



**MLP**  
GROUP



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

for the year ended 31 December 2020

This document is a translation. Polish version prevails.

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## Contents

<b>Authorisation by the MLP Group S.A. Management Board Management Board's Report on the activities of MLP Group S.A. for the year ended 31 December 2020</b>	<b>4</b>
<b>Introduction</b>	<b>5</b>
<b>1. General information on MLP Group S.A.</b>	<b>6</b>
1.1 Shareholding structure of MLP Group S.A.	6
1.2 Principal business of the Company and the Group	8
1.3 Main products and services	10
1.4 Market, customers and suppliers	10
1.4.1 Structure of the Company's sales	10
1.4.2 Key trading partners	12
<b>2. Activities of the MLP Group S.A. Group and the Company</b>	<b>13</b>
2.1 Activities of the MLP Group S.A. Group and the Company in 2020	13
2.1.1 Projects started and projects completed	13
2.1.2 Projects under construction and under preparation	14
2.1.3 Material agreements	14
2.1.4 Shareholder agreements	14
2.1.5 Partnership or cooperation agreements	14
2.1.6 Related-party transactions	15
2.1.7 Litigation	15
2.2 Development of MLP Group S.A. and risk factors	16
2.2.1 Key risk factors relevant to the development of the Company	16
2.2.2 Business development prospects	21
<b>3. Financial condition of MLP Group S.A. and management of its financial resources</b>	<b>24</b>
3.1 Key economic and financial data disclosed in MLP Group S.A.'s separate financial statements for 2020	24
3.1.1 Selected financial data from the separate statement of financial position	24
3.1.2 Selected financial data from the separate statement of profit or loss	27
3.1.3 Selected information from the separate statement of cash flows	28
3.2 Management Board's position on published forecasts	28
3.3 Management of financial resources	29
3.3.1 Profitability ratios	29
3.3.2 Liquidity ratios	29
3.3.3 Debt ratios	30

<b>3.4</b>	<b>Borrowings, bonds, sureties and guarantees</b>	<b>31</b>
3.4.1	<i>New and terminated non-bank borrowings</i>	31
3.4.2	<i>New and terminated bank borrowings</i>	31
3.4.3	<i>Bonds</i>	31
3.4.4	<i>Loans</i>	32
3.4.5	<i>Sureties issued and received</i>	35
3.4.6	<i>Guarantees provided and received</i>	35
3.4.7	<i>Other security interests</i>	35
<b>3.5</b>	<b>Feasibility of investment plans</b>	<b>36</b>
<b>3.6</b>	<b>Non-recurring factors and events with a bearing on the separate financial result for the financial year</b>	<b>36</b>
<b>3.7</b>	<b>Issue, redemption, cancellation and repayment of non-equity and equity securities</b>	<b>36</b>
<b>3.8</b>	<b>Material achievements and failures in the 12 months ended 31 December 2020.</b>	<b>36</b>
<b>3.9</b>	<b>Seasonality and cyclicity</b>	<b>36</b>
<b>4.</b>	<b>Statement of compliance with corporate governance standards</b>	<b>37</b>
<b>4.1</b>	<b>Share capital and shareholders</b>	<b>39</b>
4.1.1	<i>Shareholders</i>	39
4.1.2	<i>Special rights of the Shareholders</i>	40
4.1.3	<i>Restrictions on rights attached to shares</i>	40
<b>4.2</b>	<b>General Meeting</b>	<b>41</b>
<b>4.3</b>	<b>Rules for amending the Articles of Association</b>	<b>42</b>
<b>4.4</b>	<b>Management Board</b>	<b>43</b>
4.4.1	<i>Powers and competencies of the Management Board</i>	43
4.4.2	<i>Operation of the Management Board</i>	44
4.4.3	<i>Composition of the Management Board</i>	45
<b>4.5</b>	<b>Supervisory Board</b>	<b>46</b>
4.5.1	<i>Powers and competencies of the Supervisory Board</i>	46
4.5.2	<i>Operation of the Supervisory Board</i>	47
4.5.3	<i>Composition of the Supervisory Board</i>	48
4.5.4	<i>Audit Committee</i>	50
4.5.5	<i>Key assumptions of the policy for selection and appointment of the audit firm</i>	50
<b>4.6</b>	<b>Remuneration and employment contracts of members of the Management Board and of the Supervisory Board</b>	<b>51</b>
4.6.1	<i>Amount of remuneration, awards and benefits for members of the Management Board and the Supervisory Board</i>	51
4.6.2	<i>Agreements with members of the Management Board in case of resignation, dismissal</i>	51
<b>4.7</b>	<b>Shares held by members of the Management Board and the Supervisory Board</b>	<b>52</b>
<b>4.8</b>	<b>Changes in the Company's key business management policies</b>	<b>52</b>
<b>4.9</b>	<b>Internal control and risk management system</b>	<b>52</b>
<b>4.10</b>	<b>Entity qualified to audit the financial statements</b>	<b>54</b>

## Authorisation by the MLP Group S.A. Management Board Management Board's Report on the activities of MLP Group S.A. for the year ended 31 December 2020

This Management Board's Report on the activities of MLP Group S.A. in for the year ended 31 December 2020 was prepared as at and authorised for issue by the Company's Management Board on 17 March 2021.

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 2021

## Introduction

MLP Group S.A. (the “Company”, the “Issuer”, the “Parent”) is the parent of the MLP Group S.A. (the “Group”). The Company is entered in the National Court Register under No. 0000053299, the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register. The Company's registered office is located at ul. 3-go Maja 8, 05-800 Pruszków, Poland.

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

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

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

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

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

### 1. 1 Shareholding structure of MLP Group S.A.

As at 31 December 2020, MLP Group S.A. held directly or indirectly interests in the following entities:

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

### Changes in equity interests held

<sup>1)</sup> On 21 October 2020 a notarial deed was signed to establish MLP Business Park Wien GmbH. MLP Group S.A. acquired 100% of shares in the new company, with a total par value of EUR 5,000.

<sup>2)</sup> On 17 December 2020 the change of name of MLP Poznań West Sp. z o.o. to MLP Business Park Poznań Sp. z o.o. was registered.

<sup>3)</sup> On 2 March 2021 the change of name of MLP Property I Sp. z o.o. to MLP Pruszków VI Sp. z o.o. was registered.

## 1. 2 Principal business of the Company and the Group

MLP Group is one of the leading industrial developers in Europe. Since 1998, MLP Group has been operating on the commercial real estate market, specialising in the construction of modern warehouse and production parks, offering its tenants warehouse and logistics space, as well as production space suitable for light industrial production. The Group operates on the Polish, German and Romanian market as an industrial developer, consultant and property manager, providing comprehensive solutions to numerous Polish and international logistics, distribution and production companies, enabling them to optimise their warehouse and production space.

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

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

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



Through its subsidiaries, the Company currently manages eleven logistics parks at key locations: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, MLP Czeladź, MLP Poznań West, MLP Wrocław West and MLP Łódź.

In Germany, the Company – through its subsidiaries – currently operates three logistics parks: MLP Unna, MLP Business Park Berlin, and MLP Business Park Niederrhein. In Romania, the Group owns the logistics park MLP Bucharest West.

The total area of the Group's land bank is 116.02 ha.

MLP Group S.A., through its subsidiaries, has executed a number of reservation agreements for the purchase of new land for planned logistics parks in Poland, Germany and Austria.

In Poland, the land bank was expanded to include land designated for future projects in: Stryków – ca. 45 ha, Pruszków – ca. 20 ha (extension of the existing MLP Pruszków II park), and Poznań – ca. 10 ha (extension of the existing MLP Poznań West II park).

In Germany, the MLP Group companies have reserve agreements for land lots in Gelsenkirchen (ca. 11 ha), Cologne (ca. 6 ha), Frankfurt am Main area (ca. 5 ha) and Leipzig (ca. 13 ha).

The current and potential portfolio of properties managed by MLP Group companies includes a total of seventeen logistics parks located in the four markets – Poland, Germany, Austria 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 to order for a specific tenant, and

(2) **City Logistics facilities**. Projects are developed and operated as MLP Business Parks, offering small storage modules (ranging from 500 m<sup>2</sup> to 2,500 m<sup>2</sup>) with office facilities (ca. 20% of total warehouse space), located in urban agglomerations. The first projects of this type are MLP Business Park Berlin and MLP Business Park Poznań.

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

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

Fair value of the Company's property portfolio as at 31 December 2020:

Logistics park	Fair value EUR thousand	Fair value PLN '000
MLP Pruszków I	92 210	425 531
MLP Pruszków II	145 480	671 361
MLP Poznań	34 460	159 026
MLP Lublin	34 610	159 718
MLP Teresin	17 000	78 452
MLP Gliwice	32 880	151 735
MLP Wrocław	30 980	142 967
MLP Czeladź	19 170	88 466
MLP Poznań West	22 020	101 618
MLP Business Park Poznań	7 090	32 719
MLP Łódź	3 040	14 029
MLP Wrocław West	5 320	24 551
MLP Business Park Berlin	9 950	45 917
MLP Unna	20 700	95 526
MLP Bucharest West	16 183	74 696
<b>Total</b>	<b>491 093</b>	<b>2 266 312</b>

### 1. 3 Main products and services

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

The Company operates in Poland.

Revenue	<i>in the year ended 31 December</i>	2020	2019
<b>Domestic sales</b>			
Sales to external customers		17 779	33
Sales to related parties		9 353	10 580
<b>Total domestic sales</b>		<b>27 132</b>	<b>10 613</b>
<b>International sales</b>			
Sales to related parties		206	208
<b>Total international sales</b>		<b>206</b>	<b>208</b>
<b>Total revenue</b>		<b>27 338</b>	<b>10 821</b>

### 1. 4 Market, customers and suppliers

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

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

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

Revenue	<i>in the year ended 31 December</i>	2020	2019	<i>change (%)</i>
Property management		4 626	4 009	15%
Project management		949	927	2%
Advisory services		3 206	3 935	-19%
Agency services		139	1 079	-87%
Recharge of services		676	871	-22%
Revenue from development contract		17 742	-	-
<b>Total revenue</b>		<b>27 338</b>	<b>10 821</b>	<b>152,6%</b>
<i>- including from related parties</i>		<i>9 559</i>	<i>10 788</i>	<i>-11%</i>

In 2020, the total value of sales to related parties was PLN 9,559 thousand, with MLP Pruszków I Sp. z o.o. being the largest customer for these services. Its share in the revenue from related parties in the reporting period was 28% (2019: 33%). The table below presents the structure of the Company's sales in 2020 and 2019:

Structure of sales to related parties		
	<i>in the year ended 31 December</i>	
	2020	2019
<b>Parent</b>		
The Israel Land Development Ltd	206	208
<b>Subsidiaries</b>		
MLP Pruszków I Sp. z o.o.	2 645	3 588
MLP Pruszków II Sp. z o.o.	387	195
MLP Pruszków III Sp. z o.o.	1 222	1 008
MLP Pruszków IV Sp. z o.o.	799	679
MLP Logistic Park Germany I Sp. z o.o. & Co. KG	87	1 173
MLP Poznań Sp. z o.o.	248	207
MLP Poznań II Sp. z o.o.	305	324
MLP Lublin Sp. z o.o.	594	536
MLP Teresin Sp. z o.o.	272	249
MLP Energy Sp. z o.o.	149	76
MLP Wrocław Sp. z o.o.	580	298
MLP Czeladź Sp. z o.o.	254	265
MLP Gliwice Sp. z o.o.	446	359
MLP Property Sp. z o.o.	75	2
MLP Business Park Poznań Sp. z o.o.	231	3
MLP Temp Sp. z o.o.	3	3
LOKAFOP 201 Sp. z o.o. SKA	-	2
MLP Bieruń Sp. z o.o.	-	2
MLP Bieruń I Sp. z o.o.	3	29
MLP Spółka z. o.o.	-	2
MLP FIN Sp.z o.o.	-	3
Lokafop 201 Sp. z o.o.	-	3
MLP Business Park Berlin I LP Sp. z o.o.	6	6
MLP Sp. z o.o. SKA	-	2
MLP Poznań West II Sp. z o.o.	197	98
MLP Bucharest West Sp. z o.o.	-	2
MLP Dortmund LP Sp. z o.o.	-	3
MLP Dortmund GP Sp. z o.o.	-	3
MLP Teresin II Sp. z o.o.	3	3
MLP Pruszków V Sp. z o.o.	536	1 289
MLP Wrocław West Sp. z o.o.	163	2
MLP Łódź II Sp.z o.o.	20	2
MLP Poznań East Sp.z o.o.	4	1
MLP Property I Sp.z o.o.	4	1
MLP FIN Sp.z o.o. Sp.k.	-	2
Fenix Sp. z o.o.	4	4
MLP BUCHAREST WEST SRL	109	61
MLP Germany Management GmbH	1	11
MLP Business Park Berlin I Sp. z o.o. & Co. KG	6	84
<b>Total</b>	<b>9 559</b>	<b>10 788</b>

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

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

- construction services (as part of development projects),
- supply of utilities,
- consulting and advisory services – business and legal,
- financial audit and review services, professional appraising services.

In 2020, the Company cooperated with BIn-Biuro Inżynierskie Sp. z o.o. on a property development project, with the turnover with that trading partner exceeding 10% of the Company's revenue.

With a broad base of suppliers, the Company is not dependent on a any single one of them.

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

### 2.1 Activities of the MLP Group S.A. Group and the Company in 2020

In 2020, the Company continued its activity consisting in the construction and management of logistics properties. The activity was conducted through subsidiaries.

In the reporting period, the Company, acting through its subsidiaries, carried out several property development projects and leased more than 715,000 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 2020, the Company, through its subsidiaries, was engaged in construction of projects with a total area of 155,693 m<sup>2</sup>, with a further 85,373 m<sup>2</sup> in preparation, i.e. the total area of projects under development was 241,066 m<sup>2</sup>.

Out of the total, 90,512 m<sup>2</sup> was attributable to projects commenced in 2019 and completed in 2020. In 2020, the Group launched projects with a total area of 65,181 m<sup>2</sup>, of which 9,271 m<sup>2</sup> has been completed (MLP Pruszków II) and 55,910 m<sup>2</sup> is still under construction (most of these projects are due for completion in the first half of 2021).

In 2020, the Group began preparations for the construction of further projects, obtaining all necessary approvals and permits. These projects, which were still at the pre-construction stage at 31 December 2020, were two investment projects at logistics parks in Germany – 56,500 m<sup>2</sup> at MLP Unna and 5,868 m<sup>2</sup> at MLP Business Park Berlin I, and two investment projects at logistics parks in Poland – 17,335 m<sup>2</sup> at MLP Łódź and 5,670 m<sup>2</sup> at MLP Poznań West. The projects are scheduled for completion in 2021 and 2022.

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

In 2020, the Company carried out, through its subsidiaries, projects with a total area of 241,066 m<sup>2</sup>. Of these projects, a total area of 99,783 m<sup>2</sup> was completed in 2020 at the following parks: MLP Pruszków II (48,006 m<sup>2</sup>), MLP Wrocław (20,550 m<sup>2</sup>), MLP Gliwice (8,813 m<sup>2</sup>), MLP Poznań West (11,690 m<sup>2</sup>) and MLP Bucharest (10,515 m<sup>2</sup>).

As at 31 December 2020, 55,910 m<sup>2</sup> was under construction at MLP Pruszków II, MLP Poznań, MLP Wrocław West and MLP Business Park Berlin I.

In connection with leases signed and the ongoing commercialisation processes, the Group began preparations for the construction of 85,000 m<sup>2</sup> of space. The permitting process also continued to enable the construction of new warehouse space on land reserved by the Group.

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.

### **2. 1.3 Material agreements**

**Material suppliers with whom agreements with a total value exceeding 10% of the Company's equity were concluded in 2020**

In the financial 2020, the Company did not enter into any agreements with a single supplier where the total amount of payments to the supplier would exceed 10% of the Company's equity.

### **2. 1.4 Shareholder agreements**

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

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

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

In 2020, the Company did not enter into any significant partnership or cooperation agreements with other entities.

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

For description of related-party transactions, see Note 26 to the Company's Separate Financial Statements for 2020.

### **2. 1.7 Litigation**

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

As at 31 December 2020, no single court, arbitration or administrative proceedings were pending with respect to any liabilities or claims of the Company whose value would represent 10% or more of the Company's equity.

As at 31 December 2020, no two or more court, arbitration or administrative proceedings were pending with respect to any liabilities or claims of the Company whose combined value would represent 10% or more of the Company's equity.

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

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

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

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

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

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

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

#### Credit risk

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

#### Liquidity risk

Liquidity risk is the risk of the Company not being able to meet in a timely manner its liabilities that are to be settled by delivery of cash or other financial assets. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without risking unacceptable losses or damage to the Company's reputation. To this end, the Company monitors its cash flows and secures access to sufficient cash to cover anticipated operating expenses and expected cash outflows for current financial liabilities, and maintains anticipated liquidity ratios.

#### Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and equity prices will affect the Group's results or the value of financial instruments it holds. The Company mitigates the risk by constantly monitoring the Company's exposures, maintaining the exposures them within assumed limits, and seeking to optimise the rate of return on investment. The risk mitigating measures include applying hedge accounting to minimise the impact of volatility of market prices on financial results.



### **Currency risk**

The financial statements of the Company are prepared in PLN, which is the functional currency of the Company. Most of the rental income of the Company's subsidiaries is denominated in EUR and occasionally in PLN. Some of their costs, such as certain construction costs, labour costs and wages, are denominated in PLN, but the vast majority of construction costs are denominated in EUR.

To mitigate the currency risk, the Group companies use primarily natural hedging by raising debt financing denominated in EUR. To reduce the volatility of returns on investment caused by exchange rate fluctuations, the Group companies may also enter into contracts hedging against such risks, including derivative contracts, or may enter into contracts with contractors and service providers (project contracts with general contractors) denominated in EUR. If the Group's currency position is short in the EUR-PLN pair, depreciation of the Polish currency against the euro may adversely affect the Group's results by driving up debt service costs.

### **Interest rate risk**

Credit facilities used by the Group companies bear interest at variable rates. Interest rates depend, to a significant degree, on many factors, including the monetary policy of central banks, national and international economic and political conditions, as well as other factors beyond the Group's control. Changes in interest rates may increase Group companies' borrowing costs under the financial liabilities and thus affect the Group's profitability. Any need to hedge interest rate risk is considered on a case-by-case basis.

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

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

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

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

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

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

Downturn on the property market may adversely affect the Group companies' performance in terms of profits from lease of warehouse space. If tenants default on their obligations or if the Company and its subsidiaries are not able to attract tenants, the Company and its subsidiaries will not earn rental income but will incur costs related to the property. 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 Company's business, financial condition and results.

#### **Insurance risk**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As part of its activities and in the course of managing its assets, the Company's subsidiaries are legally required to obtain a number of licenses, consents, administrative decisions 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 any of the Company's subsidiaries that all such permits, consents, administrative decisions or other decisions of public administration bodies concerning the existing properties or new projects will be obtained on time (including due to the recurring risk of the COVID-19 pandemic, as described above) or that they will be obtained at all, or that the permits, consents, administrative decisions or other decisions of public administration bodies held or obtained in the future will not be revoked or their validity will be extended on time. Moreover, certain administrative or other decisions 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, protract the proceedings and result in temporary inability to earn revenue due to such delays.

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

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

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

The COVID-19 pandemic, which began in the first quarter of 2020, has had and may continue to have an impact on the operations of the Company and its Group. The effective and potential future changes to work policies of public administration authorities (partial remote work and temporary closures of certain offices) may delay the issuance of administrative decisions, including permits and consents material to the operations of the Company or its subsidiaries. This may delay the start and execution of projects pursued by the Company or the Group companies, not only in the Polish market but also in foreign markets where the Group operates. Delays may also result from disruptions in the work of notarial offices or contractors and subcontractors working with the Group on its projects. The risk of delays caused by the pandemic may lead to the Company and Group companies defaulting under contracts and agreements they have signed (for instance, as a result of failure to deliver a project on schedule), including agreements with banks. The COVID-19 pandemic and restrictions on business activity and freedom of movement implemented by government authorities to stop the disease, have had and may continue to have an adverse impact on the economic situation in Poland and globally, including on the financial standing of tenants and other trading partners of the Company or other Group companies and, consequently, on the Group's financial performance. The pandemic restrictions may be reintroduced in the future should pathogens other than those causing COVID-19 spread on a large scale in countries where the Group operates.

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

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

The Group's strategic objective is to continuously increase its warehouse space on the Polish market, and to expand into foreign markets, mainly in Germany (which is viewed as a strategic market) and in Romania and Austria. The main objective of the 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 tenants are increasingly interested in City Logistics facilities (small modules offering modern warehouse space with office space finished to high standard) and big-box facilities.

The spread of COVID-19 pandemic in 2020 had no major impact on the development of the warehouse industry, with growth rates slowing down only slightly year on year across the market. Any further development of the industry will depend on the economic situation in Europe and globally, the growth rate of e-commerce and, most importantly, the investment appetite of businesses.

#### **Warehouse space market in 2020**

- **Poland**

Despite the extraordinary economic headwinds, the warehouse market in Poland reported record-high 2020 performance, again attesting to its strength.

Throughout 2020, the warehouse market in Poland developed very dynamically. Warehouse operators signed lease contracts for 3.4m m<sup>2</sup> of net warehouse space (new space and expansions), which helped the country to maintain its position as the third most active market in Europe. Net demand accounted for over 71% of total demand. A large share of new demand in 2020 was attributable to the two largest markets, namely Warsaw (both zones) and Upper Silesia, accounting, almost in equal parts, for 1.43m m<sup>2</sup> in total. City logistics are growing in popularity, additionally supported by dynamic growth of e-commerce sales. New demand for urban logistics space in the eight largest Polish agglomerations totalled 450,000 m<sup>2</sup> in 2020, including nearly 80,000 m<sup>2</sup> in Warsaw alone. Overall, this represented an over 40% increase on 2019. The sectoral structure of the new demand remained unchanged, with the market dominated by retail chains (39%), logistics operators (32%), and manufacturing businesses (24%).

Rent rates remained unchanged. In Warsaw, base rents ranged between EUR 4.3 and EUR 5.25/m<sup>2</sup>/month. The most attractive rates were offered in locations outside the city limit in Central Poland (EUR 2.6–3.5/m<sup>2</sup>/month). At the end of December, the vacancy rate was 7.5%.

In 2020, developers delivered over 2m m<sup>2</sup> of new warehouse space, most of it located in the Warsaw, Upper Silesia and Wrocław markets, which accounted for a total of 1.4m m<sup>2</sup> of new space. As a result, the total stock of modern warehouse space in Poland reached 20.7m m<sup>2</sup>. At the end of last year, over 1.9m m<sup>2</sup> was under construction, which was close to the prior-year level.

Source: *Warehouse market in Poland, February 2021, JLL*

#### ● **Germany**

In 2020, the volume of transactions on the German warehouse and logistics markets reached 6.9m m<sup>2</sup>, only 4% less compared with the record year 2018. However, compared with the five-year average, the figure improved by 5%, and 18% on the 10-year average. The strong result was chiefly driven by the 3.9m m<sup>2</sup> of space leased out in the second half of 2020. Never before was so much spaced leased in a six-month period. Over 1.9m m<sup>2</sup> was leased in the five largest regional warehouse markets in Germany, i.e. in Berlin, Düsseldorf, Frankfurt, Hamburg and Munich. The figure rose 14% on 2019 but fell 5% compared with the average for the last five years. The strongest demand in the Big Five cities came from retail companies, accounting for approximately 35% of all deals.

In 2020, 675,000 m<sup>2</sup> of new space was delivered to the five largest markets. Approximately 1.03m m<sup>2</sup> is under construction, up 37% year on year, with 42% of that space still available on the market. Speculative development concentrates in Hamburg and Berlin areas, where 72% of available space is under construction.

In 2020, rates for warehouse facilities of more than 5,000 m<sup>2</sup> remained stable in the five largest markets. Monthly rent rates for premium space were the highest in Munich, at EUR 7.10/m<sup>2</sup>, followed by Hamburg and Frankfurt, at EUR 6.40/m<sup>2</sup> and EUR 6.20/m<sup>2</sup> respectively, with the lowest rents paid in Berlin and Düsseldorf, at EUR 5.50/m<sup>2</sup>.

In 2020, the volume of transactions in the other parts of Germany, outside the five largest markets, was 5.04m m<sup>2</sup>, which represented a 2% increase year on year and a 9% increase compared with the five-year average. The largest volume of transactions among the regional markets was recorded in the Ruhr area for the fifth time in a row (845,000 m<sup>2</sup>).

Source: *JLL, Logistics and Industrial Market Overview, Germany, 4th quarter 2020*

- **Romania**

Supply and demand continue to see fast growth in the Romanian market for industrial and logistics space.

In 2020, approximately 574,000 m<sup>2</sup> of modern warehouse space was delivered, and the market's total supply at the year's end was 5.1m m<sup>2</sup>. Of this number 65% is located near Bucharest, mainly in the western part of the city. The balance of 35% is dispersed across the country, among cities such as Dewa, Oradea, Sybin, etc.

In 2020, total demand reached a record level of approximately 932,000 m<sup>2</sup>, up 94% year on year. In 2020, retailers accounted for 50% of demand and were the engine of growth during this challenging time.

At the end of the year, the vacancy rate was approximately 8.0%. In the Bucharest area, the figure was 11.0%, having slightly risen year on year, with the rise driven by several new projects delivered last year, which were partially leased out. Nominal rent rates were stable at EUR 3.9/m<sup>2</sup>/month.

At the end of last year, approximately 398,000 m<sup>2</sup> of space was under construction, which should be delivered by the end of 2021.

*Source: Real Estate Market Outlook 2021 Romania, CBRE*

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

#### 3.1 Key economic and financial data disclosed in MLP Group S.A.'s separate financial statements for 2020

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

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

	31 December <i>as at</i> 2020	% share	31 December 2019	% share	Change (%)
<b>ASSETS</b>	<b>812 001</b>	<b>100%</b>	<b>469 752</b>	<b>100%</b>	<b>73%</b>
<b>Non-current assets</b>	<b>711 490</b>	<b>88%</b>	<b>380 121</b>	<b>97%</b>	<b>87%</b>
Including:					
Non-current financial assets in related entities	123 420	15%	123 396	32%	0%
Long-term investments	584 256	72%	253 707	64%	130%
Deferred tax assets	2 616	0%	2 524	1%	4%
<b>Current assets</b>	<b>100 511</b>	<b>12%</b>	<b>89 631</b>	<b>3%</b>	<b>12%</b>
Including:					
Short-term investments	78 957	10%	33 883	1%	133%
Trade and other receivables	8 683	1%	13 814	1%	-37%
Assets under ongoing construction contracts	6 403	1%	-	0%	-
Cash and cash equivalents	6 468	1%	41 934	2%	-85%

	31 December <i>as at</i> 2020	% share	31 December 2019	% share	Change (%)
<b>EQUITY AND LIABILITIES</b>	<b>812 001</b>	<b>100%</b>	<b>469 752</b>	<b>100%</b>	<b>73%</b>
<b>Total equity</b>	<b>271 763</b>	<b>33%</b>	<b>156 351</b>	<b>33%</b>	<b>74%</b>
<b>Non-current liabilities</b>	<b>524 253</b>	<b>65%</b>	<b>242 635</b>	<b>52%</b>	<b>116%</b>
Non-bank borrowings and other debt instruments	524 253	65%	242 635	52%	116%
<b>Current liabilities</b>	<b>15 985</b>	<b>2%</b>	<b>70 766</b>	<b>15%</b>	<b>-77%</b>
Including:					
Non-bank borrowings and other debt instruments	3 763	0%	54 796	12%	-93%



As at 31 December 2020, long-term investments were the key item of the Company's assets, accounting for 72% of total assets. The largest item of equity and liabilities was non-current liabilities under non-bank borrowings and other debt instruments (65% of total equity and liabilities) and equity (33% of total equity and liabilities).

The increase in liabilities under non-bank borrowings and other debt instruments was mainly attributable to the bond issue for a total of EUR 45m. Proceeds from the bond issue were used to purchase land in new locations and to fund equity contributions by the Company's subsidiaries to projects co-financed by bank loans.

	<i>as at 31 December</i>	<b>2020</b>	<b>2019</b>
<b>Gross amount at beginning of period</b>		<b>123 396</b>	<b>123 361</b>
Acquisition of shares in MLP Wrocław West Sp. z o.o.		-	5
Acquisition of shares in MLP Business Park Berlin I GP sp. z o.o.		-	5
Acquisition of shares in MLP Łódź II sp. z o.o.		-	5
Acquisition of shares in MLP Poznań East sp. z o.o.		-	5
Acquisition of shares in MLP Schwalmatal LP sp. z o.o.		-	5
Acquisition of shares in MLP Schwalmatal GP sp. z o.o.		-	5
Acquisition of shares in MLP Property I sp. z o.o.		-	5
Acquisition of shares in MLP Business Park Wien GmbH		24	-
<b>Gross amount at end of period</b>		<b>123 420</b>	<b>123 396</b>
<b>Net amount at end of period</b>		<b>123 420</b>	<b>123 396</b>

The shares held by MLP Group S.A. in the subsidiaries as at 31 December 2020 are presented in section 1.1 (*Shareholding structure of MLP Group S.A.*).

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

	<i>as at 31 December</i>	<b>2020</b>	<b>2019</b>
<b>Long-term investments</b>		<b>584 256</b>	<b>253 707</b>
Loans to related parties		584 256	253 707
<b>Short-term investments</b>		<b>78 957</b>	<b>33 883</b>
Loans to related parties		58 957	33 883
Money fund units		20 000	-
<b>Total other investments</b>		<b>663 213</b>	<b>287 590</b>

As at 31 December 2020, the Company carried long-term and short-term investments totalling PLN 663,213 thousand, including PLN 643,213 thousand worth of loans to related parties. Of these, the largest items were loans advanced to subsidiaries which are currently carrying out expansion projects at their logistics parks, i.e. MLP Poznań West II Sp. z o.o., MLP Business Park Berlin I Sp. z o.o. & Co. KG, MLP Pruszków II Sp. z o.o., MLP Gliwice Sp. z o.o., MLP Logistic Park Germany I Sp. z o.o. & Co. KG, and MLP Bucharest West SRL.

At the end of 2020, the Group also acquired money fund units (PLN 20,000 thousand).

#### Cash

	<i>as at 31 December</i>	<b>2020</b>	<b>2019</b>
Cash in hand		15	8
Cash at banks		6 453	40 655
Short-term deposits		-	1 271
<b>Cash and cash equivalents in the separate statement of financial position</b>		<b>6 468</b>	<b>41 934</b>
<b>Cash and cash equivalents in the separate statement of cash flows</b>		<b>6 468</b>	<b>41 934</b>

As at 31 December 2020, the balance of cash was PLN 6,468 thousand, having decreased from PLN 41,934 thousand a year earlier. The change was mainly attributable to loans granted for projects to expand the existing logistics parks or build new ones from proceeds from bond and share issues as well as to the acquisition of money fund units.

## Equity

### • Share capital

	<i>as at 31 December</i>	<b>2020</b>	<b>2019</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
Series D shares		1 607 000	-
<b>Total</b>		<b>19 720 255</b>	<b>18 113 255</b>
Par value per share		0,25 zł	0,25 zł

As at 31 December 2020, the Parent's share capital amounted to PLN 4,930,063.75 and was divided into 19,720,255 shares conferring 19,720,255 voting rights in the Company. The par value per share is PLN 0.25 and the entire capital has been paid up.

On 29 June 2020, the Annual General Meeting of MLP Group S.A. passed a resolution amending the Company's Articles of Association in view of the changing market situation and to ensure a flexible approach and enable the Company to respond quickly, in particular to enable the Company to make investments.

Pursuant to the resolution, the Company's Management Board has been authorised to increase the Company's share capital by no more than PLN 815,096 (the "Authorised Capital") for a period of up to three years from the date of registration by the competent registry court of the amendments to the Articles of Association. The Management Board may exercise the authorisation by increasing the share capital once or multiple times by way of one or multiple share issues, within the limit of the Authorised Capital. An increase in the share capital up to the amount of the Authorised Capital may be made only for cash contributions. Shares issued under the authorisation within the limits of the Authorised Capital will not bear any preference over the existing shares. This authorisation does not include the right to increase the share capital from the Company's own resources.

On 27 October 2020, the Parent issued 1,607,000 Series D ordinary shares with a total par value of PLN 401,750. The par value per Series D share is PLN 0.25 and all the shares have been paid up. Following registration with the National Court Register and the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.), the total number of shares and voting rights is 19,720,255.

Rights to 1,607,000 Series D ordinary bearer shares with a par value of PLN 0.25 per share were introduced to trading on the main market of the WSE on 6 November 2020 under ISIN code PLMLPGR00074. Rights to shares are listed in a continuous trading system (abbreviated name: MLPGROUP-PDA; designation: MLGA).

In 2020, the Company increased its share capital by PLN 401,750 through the issue of new Series D shares. The District Court for the Capital City of Warsaw registered the capital increase on 7 December 2020.

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

Separate statement of profit or loss for the financial year ended 31 December 2020 vs the previous year:

<i>for the year ended 31 December</i>	<b>2020</b>	<b>% sales</b>	<b>2019</b>	<b>% sales</b>	<b>Change (%)</b>
Revenue	27 338	100%	10 821	100%	153%
<i>including:</i>					
<i>Revenue from development contract</i>	17 742	65%	-	0%	-
Other income	360	1%	90	5%	300%
Distribution costs and administrative expenses	(29 512)	108%	(13 491)	104%	119%
<i>including:</i>					
<i>Costs related to property development contract</i>	(12 821)	-47%	-	0%	-
Other expenses	(110)	0%	(120)	1%	-8%
<b>Operating loss</b>	<b>(1 924)</b>	<b>-7%</b>	<b>(2 700)</b>	<b>0%</b>	<b>-29%</b>
Net finance income	11 095	-41%	10 253	-41%	8%
<b>Profit before tax</b>	<b>9 171</b>	<b>34%</b>	<b>7 553</b>	<b>41%</b>	<b>21%</b>
Income tax	92	0%	(176)	34%	-152%
<b>Net profit</b>	<b>9 263</b>	<b>34%</b>	<b>7 377</b>	<b>6%</b>	<b>26%</b>

The main source of the Company's revenue stream is the provision of management and advisory services. However, in 2020, as much as 65% of total revenue was revenue from a property development contract. The Company signed a property development contract with Westinvest Gesellschaft für Investmentfonds mbH, whereby in 2020-2021 a warehouse will be constructed on third-party land in Tychy. In 2020, the Company recognised revenue from the contract of PLN 17,742 thousand, calculated based on the percentage of completion of the work.

Distribution costs and administrative expenses in 2020 were PLN 29,512 thousand, having increased by PLN 16,021 thousand on 2019. The increase was largely attributable to inclusion of costs incurred on performance of the development contract, of PLN 12,821 thousand (cost of services), as well as being driven by the Group's growth. Salaries and wages, as well as advisory and legal services, represent the main item of the Company's operating expenses.

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

In 2020, the Company generated net finance income of PLN 11,095 thousand, which represented an increase year on year. This main cause of the change was an increase in interest on loans granted to related entities and dividend income.

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

	<i>for the year ended 31 December</i>	<b>2020</b>	<b>2019</b>
Net cash from operating activities		(1 772)	(983)
Net cash from investing activities		(337 597)	(16 375)
Net cash from financing activities		298 933	52 264
<b>Total net cash flows</b>		<b>(40 436)</b>	<b>34 906</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>41 934</b>	<b>7 400</b>
Effect of exchange differences		4 970	(372)
<b>Cash and cash equivalents at end of period</b>		<b>6 468</b>	<b>41 934</b>

The 2020 opening balance of cash and cash equivalents was PLN 41,934 thousand; at year end, the balance was PLN 6,468 thousand, having decreased by PLN 35,466 thousand.

In 2020, as in 2019, the Company had negative cash flows from operating activities, of PLN 1.772 thousand. The figure was attributable to a number factors, including

In 2020, the Company had negative cash flows from investing activities, of PLN 337,597 thousand. Loans of PLN 383,772 thousand granted by MLP Group S.A. to its subsidiaries in 2020 were the main source of the cash flows outflows. They were provided to finance the Group's development projects in Poland and abroad. These outflows were offset by repayment of loans (the Group companies repaid PLN 62,055 thousand of loans granted by MLP Group S.A.). The loss on investing activities was also attributable to expenditure on the acquisition of investment fund units (PLN 20,000 thousand).

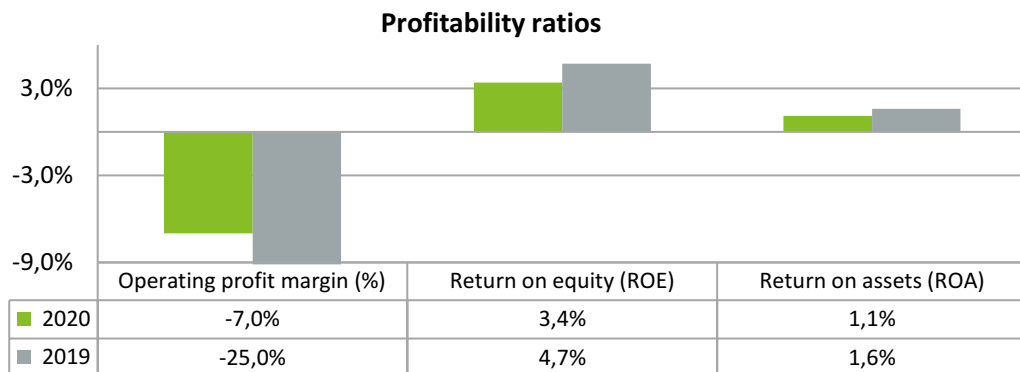
In 2020, cash flows from financing activities increased year on year, to PLN 298,933 thousand. In 2020, the Company issued bonds for a total amount of EUR 45,000 thousand. In addition, the Company's share capital was increased through a share issue, which generated PLN 110,134 thousand in proceeds.

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

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

### 3.3 Management of financial resources

#### 3.3.1 Profitability ratios

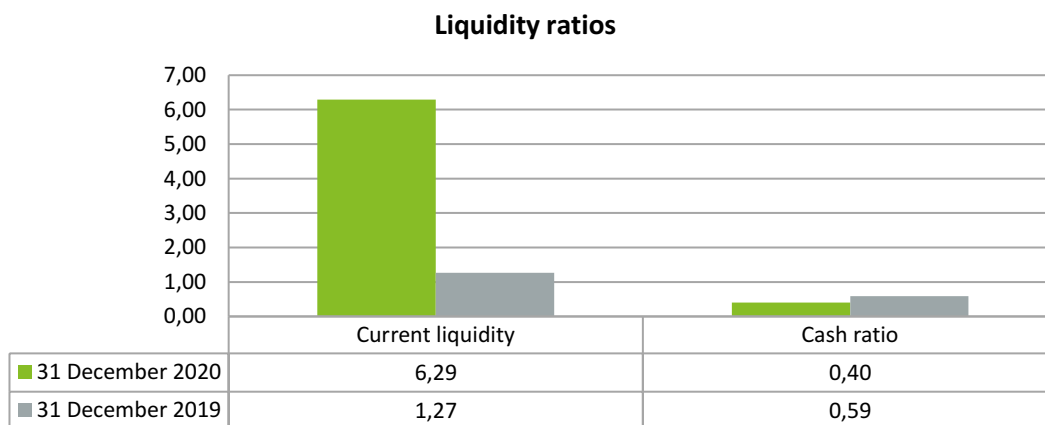


The profitability analysis is based on the following ratios:

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

In 2020, the operating margin increased year on year, to -7%. Its negative value was due to the Company's operating loss, with the increase resulting from markedly higher revenue, which was largely driven by revenue from a development contract.

#### 3.3.2 Liquidity ratios



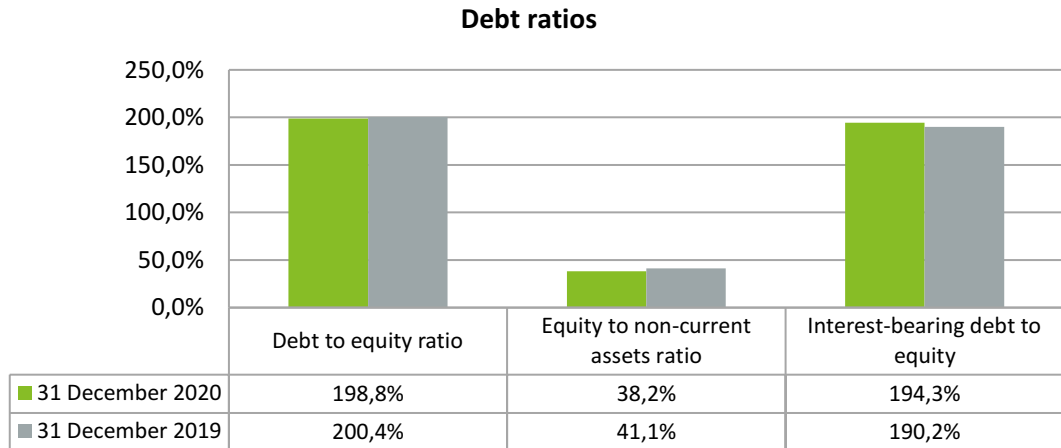
The liquidity analysis is based on the following ratios:

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

The current ratio as at 31 December 2020 rose significantly on year-end 2019, by 5.02pp, as a result of an increase in current assets, which was mainly driven by loans advanced to related parties for projects to expand existing logistics parks or build new ones. At the same time, current liabilities fell due to the extension of the repayment periods of borrowings received from Group companies.

The cash ratio declined slightly.

### 3. 3.3 Debt ratios



The debt analysis is based on the following ratios:

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

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

In 2020, both the debt-to-equity ratio and the equity-to-non-current-assets ratio fell slightly. The decline was mainly attributable to the issue of new bonds in 2020, as well as to an increase in the Company's share capital through a share issue.

In the same period, financial-liabilities-to-equity ratio increased year on year, by 4.1pp.

### 3.4 Borrowings, bonds, sureties and guarantees

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

As at 31 December 2020, the Company carried the following non-bank borrowings contracted in 2020:

Borrower	Lender	Agreement date loans	Original amount	Outstanding principal
MLP Group S.A.	MLP Business Park Berlin I Sp. z o.o. & Co.KG	2020-08-18	100 000 EUR	101 156 EUR
MLP Group S.A.	MLP Business Park Berlin I Sp. z o.o. & Co.KG	2020-09-25	530 000 EUR	534 300 EUR
MLP Group S.A.	MLP Business Park Berlin I Sp. z o.o. & Co.KG	2020-10-09	8 000 000 EUR	7 068 550 EUR
MLP Group S.A.	MLP Business Park Wien GmbH	2020-12-03	17 500 000 EUR	6 102 539 EUR

In 2020, the Company repaid the following non-bank borrowings and interest:

Borrower	Lender	Agreement date loans	Amount of principal repaid	Interest paid
MLP Group S.A.	MLP Pruszków I Sp. z o.o.	2010-12-30	200 000 PLN	78 479 PLN
MLP Group S.A.	MLP Pruszków I Sp. z o.o.	2012-03-14	500 000 PLN	158 128 PLN
MLP Group S.A.	MLP Pruszków III Sp. z o.o.	2019-05-29	1 300 748 EUR	32 828 EUR

On 10 June 2020, an agreement was concluded between MLP Group S.A. and MLP Poznań West Sp. z o.o. and an assignment of receivables was effected between MLP Group S.A. and Fenix Sp. z o.o. under which amounts receivable under the loan agreement between Fenix Sp. z o.o. and MLP Poznań West Sp. z o.o. was transferred to MLP Group S.A.

In 2020, no non-bank borrowings were terminated.

#### 3.4.2 New and terminated bank borrowings

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

#### 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, and on 16 October 2020 – 15,000 Series C1 bearer bonds with a nominal value of EUR 1,000 per bond and the total value of the issue of EUR 15,000,000. On 18 November 2020, Series C1 bonds were assimilated with Series C bonds. The ISIN code of the assimilated Series C bonds is PLMLPGR00058 (i.e. the same as the code previously assigned to Series C bonds), and the bonds have been listed in the Catalyst alternative trading system since 18 November 2020 (abbreviated name: MLP0225).

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

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

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

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

The bonds of MLP Group S.A. outstanding as at 31 December 2020 are presented below.

Instrument	Currency	Nominal value	Maturity date	Interest rate	Guarantees and collateral	ISIN
Private bonds – <b>Series A</b>	EUR	20 000 000	2022-05-11	6M EURIBOR + margin	none	PLMLPGR00033
Private bonds – <b>Series B</b>	EUR	10 000 000	2023-05-11	6M EURIBOR + margin	none	PLMLPGR00041
Public bonds – <b>Series C</b>	EUR	45 000 000	2025-02-19	6M EURIBOR + margin	none	PLMLPGR00058

### 3. 4.4 Loans

As at 31 December 2020, the Company had outstanding receivables under loans advanced in 2020:

Lender	Borrower	Agreement date loans	Original amount	Outstanding principal
MLP Group S.A.	LOKAFOP 201 Sp. z o.o.	2020-12-30	4 800 000 PLN	4 800 000 PLN
MLP Group S.A.	MLP BIERUŃ I Sp. z o.o.	2020-03-12	200 000 PLN	200 000 PLN
MLP Group S.A.	MLP BIERUŃ I Sp. z o.o.	2020-07-15	200 000 PLN	200 000 PLN
MLP Group S.A.	MLP BIERUŃ I Sp. z o.o.	2020-07-27	2 000 000 PLN	2 000 000 PLN
MLP Group S.A.	MLP BIERUŃ I Sp. z o.o.	2020-07-29	1 500 000 PLN	1 500 000 PLN
MLP Group S.A.	MLP BIERUŃ I Sp. z o.o.	2020-10-01	500 000 PLN	140 000 PLN
MLP Group S.A.	MLP BIERUŃ I Sp. z o.o.	2020-12-16	2 000 000 PLN	2 000 000 PLN
MLP Group S.A.	MLP BIERUŃ I Sp. z o.o.	2020-12-30	4 800 000 PLN	4 800 000 PLN
MLP Group S.A.	MLP BIERUŃ Sp. z o.o.	2020-12-30	4 000 000 PLN	4 000 000 PLN
MLP Group S.A.	MLP BUCHAREST WEST Sp. z o.o.	2020-12-30	4 800 000 PLN	4 800 000 PLN
MLP Group S.A.	MLP BUCHAREST WEST SRL	2020-01-10	1 000 000 EUR	400 000 EUR
MLP Group S.A.	MLP BUCHAREST WEST SRL	2020-02-24	1 183 000 EUR	1 183 000 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I Sp. z o.o. & Co.KG	2020-01-03	3 301 779 EUR	3 301 779 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I Sp. z o.o. & Co.KG	2020-01-21	500 000 EUR	500 000 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I Sp. z o.o. & Co.KG	2020-03-16	410 000 EUR	410 000 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I Sp. z o.o. & Co.KG	2020-05-04	100 000 EUR	100 000 EUR



Lender	Borrower	Agreement date loans	Original amount	Outstanding principal
MLP Group S.A.	MLP BUSINESS PARK BERLIN I Sp. z o.o. & Co.KG	2020-06-17	150 000 EUR	150 000 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I Sp. z o.o. & Co.KG	2020-08-18	100 000 EUR	100 000 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I Sp. z o.o. & Co.KG	2020-09-25	530 000 EUR	530 000 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I Sp. z o.o. & Co.KG	2020-10-09	8 000 000 EUR	7 050 000 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I GP Sp. z o.o.	2020-06-26	40 000 PLN	40 000 PLN
MLP Group S.A.	MLP BUSINESS PARK BERLIN I GP Sp. z o.o.	2020-12-30	4 800 000 PLN	4 800 000 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2020-02-04	150 000 PLN	150 000 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2020-03-13	3 100 000 PLN	3 100 000 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2020-03-16	202 177 PLN	0 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2020-03-17	9 980 907 PLN	380 907 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2020-03-18	4 343 820 PLN	4 343 820 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2020-04-29	500 000 PLN	500 000 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2020-06-10	15 529 455 PLN	15 529 455 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2020-12-30	4 600 000 PLN	4 600 000 PLN
MLP Group S.A.	MLP Business Park Wien GmbH	2020-12-03	17 500 000 EUR	6 101 924 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2020-03-18	106 050 EUR	106 050 EUR
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2020-04-24	168 000 PLN	168 000 PLN
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2020-05-02	150 920 PLN	150 920 PLN
MLP Group S.A.	MLP Czeladź Sp. z o.o.	2020-05-02	151 833 EUR	151 833 EUR
MLP Group S.A.	MLP Dortmund GP Sp. z o.o.	2020-12-16	40 000 PLN	40 000 PLN
MLP Group S.A.	MLP Dortmund LP Sp. z o.o.	2020-12-16	40 000 PLN	40 000 PLN
MLP Group S.A.	MLP FIN SP. Z O.O. Spółka Komandytowa	2020-05-11	50 000 PLN	50 000 PLN
MLP Group S.A.	MLP FIN SP. Z O.O. Spółka Komandytowa	2020-12-30	4 800 000 PLN	4 800 000 PLN
MLP Group S.A.	MLP FIN Spółka z ograniczoną odpowiedzialnością	2020-06-26	40 000 PLN	40 000 PLN
MLP Group S.A.	MLP FIN Spółka z ograniczoną odpowiedzialnością	2020-12-30	4 800 000 PLN	4 800 000 PLN
MLP Group S.A.	MLP Germany Management GmbH	2020-01-15	15 000 EUR	15 000 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-02-04	149 616 PLN	149 616 PLN
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-02-20	41 117 EUR	41 117 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-03-18	353 620 EUR	0 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-04-17	412 030 PLN	412 030 PLN
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-04-17	415 650 EUR	0 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-05-02	970 893 PLN	970 893 PLN
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-05-02	793 701 EUR	793 701 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-06-09	1 073 690 PLN	1 073 690 PLN
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-06-17	1 305 680 EUR	1 305 680 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-07-07	172 500 PLN	172 500 PLN
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-08-18	219 102 PLN	219 102 PLN
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-10-23	59 000 EUR	59 000 EUR

Lender	Borrower	Agreement date loans	Original amount	Outstanding principal
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-12-10	90 300 EUR	90 300 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2020-12-28	30 200 EUR	30 200 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO. KG	2020-03-30	55 000 EUR	55 000 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO. KG	2020-05-21	67 568 EUR	67 568 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO. KG	2020-08-18	428 000 EUR	428 000 EUR
MLP Group S.A.	MLP LUBLIN Sp. z o.o.	2020-01-10	375 600 EUR	375 600 EUR
MLP Group S.A.	MLP LUBLIN Sp. z o.o.	2020-02-04	231 167 PLN	231 167 PLN
MLP Group S.A.	MLP LUBLIN Sp. z o.o.	2020-02-04	349 483 EUR	349 483 EUR
MLP Group S.A.	MLP LUBLIN Sp. z o.o.	2020-02-20	155 093 EUR	155 093 EUR
MLP Group S.A.	MLP LUBLIN Sp. z o.o.	2020-04-17	50 012 EUR	50 012 EUR
MLP Group S.A.	MLP LUBLIN Sp. z o.o.	2020-05-02	133 700 PLN	133 700 PLN
MLP Group S.A.	MLP LUBLIN Sp. z o.o.	2020-05-02	97 307 EUR	97 307 EUR
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2020-01-14	200 000 PLN	200 000 PLN
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2020-03-19	18 610 865 PLN	18 610 865 PLN
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2020-04-22	2 025 150 PLN	2 025 150 PLN
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2020-04-24	559 976 PLN	559 976 PLN
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2020-05-02	267 100 PLN	267 100 PLN
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2020-05-07	500 000 PLN	500 000 PLN
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2020-06-29	633 185 PLN	633 185 PLN
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2020-07-07	1 886 525 PLN	1 886 525 PLN
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2020-07-15	200 000 PLN	200 000 PLN
MLP Group S.A.	MLP POZNAŃ EAST Sp. z o.o.	2020-06-26	40 000 PLN	40 000 PLN
MLP Group S.A.	MLP POZNAŃ Sp. z o.o.	2020-12-14	651 807 EUR	651 807 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2020-01-20	460 000 PLN	460 000 PLN
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2020-01-20	306 000 EUR	306 000 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2020-02-05	468 850 EUR	468 850 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2020-02-20	2 124 811 EUR	2 124 811 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2020-03-18	884 225 EUR	884 225 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2020-04-24	536 960 EUR	536 960 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2020-12-30	3 000 000 PLN	3 000 000 PLN
MLP Group S.A.	MLP PROPERTY I Sp. z o.o.	2020-06-26	40 000 PLN	40 000 PLN
MLP Group S.A.	MLP PROPERTY Sp. z o.o.	2020-12-30	4 300 000 PLN	4 300 000 PLN
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2020-03-26	635 000 PLN	635 000 PLN
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2020-04-24	870 580 PLN	870 580 PLN
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2020-04-24	876 736 EUR	876 736 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2020-07-07	822 000 EUR	822 000 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2020-09-10	331 202 EUR	331 202 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2020-10-23	500 000 EUR	500 000 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2020-11-12	2 643 400 EUR	2 643 400 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2020-11-26	1 260 995 EUR	1 260 995 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2020-12-10	827 342 EUR	827 342 EUR
MLP Group S.A.	MLP PRUSZKÓW III Sp. z o.o.	2020-04-17	658 560 EUR	658 560 EUR
MLP Group S.A.	MLP PRUSZKÓW III Sp. z o.o.	2020-05-02	78 000 PLN	78 000 PLN
MLP Group S.A.	MLP PRUSZKÓW III Sp. z o.o.	2020-05-26	437 162 EUR	437 162 EUR
MLP Group S.A.	MLP PRUSZKÓW III Sp. z o.o.	2020-07-07	782 000 EUR	782 000 EUR
MLP Group S.A.	MLP PRUSZKÓW IV Sp. z o.o.	2020-02-20	275 214 EUR	79 924 EUR
MLP Group S.A.	MLP PRUSZKÓW IV Sp. z o.o.	2020-03-18	902 200 EUR	902 200 EUR
MLP Group S.A.	MLP PRUSZKÓW IV Sp. z o.o.	2020-04-24	424 150 EUR	424 150 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2020-01-20	1 860 000 PLN	1 860 000 PLN

Lender	Borrower	Agreement date loans	Original amount	Outstanding principal
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2020-01-20	1 060 000 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2020-02-20	1 677 768 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2020-03-18	3 078 520 EUR	2 422 749 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2020-05-02	1 376 270 PLN	1 376 270 PLN
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2020-06-04	149 208 EUR	149 208 EUR
MLP Group S.A.	MLP PRUSZKÓW V Sp. z o.o.	2020-06-04	156 813 PLN	156 813 PLN
MLP Group S.A.	MLP SCHWALMTAL GP Sp. z o.o.	2020-06-26	40 000 PLN	40 000 PLN
MLP Group S.A.	MLP SCHWALMTAL LP Sp. z o.o.	2020-06-26	40 000 PLN	40 000 PLN
MLP Group S.A.	MLP SCHWALMTAL LP Sp. z o.o.	2020-12-16	1 500 EUR	1 500 EUR
MLP Group S.A.	MLP SCHWALMTAL Sp.z o.o.& Co.KG	2020-01-07	800 000 EUR	800 000 EUR
MLP Group S.A.	MLP SCHWALMTAL Sp.z o.o.& Co.KG	2020-02-11	200 000 EUR	200 000 EUR
MLP Group S.A.	MLP SCHWALMTAL Sp.z o.o.& Co.KG	2020-03-13	400 000 EUR	400 000 EUR
MLP Group S.A.	MLP SCHWALMTAL Sp.z o.o.& Co.KG	2020-09-24	30 000 EUR	30 000 EUR
MLP Group S.A.	MLP SCHWALMTAL Sp.z o.o.& Co.KG	2020-10-30	100 000 EUR	47 000 EUR
MLP Group S.A.	MLP Spółka z o.o.	2020-12-30	4 800 000 PLN	4 800 000 PLN
MLP Group S.A.	MLP TEMP Sp. z o.o.	2020-12-30	4 600 000 PLN	4 600 000 PLN
MLP Group S.A.	MLP TERESIN II Sp. z o.o.	2020-12-30	4 600 000 PLN	4 600 000 PLN
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2020-01-10	195 200 PLN	195 200 PLN
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2020-01-10	199 000 EUR	199 000 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2020-01-27	800 000 EUR	800 000 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2020-03-06	125 000 EUR	125 000 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2020-04-23	331 200 PLN	331 200 PLN
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2020-04-23	337 557 EUR	337 557 EUR
MLP Group S.A.	MLP Wrocław Sp. z o.o.	2020-07-28	50 000 EUR	41 500 EUR
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2020-02-20	200 000 EUR	74 235 EUR
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2020-03-26	24 273 000 PLN	24 273 000 PLN
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2020-05-19	200 000 PLN	200 000 PLN
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2020-07-07	200 000 PLN	200 000 PLN
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2020-09-10	1 135 000 EUR	1 135 000 EUR
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2020-10-13	5 255 875 PLN	5 255 875 PLN
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2020-10-23	355 000 EUR	355 000 EUR
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2020-11-12	1 014 000 EUR	1 014 000 EUR
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2020-12-10	776 060 EUR	776 060 EUR

### 3. 4.5 Sureties issued and received

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

### 3. 4.6 Guarantees provided and received

As at 31 December 2020, MLP Group S.A. did not provide any guarantees.

### 3. 4.7 Other security interests

- Loan subordination agreement – loan granted to MLP Pruszków I Sp. z o.o.
- Loan subordination agreement – loans to MLP Lublin Sp. z o.o.
- Loan subordination agreement – loans to MLP Teresin Sp. z o.o.
- Loan subordination agreement – loans to MLP Wrocław Sp. z o.o.
- Loan subordination agreement – loan granted to MLP Poznań II Sp. z o.o.
- Loan subordination agreement – loan granted to MLP Poznań Sp. z o.o.

- Loan subordination agreement – loan granted to MLP Czeladź Sp. z o.o.
- Loan subordination agreement – loan granted to MLP Gliwice Sp. z o.o.
- Loan subordination agreement – loans to MLP Pruszków III Sp. z o.o.
- Loan subordination agreement - loans to MLP Pruszków IV Sp. z o.o.
- Loan subordination agreement - loans to MLP Pruszków V Sp. z o.o.
- Support agreements granted by MLP Group S.A. as sponsor for MLP Czeladź Sp. z o.o., MLP Lublin sp. z o.o., MLP Teresin sp. z o.o., MLP Gliwice sp. z o.o., MLP Wrocław sp. z o.o., MLP Poznań sp. z o.o., MLP Poznań II and MLP Pruszków V sp. z o.o., under which the sponsor is to provide funds to cover any project cost overruns.

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

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

Investment projects are implemented through special purpose vehicles in which the Company holds equity interests. The Company finances its investments (both acquisitions of new properties as well as extension of the existing logistics resources) from the Group's own resources and long-term borrowings, including credit facilities and non-bank borrowings.

The Company's assumption is that the share of debt financing in the financing of the planned projects will be approximately 70%.

### **3. 6 Non-recurring factors and events with a bearing on the separate financial result for the financial year**

In 2020, there were no non-recurring factors or events that would have a material effect on the separate profit or loss for the financial period.

### **3. 7 Issue, redemption, cancellation 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 12 months ended 31 December 2020.**

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

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

The Company's business is not seasonal or cyclical.

## 4. Statement of compliance with corporate governance standards

Statement of MLP Group S.A. of Pruszków (the "Company") 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 2020, with explanation of the circumstances and reasons for the non-compliance.

The Company's Management Board, appreciating the importance of corporate governance principles to ensure transparency of the Company's internal relations and its external relations, in particular the Company's existing and future shareholders, pursuant to the obligation imposed under Par. 29.3 of the WSE Rules, announces that in the financial year ended 31 December 2019 all the corporate governance rules defined in the 'Code of Best Practice for WSE Listed Companies' were applied, except for:

### I. Disclosure Policy and Investor Communications

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

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

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

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

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

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

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

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

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

### II. Management Board and Supervisory Board

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

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

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

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

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

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

#### **IV. General Meeting and shareholder relations**

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

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

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

#### **V. Conflict of interest and related-party transactions**

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

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

In the Company's opinion, the rules governing powers and competences of the Supervisory Board defined in the

applicable laws, combined with the Articles of Association and the rules governing the operation of the Supervisory Board, are sufficient, and therefore the Company has decided not to expand their scope.

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

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

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

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

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

## 4. 1 Share capital and shareholders

### 4. 1.1 Shareholders

As at 31 December 2020, MLP Group S.A. was controlled by the majority shareholder, Cajamarca Holland B.V. of Delft, which held 10,242,726 shares in the Company, representing 51.94% of the share capital and conferring 51.94% 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 2020:

Shareholder	Number of shares	Ownership interest	% of total voting rights
CAJAMARCA Holland BV <sup>2)</sup>	10 242 726	51,94%	51,94%
Other shareholders	4 055 330	20,56%	20,56%
THESINGER LIMITED	1 771 320	8,98%	8,98%
MetLife OFE <sup>3)</sup>	1 656 022	8,40%	8,40%
Israel Land Development Company Ltd. <sup>1)</sup>	652 019	3,31%	3,31%
GRACECUP TRADING LIMITED	641 558	3,25%	3,25%
MIRO B.V.	452 955	2,30%	2,30%
Shimshon Marfogel	149 155	0,76%	0,76%
MIRO LTD.	99 170	0,50%	0,50%
<b>Total</b>	<b>19 720 255</b>	<b>100%</b>	<b>100%</b>

On 27 October 2020, the Company issued 1,607,000 Series D shares with a total par value of PLN 401,750 (par value per Series D share: PLN 0.25). Following registration with the National Court Register and the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.), the total number of shares and voting rights is 19,720,255.

<sup>1)</sup> As part of the issue of Series D shares, 574,903 shares were acquired by the ultimate parent, i.e. Israel Land Development Company Ltd.

<sup>1.2)</sup> On the same day, CAJAMARCA HOLLAND B.V. sold 77,116 Company shares to Israel Land Development Company Ltd

<sup>3)</sup> In December 2020, MetLife OFE's shareholding decreased from 1,679,502 to 1,656,022 Company shares, representing 8.40% of the share capital and conferring the right to 1,656,022 votes, i.e. 8.40% of total voting rights.

On 28 October 2020, Aegon Powszechnie Towarzystwo Emerytalne S.A. reduced its holding of Company shares from 1,166,133 to 606,792 shares which after the transaction represent 3.08% of the share capital and confer 606,792 voting rights, or 3.08% of total voting rights.

#### **4. 1.2 Special rights of the Shareholders**

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

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

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

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

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

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

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

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



## 4.2 General Meeting

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

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

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

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

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

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

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

The Management Board may convene an Extraordinary General Meeting:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pursuant to Art. 430.1 and Art. 415.1 of the Commercial Companies Code, amendments to the Articles of Association of MLP Group S.A. require a resolution of the General Meeting adopted by a three-fourths majority of votes and must be recorded in the register. Where a resolution to amend the Articles of Association is to increase the shareholders' benefits or limit the rights granted personally to individual shareholders 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 Radosław T. 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 2020.

On 18 June 2018, pursuant to a resolution of the Supervisory Board, Mr Radosław T. Krochta 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.

On 18 June 2018, pursuant to a resolution of the Supervisory Board, Mr Tomasz Zabost was appointed Member 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 intra-Group loans or amendments to the loan agreements), unless execution of such agreement is provided for in the full-year financial plan (budget) adopted by the Management Board and approved by the Supervisory Board;
- convening a General Meeting or demanding that a meeting of the Supervisory Board is convened;
- filing a petition for cancellation or invalidation of resolutions of the General Meeting,
- filing a petition for bankruptcy of the Company.

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

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

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

The Management Board operates pursuant to the Company's Articles of Association, the Rules of

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 2020, the Management Board was composed of three members.

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

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

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

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*

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. In 1995-2016, he served as President of the Management Board of MLP Group S.A., and in June 2016 he took the position of Vice President of the 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 2020, the Supervisory Board was composed of six members.

On 30 November 2020, Daniel Nimrodi resigned as Member of the Supervisory Board. Cajamarca Holland B. V. of Delft, the Netherlands, one of the Company's shareholders, in the exercise of its rights under the Articles of Association, appointed Oded Setter in Mr Nimrodi's place, with effect from 1 December 2020.

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 2020 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
Oded	Setter <sup>1)</sup>	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

<sup>1)</sup> On 30 November 2020, Daniel Nimrodi resigned as Member of the Supervisory Board. Cajamarca Holland B. V. of Delft, the Netherlands, one of the Company's shareholders, in the exercise of its rights under the Articles of Association, appointed Oded Setter in Mr Nimrodi's place, with effect from 1 December 2020.

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

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

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

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

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

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

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

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



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

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

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

**Piotr Chajderowski** - Member of the Supervisory Board

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

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

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

**Oded Setter** - Member of the Supervisory Board

Oded Setter holds the position of Vice President for Financing, Investments & Business Development at The Israel Land Development Company Ltd. ("ILDC"). He also serves on the Management Boards of Skyline Investments and a subsidiary of ILDC. Mr Oded Setter is a Certified Public Accountant (CPA). He graduated from the Faculty of Law of the Bar-Ilan University, and holds Bachelor's degrees in Accounting and in Communications and Journalism from the Hebrew University of Jerusalem.

His professional experience includes positions as Vice President for Strategy, Finance and Control at Shikun & Binui, Director for Finance, Control and Strategy at Shikun & Binui, a Management Board Member at Shikun & Binui's subsidiary, Business Finance Director at Arison Investments, and Senior Consultant at KPMG.

The Management Board further announces that according to Oded Setter's representation, he does not conduct any activities outside the Company's business which would compete with the Company's business, he is not a partner in a competing civil law partnership, 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 Act on the National Court Register (KRS).

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

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

As at 31 December 2020, the Audit Committee was composed of the following persons

- Piotr Chajderowski
- Eytan Levy,
- Maciej Matusiak.

As at 31 December 2020, 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 2020, there was no remuneration committee at the Company's Supervisory Board.

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

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

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

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

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

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

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

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

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

###### Remuneration of the Management Board in 2020

- **Remuneration and other benefits:**

Radosław T. Krochta	1 010
Michael Shapiro	483
Tomasz Zabost	644
	<b>2 137</b>

The total amount of the remuneration received by and payable to the Management Board from the Company was PLN 2,137 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 2020

Maciej Matusiak	39
Eytan Levy	39
Shimshon Marfogel	39
Daniel Nimrodi	36
Guy Shapira	39
Piotr Chajderowski	39
Oded Setter	3
	<b>234</b>

In 2020, the total amount of remuneration due to and received by the Supervisory Board was PLN 234 thousand.

In 2020, the number of meetings of the Audit Committee was the same as the number of meetings held by the Supervisory Board (two).

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

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

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

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

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

Prior to the issue of Series D shares, Michael Shapiro, Vice President of the Management Board, held 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 held by MIRO B.V. in Cajamarca Holland B.V., Mr Shapiro was the beneficial owner of 14.25% of the share capital of MLP Group S.A. Therefore, in aggregate, Mr Shapiro was the beneficial owner of a 17.30% interest in the share capital of MLP Group S.A.

After the issue of Series D shares, Michael Shapiro, Vice President of the Management Board, holds indirectly, through his fully-controlled companies MIRO B.V. and MIRO Ltd., a 2.80% interest in MLP Group S.A.'s share capital, and, through a 25% interest held by MIRO B.V. in Cajamarca Holland B.V., Mr Shapiro is the beneficial owner of 12.99% of the share capital of MLP Group S.A. Therefore, in aggregate, Mr Shapiro is the beneficial owner of a 15.79% interest in the share capital of MLP Group S.A.

Prior to the issue of Series D shares, Shimshon Marfogel, Chairman of the Supervisory Board, was – 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 held directly an 0.82% interest in the share capital of the Company in the form of shares subscribed for in September 2017. Therefore, in aggregate, Mr Marfogel was the beneficial owner of a 1.59% interest in the share capital of MLP Group S.A.

After the issue of Series D shares, 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 0.71% of the share capital of MLP Group S.A., and holds directly a 0.76% interest in the share capital of the Company in the form of shares subscribed for in September 2017. Therefore, in aggregate, Mr Marfogel is the beneficial owner of a 1.47% interest in the share capital of MLP Group S.A.

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

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

In 2020, there were no major changes in the key management policies. The development of the organisation requires that management procedures applicable in MLP Group S.A. be improved on a continuous basis.

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

The Company's Management Board is responsible for the internal control system and its effectiveness in the process of preparing financial statements and reports required to be prepared and published pursuant to the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated 19 February 2009 (Dz. U. of 2014, item 133, as amended).

The efficiency and proper functioning of the internal control and risk management system are ensured through:

- established organisational structure,
- competences, knowledge and experience of the persons involved in the internal control processes,
- oversight of the system by the management and regular assessment of the Group's business,
- verification of financial statements by the auditor.

The overlapping of and interactions between individual features of the internal control system in several areas, such as:

- operating activities,
- financing activities,

- the reporting process (including preparation of financial statements),
- analysis of project costs and expenses, distribution costs and administrative expenses, as well as costs and expenses related to the operation of leased space,
- risk management,

not only guarantee the efficiency of the internal control system but also support the management processes across the entire Group.

The main features of the system of internal control and risk management pertaining to the preparation of the separate financial statements include in particular:

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

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

In accordance with the applicable laws, the Company presents its financial statements for review or audit, as applicable, by a renowned and highly qualified independent auditor. In the course of an independent audit, employees of the Finance Division involved in the preparation of the financial statements provide all necessary information and clarifications.

The Company's controlling function, with internal control as its primary and significant component, is based on the budget system. The Company reviews its short-, medium- and long-term plans on an annual basis, with a detailed budget for the next year prepared for:

- construction projects,
- operational projects,

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

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

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

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

Effective internal control (with its reporting functions) is an essential step in risk identification and change management. Effective risk management involves not only a reporting system but also risk analysis. Therefore, the key objective of the Company's efforts to reduce exposure to risk is to properly assess potential and monitor current projects. Any potential changes in project budgets are reflected in profit and cash-flow forecasts to provide a high-level overview and eliminate not only project risks but also other risks, such as liquidity or currency risks. Such high-level management and monitoring of risks and internal controls in all areas relevant to the organisation largely eliminates most of the risks to which the Company is exposed.

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

By resolutions passed on 22 May 2019, the Company's Supervisory Board, acting pursuant to Art. 21.2g) of the Company's Articles of Association, appointed PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt spółka komandytowa of Warsaw as the entity qualified to audit the Company's separate and consolidated financial statements for the financial year ended 31 December 2020 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 spółka 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 2020, 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.

	<b>31 December</b>	<b>31 December</b>
<i>as at</i>	<b>2020</b>	<b>2019</b>
Audit of full-year financial statements	60	60
Audit of separate financial statements for the purpose of interim dividend	-	40
Review of consolidated and separate financial statements	40	45
Audit and review of group reports	160	170
<b>Total fees</b>	<b>260</b>	<b>315</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 2021