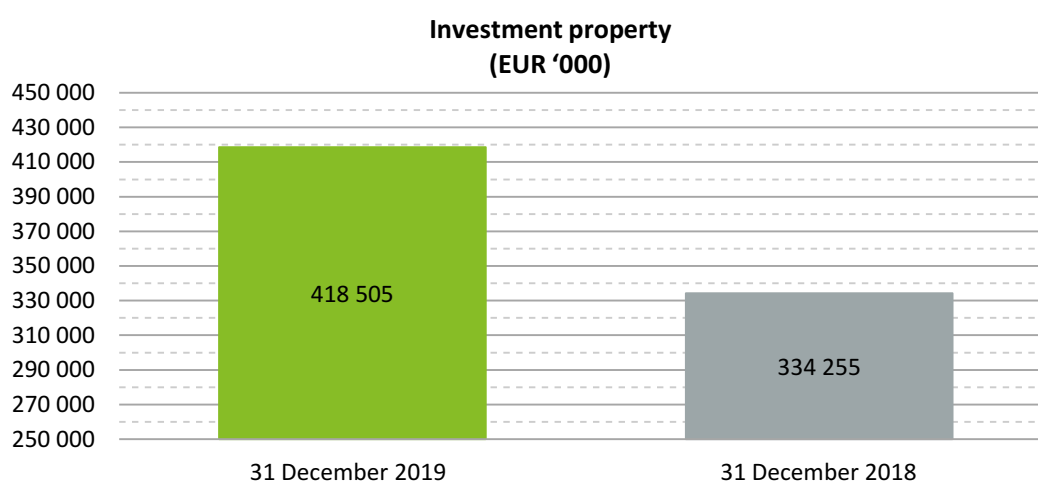
	<i>as at</i>	31 Dec 2019	% share	31 Dec 2018	% share	Change (%)
<b>EQUITY AND LIABILITIES</b>		<b>2 074 127</b>	<b>100%</b>	<b>1 663 389</b>	<b>100%</b>	<b>25%</b>
<b>Total equity</b>		<b>938 555</b>	<b>45%</b>	<b>815 352</b>	<b>53%</b>	<b>15%</b>
<b>Non-current liabilities</b>		<b>971 135</b>	<b>47%</b>	<b>762 389</b>	<b>42%</b>	<b>27%</b>
Including:						
Borrowings and other debt instruments, and other non-current liabilities		825 845	40%	642 915	35%	28%
<b>Current liabilities</b>		<b>164 437</b>	<b>8%</b>	<b>85 648</b>	<b>5%</b>	<b>92%</b>
Including:						
Borrowings and other debt instruments		54 429	3%	30 996	2%	76%
Trade and other payables		108 546	5%	50 775	3%	114%

As at 31 December 2019, the Group's investment property, comprising logistics parks, continued as the key item of the Group's assets, accounting for 87% of total assets. The largest items of equity and liabilities were borrowings and other debt instruments and equity. As at 31 December 2019, equity accounted for 45% of total equity and liabilities, and non-current liabilities, borrowings, other debt instruments and other liabilities accounted for 40% of total equity and liabilities. The increase in borrowings, other debt instruments, and other non-current and current liabilities was primarily attributable to the Group's EUR 93,900 thousand refinancing facility disbursed in May 2019; and to the contracting of new loans by MLP Czeladź Sp. z o.o. and MLP Pruszków V Sp. z o.o. The new credit facilities are used to finance the Group's continuous growth, and extension of the existing and construction of new logistics parks. Another factor which contributed to the overall increase in liabilities was the depreciation of the Polish currency against the euro.

#### Investment property

	<i>as at</i>	31 Dec 2019	31 Dec 2019	31 Dec 2018	31 Dec 2018	Change
		[EUR '000]	[PLN '000]	[EUR '000]	[PLN '000]	[EUR '000]
MLP Pruszków I		90 030	383 393	81 860	351 997	8 170
MLP Pruszków II		128 224	546 042	107 393	461 790	20 831
MLP Poznań		31 750	135 207	30 974	133 188	776
MLP Lublin		34 293	146 037	20 581	88 498	13 712
MLP Teresin		16 870	71 841	16 280	70 004	590
MLP Gliwice		26 117	111 219	23 130	99 459	2 987
MLP Wrocław		28 800	122 645	19 766	84 994	9 034
MLP Czeladź		19 110	81 380	13 721	59 000	5 389
MLP Poznań West		18 640	79 378	7 450	32 035	11 190
MLP Unna		7 620	32 450	5 730	24 639	1 890
MLP Bucharest West		17 051	72 536	7 370	31 723	9 681
<b>Valuation of the property portfolio</b>		<b>418 505</b>	<b>1 782 128</b>	<b>334 255</b>	<b>1 437 327</b>	<b>84 250</b>

According to the valuations prepared as at 31 December 2019, the total value of the Group's property portfolio was EUR 418,505 thousand (PLN 1,782,128 thousand), having increased by EUR 84,250 thousand on 31 December 2018. The change was mainly attributable to the completion of projects and delivery of approximately 75,000 m<sup>2</sup> of new space in 2019, as well as launch of new projects. The largest increase in space built and rented out was seen in Poland, which translated into a significant increase in the valuation of the Polish portfolio. New facilities of 12,395 m<sup>2</sup> were also built and leased in the logistics park in Romania, hence the increase in valuation of the park. In the case of the MLP Unna park (Germany), the valuation increased by PLN 1,890 thousand relative to 31 December 2018. In June 2018, the contract with Metro Group expired and the existing warehouse space was not leased out at the end of the year. In H1 2019, the Group entered into short-term lease contracts for space in the existing old buildings, scheduled to be demolished in 2021. The contract terms expire in 2020. A new project for L-Shop Team will be implemented within the MLP Unna park. In H1 2019, the Group and L-Shop Team signed a 15-year lease contract for a total leasable space of 56,500 m<sup>2</sup>, to be delivered in 2022.



#### Investments and other investments

	<i>as at</i>	31 Dec 2019	31 Dec 2018
Other long-term investments		19 832	22 295
Long-term loans		3 994	49 793
Short-term loans		63 688	22 291
Other short-term investments		2 774	10 551
<b>Total investments and other investments</b>		<b>90 288</b>	<b>104 930</b>

Other long-term investments comprise the non-current portion of restricted cash of PLN 19,832 thousand, including: (i) cash of PLN 10,713 thousand, which set aside pursuant to the provisions of credit facility agreements to secure payment of principal and interest, (ii) PLN 2,981 thousand, a deposit created from a security deposit retained from the tenant, (iii) as well as other retained security deposits of PLN 6,138 thousand.

As at 31 December 2019, receivables under loans decreased by PLN 4,402 thousand relative to the end of 2018.

Other short-term investments comprise the current portion of restricted cash of PLN 2,774 thousand, including: (i) a short-term portion of retained security deposit of PLN 2,078 thousand and (ii) a short-term portion of funds set aside pursuant to the terms of credit facility agreements of PLN 696 thousand.

#### Cash

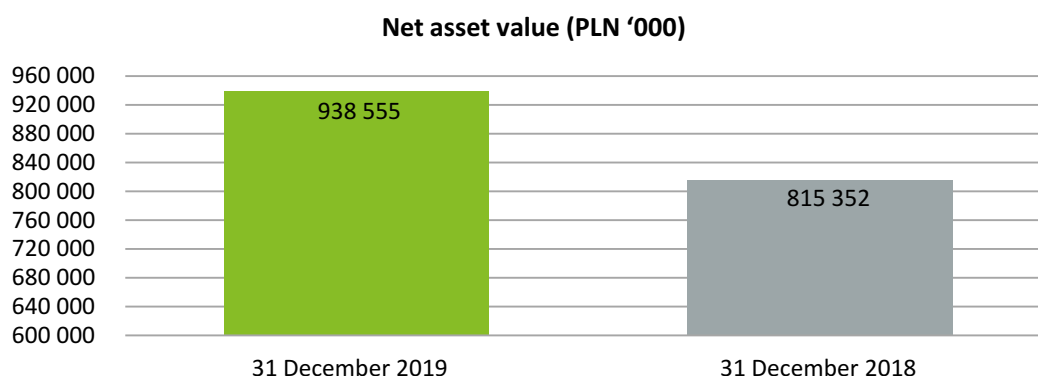
	<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Cash in hand		53	61
Cash at banks		94 179	41 654
Short-term deposits		7 814	4 391
<b>Cash and cash equivalents in the consolidated statement of financial position</b>		<b>102 046</b>	<b>46 106</b>
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>		<b>102 046</b>	<b>46 106</b>

Cash and cash equivalents disclosed in the consolidated statement of financial position include cash in hand and bank deposits with original maturities of up to three months.

As at 31 December 2019, the balance of cash was PLN 102,046 thousand, having increased by PLN 55,940 thousand on 31 December 2018. The increase was mainly attributable to the refinancing of credit facilities by MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o. and MLP Pruszków IV Sp. z o.o., as well as an increase in operating cash flows.

#### Equity

- **Net assets (NAV)**



As at December 31st 2019, the net asset value was PLN 938,555 thousand, having increased by PLN 123,203 thousand (or 15.11%).

The increase in NAV was driven primarily by the net profit earned in 2019 of PLN 129,369 thousand, partially offset by the measurement of hedging instruments recognised in other comprehensive income.

● **Share capital**

	<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 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.

**Liabilities under borrowings and other debt instruments, and other liabilities**

	<i>as at</i>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Borrowings secured over the Group's assets		638 455	433 592
Bonds		127 755	129 000
Liabilities under non-bank borrowings		14 283	50 075
<b>Total non-current liabilities under borrowings and other debt instruments</b>		<b>780 493</b>	<b>612 667</b>
Finance lease liabilities		24 688	10 679
Liabilities from measurement of interest rate hedges		8 161	5 215
Performance bonds, security deposits from tenants and other deposits		12 503	14 354
<b>Total other non-current liabilities</b>		<b>45 352</b>	<b>30 248</b>
Short-term bank borrowings and short-term portion of bank borrowings secured over the Group's assets		22 523	30 482
Bonds		491	514
Non-bank borrowings		31 415	-
<b>Total current liabilities under borrowings and other debt instruments, and other current liabilities</b>		<b>54 429</b>	<b>30 996</b>
<b>Liabilities under borrowings and other debt instruments, and other liabilities</b>		<b>880 274</b>	<b>673 911</b>

Liabilities under borrowings and other debt instruments have a material share in the Group's equity and liabilities, with borrowings representing the main source of funding for the expansion of the Group's logistics parks. In 2017 and 2018, the Group also issued corporate bonds, with the proceeds applied towards purchase land for development of new logistics parks.

The key driver of growth in borrowings, other debt instruments, and other liabilities was the amount of new credit facilities. In 2019, new credit facilities were drawn by MLP Gliwice Sp. z o.o. and MLP Czeladź Sp. z o.o., and MLP Pruszków V Sp. z o.o. Three companies: MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o., and MLP Pruszków IV Sp. z o.o. entered into a credit facility agreement with ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Industrial and Commercial Bank of China (Europe) S.A. The proceeds were used to refinance existing credit facilities and finance ongoing projects.

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

#### Consolidated statement of profit or loss for the year ended 31 December 2019 vs 2018

<i>for the year ended 31 December</i>	2019	% sales	2018	% sales	Change (%)
Revenue	140 032	100%	141 502	100%	-1%
<i>including:</i>					
<i>Revenue from property development contract concluded by MLP Bieruń Sp. z o.o.</i>	1 360	1%	22 117	16%	-
Other income	1 317	1%	2 280	2%	-42%
Distribution costs and administrative expenses	(77 726)	56%	(78 919)	56%	-2%
<i>including:</i>					
<i>Costs related to property development contract concluded by MLP Bieruń Sp. z o.o.</i>	(649)	0%	(14 047)	-10%	-
Other expenses	(4 405)	3%	(2 486)	2%	77%
<b>Operating profit before gain/(loss) on valuation of investment property</b>	<b>59 218</b>	<b>42%</b>	<b>62 377</b>	<b>44%</b>	<b>-5%</b>
Gain on revaluation of investment property	120 797	86%	88 713	63%	36%
<b>Operating profit</b>	<b>180 015</b>	<b>129%</b>	<b>151 090</b>	<b>107%</b>	<b>19%</b>
Net finance costs	(16 798)	12%	(29 406)	21%	-43%
<b>Profit before tax</b>	<b>163 217</b>	<b>117%</b>	<b>121 684</b>	<b>86%</b>	<b>34%</b>
Income tax	(33 848)	24%	(29 293)	21%	16%
<b>Net profit</b>	<b>129 369</b>	<b>92%</b>	<b>92 391</b>	<b>65%</b>	<b>40%</b>

<i>for the 12 months ended 31 December</i>	2019	2018
<b>Earnings per share:</b>		
- Basic earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent	7,14	5,10
Diluted earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent	7,14	5,10

<i>for the 12 months ended 31 December</i>	<b>2019</b>	<b>2018</b>	<b>change (%)</b>
Rental income from investment property	81 864	71 839	14,0%
Recharge of service charges	27 257	21 115	29,1%
Recharge of utility costs	28 070	25 219	11,3%
Other revenue	1 481	1 212	22,2%
Revenue from development contract concluded by MLP Bieruń Sp. z o.o.	1 360	22 117	-93,9%
<b>Total revenue</b>	<b>140 032</b>	<b>141 502</b>	<b>-1,0%</b>

Rental income is the main source of the Group's revenue. In 2019, rental income was PLN 81,864 thousand, having increased by 14.0% year on year. The increase in rental income (by PLN 10,025 thousand) was mainly attributable to the fact that in 2019 a total of 74,876 m<sup>2</sup> of pre-leased space was delivered at MLP Czeladź, MLP Pruszków II, MLP Lublin, MLP Poznań West, and MLP Bucharest parks. Additionally, in 2019, two new logistics parks, i.e. MLP Poznań West and MLP Bucharest West, which were under construction in 2018, started to generate rental income.

Distribution costs and administrative expenses in 2019 were PLN 77,726 thousand, having decreased by PLN 1,193 thousand on 2018. The change was attributable to a decrease in construction costs under a development contract completed at the beginning of 2019, and an increase in costs strongly correlated with the volume of buildings owned and leased by the Group (whose space increased by 99,167 m<sup>2</sup>).

Due to the nature of the Group's business, the largest items of distribution costs and administrative expenses were costs of services, raw materials and energy used, and tax and charges, which in 2019 were PLN 26,230 thousand, PLN 27,126 thousand, and PLN 17,156 thousand, respectively. These cost categories are closely correlated to the volume of space in warehouse and manufacturing parks owned by the Group, their development and related maintenance.

In 2019, the Group recognised net finance costs of PLN 16,798 thousand. The increase in interest expense (on borrowings, corporate bonds, IRS interest) by PLN 6,047 thousand relative to 2018 was attributable to the new borrowings taken out in 2019. The increase was offset by the appreciation of the Polish currency against the euro during the year, which resulted in foreign exchange gains. In 2019, foreign exchange gains were PLN 5,337 thousand, compared with PLN 12,009 thousand foreign exchange losses in 2018.

In 2019, the Group recognised gain on revaluation of investment properties of PLN 120,797 thousand (2018: gain of PLN 88,713 thousand). The main source of the gain in 2019 included completion of new space and delivery of 74,876 m<sup>2</sup>, and launch of new projects within the MLP parks with a total area of 119,508 m<sup>2</sup>.



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

	<i>for the year ended 31 December</i>	2019	2018
Net cash from operating activities		86 109	36 013
Net cash from investing activities		(208 082)	(195 506)
Net cash from financing activities		178 192	139 909
<b>Total net cash flows</b>		<b>56 219</b>	<b>(19 584)</b>
<b>Cash at beginning of period</b>		<b>46 106</b>	<b>64 827</b>
Effect of exchange differences on cash and cash equivalents		(279)	863
<b>Cash and cash equivalents at end of period</b>		<b>102 046</b>	<b>46 106</b>

In 2019, the Group reported positive operating cash flows of PLN 86,109 thousand, a decrease of PLN 50,096 thousand on 2018.

The amount of operating cash flows in 2019 was to a large extent driven by:

(i) receipt of a cash payment (PLN 24,782 thousand) under the property development contract executed by MLP Bieruń Sp. z o.o. – project executed for the tenant Auto Partner S.A. The Group's expenses to execute the project, incurred in 2018, were PLN 15,835 thousand. (ii) The increase in operating cash flows was also driven by the increase in the scale of the Group's business – a result of the larger volume of space leased in the logistics parks.

In 2019, the Group reported negative cash flows from investing activities of PLN 208,082 thousand. In 2018, net cash flows from investing activities were negative at PLN 195,506 thousand. The increase in negative investing cash flows in 2018 was attributable to the Group's investment programme. The largest expenditures incurred by the Group were outlays on the development of logistics parks in Poland.

In 2019, the Group's cash flows from financing activities were positive at PLN 178,192 thousand. The excess of cash inflows over outflows was mainly attributable to proceeds under agreements concluded by Group companies. The largest amounts of proceeds were received under the credit facility agreement concluded by MLP Pruszków I Sp. z o.o., MLP Pruszków III Sp. z o.o., MLP Pruszków IV Sp. z o.o. and ING Bank Śląski S.A. of Katowice, Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw, and Industrial and Commercial Bank of China (Europe) S.A.

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

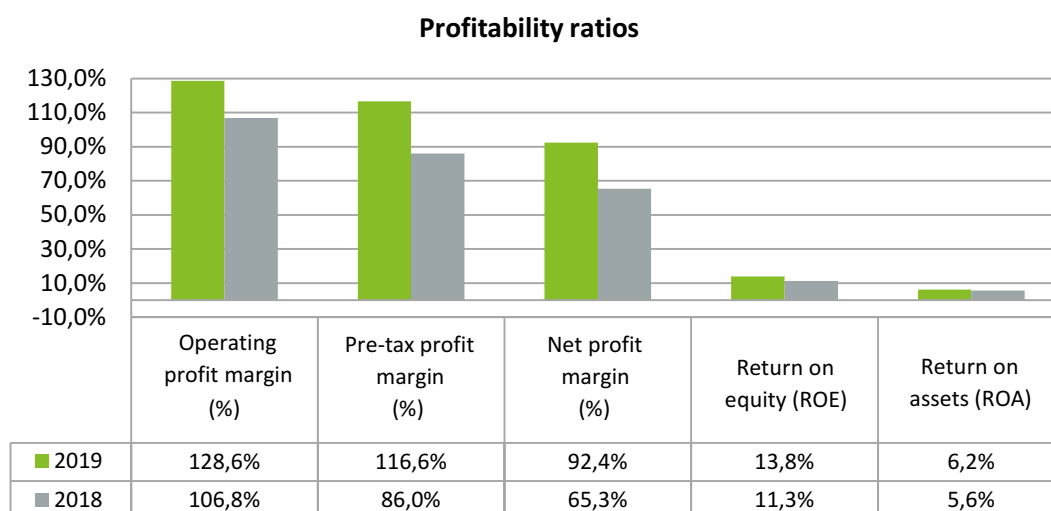
The Management Board of MLP Group S.A. has not published any financial forecasts for 2020.

### **3. 3 Management of the Group's financial resources**

In 2019, in connection with its investment projects involving construction of storage and office space, the Group's efforts in the area of managing its financial resources were mainly focused on securing and appropriately structuring the financing sources, and on maintaining safe liquidity ratios. The Management Board analyses and plans the Group's financing structure on an ongoing basis to deliver the budgeted ratios and financial results while ensuring that the Group's liquidity and wider financial security are maintained.

The Management Board believes that as at 31 December 2019 the Group's assets and financial position was stable. thanks to the Group's well-established position on the warehouse space market, combined with the relevant experience and operational capabilities in managing property development projects and leasing commercial space. Further in this report the Group's financial condition and assets are discussed in the context of the liquidity and debt ratios.

### 3. 3.1 Profitability ratios



The profitability analysis is based on the following ratios:

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

In 2019, the operating profit margin increased year on year. The 2019 operating margin was mainly driven by the completion of projects with a total area of 74,876 m<sup>2</sup>, as well as launch of new projects in MLP parks with a total area of 119,508 m<sup>2</sup> (of which 75,316 m<sup>2</sup> were not yet completed as at 31 December 2009). All these factors also contributed to the gain on revaluation of investment property in 2019 (PLN 120,797 thousand), which in turn was one of the drivers of the significant increase in net profit.

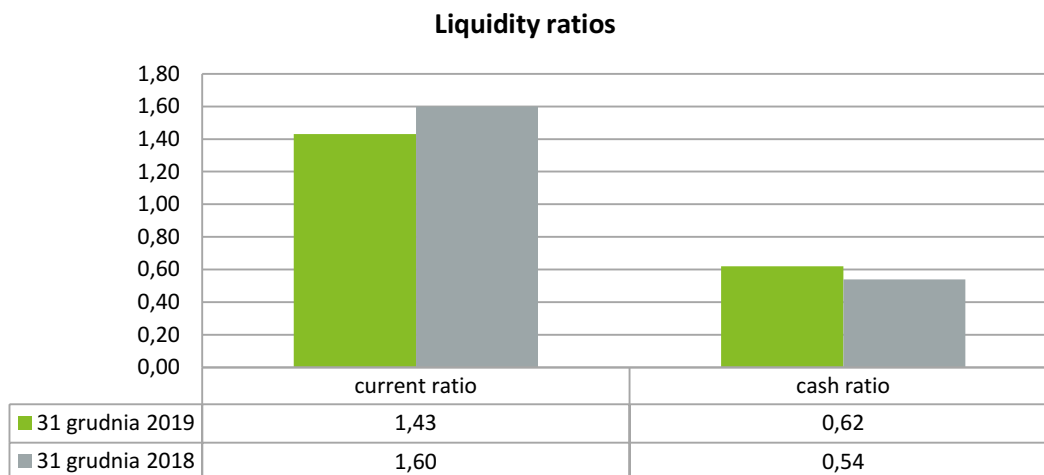
In 2019, the pre-tax profit margin was 116.6%, having increased by 30.6pp, chiefly on the strong year-on-year rise of profit before tax.

The net margin increased by 27.1pp year on year, to 92.4% in 2019, an evidence of the Group's strong financial position.

Return on equity in 2019 increased relative to 2018 (change by 2.5pp), Driven mainly by a 40.0% year-on-year increase in net profit and a 15.1% increase in equity.

Return on assets increased slightly year on year, by 0.6pp.

### 3. 3.2 Liquidity ratios



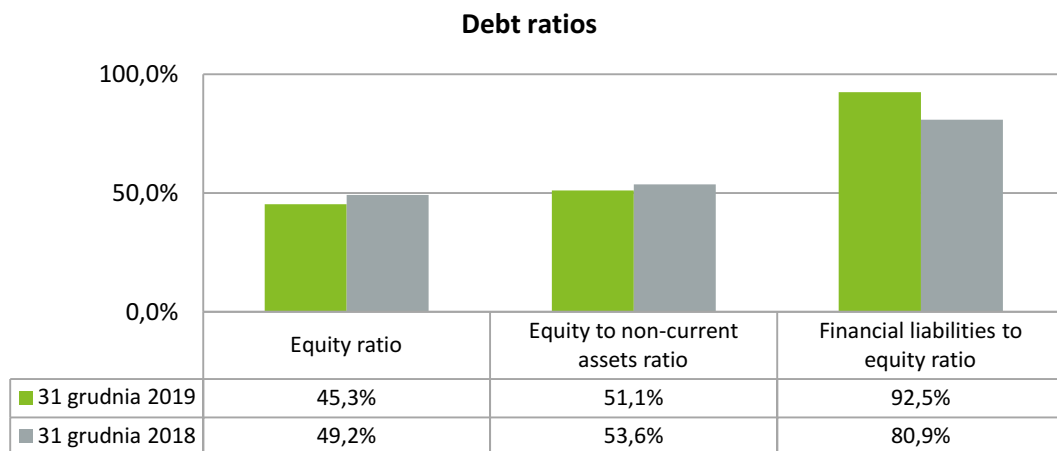
The liquidity analysis is based on the following ratios:

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

The current ratio as at 31 December 2019 fell on year-end 2018 by 0.17pp.

The cash ratio as at 31 December 2019 increased relative to the end of 2018 by 0.08pp. The increase was due mainly to proceeds from borrowings.

### 3. 3.3 Debt ratios



The debt analysis is based on the following ratios:

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

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

In 2019, the equity ratio fell by 3.9pp, Mainly due to a 24.7% year-on-year increase in total assets relative to 31 December 2018, attributable to higher value of investment property. The equity to non-current assets ratio also fell, by 2.5pp. On the other hand, the interest-bearing debt-to-equity ratio went up by 11.6pp as a result of the new funds borrowed by the Group under new credit facilities, which increased the liabilities amount, and the effect of disclosure of perpetual usufruct of land in accordance with IFRS 16.

In accordance with the terms and conditions of Series A and Series B bonds, the equity ratio may not be less than 35%.

### 3. 4 Borrowings, bonds, sureties and guarantees

#### 3. 4.1 New and terminated non-bank borrowings

In 2019, the Group did not take out any new non-bank borrowings.

In 2019, the Group repaid the following non-bank borrowings and interest:

Borrower	Lender	Agreement date	Amount of principal repaid	Interest paid
MLP Pruszków II Sp. z o.o.	Fenix Polska Sp. z o.o.	2013-03-28	1 241 802,91 EUR	0,00 EUR

In 2019, no non-bank borrowings were terminated.

#### 3. 4.2 New and terminated bank borrowings

- **New credit facility agreements in 2019**

On 9 May 2019, the following three Group companies: MLP Pruszków I Sp. z o.o. of Pruszków, MLP Pruszków III Sp. z o.o. of Pruszków and MLP Pruszków IV Sp. z o.o. of Pruszków (the "Borrowers"), executed a credit facility agreement with ING BANK ŚLĄSKI S.A. of Katowice, POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A. of Warsaw and INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A. ODDZIAŁ W POLSCE of Warsaw („Banks”). The facility amount is EUR 93,930,000.00, and the funds were used to refinance the Borrowers' existing loans and to fund the Group's investment projects. The agreement provides that the principal will be repaid in equal instalments. The term of the agreement is six years from the signing date.

On 10 July 2019, Powszechna Kasa Oszczędności Bank Polska S.A. disbursed another tranche of the credit facility to MLP Czeladź Sp. z o.o.

On 7 November 2019, MLP Pruszków V Sp. z o.o. entered into a credit facility agreement with BNP Paribas Bank Polska S.A. The first tranche of the facility was disbursed on 12 December.

- **Repayment of bank borrowings in 2019**

In May 2019, the following three Group companies: MLP Pruszków I Sp. z o.o. of Pruszków, MLP Pruszków III Sp. z o.o. of Pruszków and MLP Pruszków IV Sp. z o.o. of Pruszków (the "Borrowers"), executed a credit facility agreement with ING BANK ŚLĄSKI S.A. of Katowice, POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A. of Warsaw and INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A. ODDZIAŁ W POLSCE of Warsaw („Banks”). The proceeds were used to refinance the Borrowers' existing credit facilities.

In 2019, the Group repaid its bank borrowings in accordance with the agreed repayment schedules.

In 2019, no bank borrowings were terminated.

### **3. 4.3 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**

As at 31 December 2019, the Group had no outstanding receivables under loans advanced in 2019.

### **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**

Under an agreement of May 2018, Bank PKO BP S.A. provided to MLP Czeladź Sp. z o.o. a bank guarantee for the performance of the company's obligations towards the Municipality of Czeladź and the State Treasury, concerning reconstruction of a traffic circulation system in Czeladź as part of construction of a logistics park. The guarantee amount was PLN 5,927 thousand.

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

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

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

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

### **3. 6 Non-recurring factors and events with a bearing on the consolidated financial result for the twelve months ended 31 December 2019**

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

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

On 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 Material achievements and failures in the twelve months ended 31 December 2019.**

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

### **3. 9 Seasonality and cyclical**

The Group's business is not seasonal or cyclical.



## 4. Statement of compliance with corporate governance standards

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

## VI. Wages and salaries

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

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

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

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

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

The table below presents the list of shareholders as at 31 December 2019:

Shareholder	Number of shares	% interest in share capital	% of total voting rights
Cajamarca Holland B.V	10 319 842	56,98%	56,98%
Thesinger Limited	1 771 320	9,78%	9,78%
Aegon 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%
Other shareholders	1 833 620	10,12%	10,12%
<b>Total</b>	<b>18 113 255</b>	<b>100%</b>	<b>100%</b>

#### 4. Special rights of the Shareholders

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

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

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

#### 4. 1.3 Restrictions on rights attached to shares

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

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

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

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

## 4.2 General Meeting

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

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

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

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

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

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

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

The Management Board may convene an Extraordinary General Meeting:

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **4. 3 Rules for amending the Articles of Association**

Pursuant to Art. 430.1 and Art. 415.1 of the Commercial Companies Code, amendments to the Articles of Association of MLP Group S.A. require a resolution of the General Meeting adopted by a three-fourths majority of votes and must be recorded in the register. Where a resolution to amend the Articles of Association is to increase the shareholders' benefits or limit the rights granted personally to individual shareholders 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 – are submitted to the Supervisory Board for assessment prior to the General Meeting.

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

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

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

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

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



#### 4. 4.3 Composition of the Management Board

As at 31 December 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.

Michael	Shapiro	Vice President of the Management Board	18 June 2018	18 June 2021
Radosław Tomasz	Krochta	President of the Management Board	18 June 2018	18 June 2021
Tomasz	Zabost	Member of the Management Board	25 June 2015	18 June 2021

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

Mr Radosław T. Krochta graduated from Management and Banking College in Poznań (Finance). In 2003, he completed postgraduate studies in Management at Nottingham University and an MBA postgraduate programme. He has a long track record in corporate finance positions in Poland, Eastern Europe and the United States. In 2001-2004, Mr Krochta served as CFO at Dresdner Bank Polska S.A. He was also Director of the Department of Strategic Consulting at Deloitte Advisory and previously worked as a manager at PWC in Warsaw and in the United States. He joined MLP Group S.A. in 2010, and currently serves as President of the Management Board.

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

Mr Michael Shapiro has over twenty years of experience in the real estate sector. He graduated from the Faculty of Management and Industrial Engineering at the Israel Institute of Technology in Haifa. From 1957 to 2000, he served as Chief Executive Officer and managed Miro Engineering Ltd and S. M. Shapiro Engineers Ltd. Since 1995, Mr Shapiro has served as President of MLP Group S.A. Management Board. He was responsible for the development and commercialisation of the Group's logistics parks and for the Group's investments in the land bank.

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

Mr Zabost graduated from the Faculty of Civil Engineering of the Warsaw University of Technology, with a major in construction and engineering structures. He has also completed a number of management courses and training programmes. He has over 20 years of experience in managing commercial properties, and specialises in asset management at each stage of project execution. Previously, he was involved primarily in execution of new real estate projects, starting from strategy definition, i.e. selecting the developer, land, contractors, suppliers, architects, engineers and consultants. He was also responsible for preparing project budgets and feasibility studies. For 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
Daniel	Nimrodi	Member of the Supervisory Board	18 June 2018	18 June 2021
Guy	Shapira	Member of the Supervisory Board	18 June 2018	18 June 2021
Piotr	Chajderowski	Member of the Supervisory Board	18 June 2018	18 June 2021
Maciej	Matusiak	Member of the Supervisory Board	18 June 2018	18 June 2021

##### **Shimshon Marfogel - Chairman of the Supervisory Board**

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

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

##### **Eytan Levy - Deputy Chairman of the Supervisory Board**

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

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

##### **Daniel Nimrodi — Member of the Supervisory Board**

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

##### **Maciej Matusiak - Member of the Supervisory Board**

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

#### **Guy Shapira - Member of the Supervisory Board**

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

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

#### **Piotr Chajderowski — Member of the Supervisory Board**

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

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

#### **4. 5.4 Audit Committee**

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

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

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 of the Group companies and of the Supervisory Board

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

Remuneration of the Management Board in 2019	At the Company	At other Group companies
<ul style="list-style-type: none"> <li>• <b>Remuneration and other benefits:</b></li> </ul>		
Radosław T. Krochta	590	733
Michael Shapiro	406	386
Tomasz Zabost	233	569
Marcin Dobieszewski	-	369
	<b>1 229</b>	<b>2 057</b>

In 2019, the total amount of remuneration due to and received by the Management Board from the Company and other Group companies was PLN 3,286 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

Maciej Matusiak	30 000
Eytan Levy	30 000
Shimshon Marfogel	30 000
Daniel Nimrodi	30 000
Guy Shapira	30 000
Piotr Chajderowski	30 000
	<b>180 000</b>

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

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

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

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

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



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

Michael Shapiro holds indirectly, through 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, indirectly through a 7.86% interest held in the share capital of a company (Thesinger Limited) holding the Issuer's shares, is the beneficial owner of 0.77% of the share capital of MLP Group S.A., and directly through the shares acquired in September (see Note 1.4.1) holds an 0.82% interest in the share capital of the Company. Therefore, in aggregate, Mr Marfogel is the beneficial owner of a 1.59% interest in the share capital of MLP Group S.A.

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

#### **4. 8 Changes in the Company's and the Group's key business management policies**

In 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. and the other entities of the Group be improved on a continuous basis.

#### **4. 9 Internal control and risk management system**

The Company's Management Board is responsible for the internal control system and its effectiveness in the process of preparing financial statements and reports required to be prepared and published 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 separate and consolidated financial statements include in particular:

- established organisational structure,
- qualified staff,
- direct management supervision,
- verification of financial statements by the auditor.

The persons responsible for the preparation of financial statements within the financial and management reporting functions are highly qualified staff of the Finance Division, managed directly by the CFO and indirectly by the Management Board.

In accordance with the applicable laws, the Group presents its financial statements for review or audit, as applicable, by a 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,
- distribution costs and administrative expenses.

The Group's financial and accounting system is a source of data for the Group's entire reporting system, i.e.:

- the financial reporting process,
- interim reports,
- the management reporting system.

After accounting books are closed, budget performance reports and forecasts are prepared. For the reporting periods ended, the Group's financial results are analysed in detail in the context of the original budget assumptions.

The key element of the process is to monitor deviations from the plan and explain the underlying causes. Monitoring of the deviations and identification of the causes help to optimise the Group's operations and minimise potential risks. Due to the nature of the industry, analyses are conducted on many levels – not only are individual cost groups reviewed, but also individual projects are analysed on a case-by-case basis. Based on these reports, the Company's Management Board analyses the current financial results by comparing them with the original budgets.

Effective internal control (with its reporting functions) is an essential step in risk identification and change management. Effective risk management involves not only a reporting system but also risk analysis. Therefore, the key objective of the Group's efforts to reduce exposure to risk is to properly assess potential and monitor current projects. Any potential changes in project budgets are reflected in profit and cash-flow forecasts to provide a high-level overview and eliminate not only project risks but also other risks, such 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 Group 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 2019, PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością spółka Audyt komandytowa did not provide any services other than audit and review of financial statements or consolidation packages.

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

	<i>as at</i>	31 Dec 2019	31 Dec 2018
Audit of full-year financial statements		60	107
Audit of separate financial statements of subsidiaries		210	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>525</b>	<b>477</b>

*Signed with 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