



MLP
GROUP



Management Board's Report on the activities of the MLP Group S.A. Group for the 12 months ended 31 December 2020

This document is a translation. Polish version prevails.

This Management Board's Report on the activities of the MLP Group S.A. for the 12 month sended 31 December 2020 has been prepared in accordance with 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 29 March 2018 (Dz. U. of 2018, item 757).

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Contents

| | |
|---|-----------|
| Authorisation by the MLP Group S.A. Management Board Management Board's Report on the activities of the MLP Group S.A. Group in the 12 months ended 31 December 2020 | 4 |
| Introduction | 5 |
| 1. General information on the Group and MLP Group S.A. | 6 |
| 1.1 Structure of the Group | 6 |
| 1.2 Principal business of the Company and the Group | 8 |
| 1.3 The Group's property portfolio | 9 |
| 1.4 Market, customers and suppliers | 12 |
| <i>1.4.1 Structure of the Group's sales</i> | <i>12</i> |
| <i>1.4.2 Key trading partners</i> | <i>13</i> |
| 2. Activities of the MLP Group S.A. Group | 14 |
| 2.1 Activities of the MLP Group S.A. Group in 2020 | 14 |
| <i>2.1.1 Projects started and projects completed</i> | <i>14</i> |
| <i>2.1.2 Projects under construction and under preparation</i> | <i>14</i> |
| <i>2.1.3 Material agreements</i> | <i>15</i> |
| <i>2.1.4 Shareholder agreements</i> | <i>15</i> |
| <i>2.1.5 Partnership or cooperation agreements</i> | <i>15</i> |
| <i>2.1.6 Related-party transactions</i> | <i>15</i> |
| <i>2.1.7 Litigation</i> | <i>15</i> |
| 2.2 Development of the Group and risk factors | 17 |
| <i>2.2.1 Key risk factors relevant to the development of the Group</i> | <i>17</i> |
| <i>2.2.2 Business development prospects</i> | <i>23</i> |
| 3. Financial condition of the Group; management of financial resources | 26 |
| 3.1 Key economic and financial data disclosed in the Group's full-year consolidated financial statements for 2020 | 26 |
| <i>3.1.1 Selected financial data from the consolidated statement of financial position</i> | <i>26</i> |
| <i>3.1.2 Selected financial data from the consolidated statement of profit or loss</i> | <i>33</i> |
| <i>3.1.3 Selected data from the consolidated statement of cash flows</i> | <i>37</i> |
| 3.2 Management Board's position on published forecasts | 37 |
| 3.3 Management of the Group's financial resources | 38 |
| <i>3.3.1 Profitability ratios</i> | <i>38</i> |
| <i>3.3.2 Liquidity ratios</i> | <i>39</i> |
| <i>3.3.3 Debt ratios</i> | <i>40</i> |

| | | |
|-------------|--|-----------|
| 3.4 | Borrowings, bonds, sureties and guarantees | 41 |
| | 3.4.1 <i>New and terminated non-bank borrowings</i> | 41 |
| | 3.4.2 <i>New and terminated bank borrowings</i> | 41 |
| | 3.4.3 <i>Bonds</i> | 41 |
| | 3.4.4 <i>Loans</i> | 42 |
| | 3.4.5 <i>Sureties issued and received</i> | 42 |
| | 3.4.6 <i>Guarantees provided and received</i> | 42 |
| 3.5 | Feasibility of investment plans | 42 |
| 3.6 | Non-recurring factors and events with a bearing on the consolidated financial result for the 12 months ended 31 December 2020 | 42 |
| 3.7 | Issue, redemption, cancellation and repayment of non-equity and equity securities | 42 |
| 3.8 | Material achievements and failures in the 12 months ended 31 December 2020. | 42 |
| 3.9 | Seasonality and cyclicity | 42 |
| 4. | Statement of compliance with corporate governance standards | 43 |
| 4.1 | Share capital and shareholders | 46 |
| | 4.1.1 <i>Shareholders</i> | 46 |
| | 4.1.2 <i>Special rights of the Shareholders</i> | 46 |
| | 4.1.3 <i>Restrictions on rights attached to shares</i> | 47 |
| 4.2 | General Meeting | 48 |
| 4.3 | Rules for amending the Articles of Association | 49 |
| 4.4 | Management Board | 50 |
| | 4.4.1 <i>Powers and competencies of the Management Board</i> | 50 |
| | 4.4.2 <i>Operation of the Management Board</i> | 51 |
| | 4.4.3 <i>Composition of the Management Board</i> | 52 |
| 4.4 | Supervisory Board | 53 |
| | 4.5.1 <i>Powers and competencies of the Supervisory Board</i> | 53 |
| | 4.5.2 <i>Operation of the Supervisory Board</i> | 54 |
| | 4.5.3 <i>Composition of the Supervisory Board</i> | 55 |
| | 4.5.4 <i>Audit Committee</i> | 56 |
| | 4.5.5 <i>Key assumptions of the policy for selection and appointment of the audit firm</i> | 57 |
| 4.6 | Remuneration and employment contracts of members of the Management Board of the Group companies and of the Supervisory Board | 58 |
| | 4.6.1 <i>Amount of remuneration, awards and benefits for members of the Management Board and the Supervisory Board</i> | 58 |
| | 4.6.2 <i>Agreements with members of the Management Board in case of resignation, dismissal</i> | 58 |
| 4.7 | Shares held by members of the Management Board and the Supervisory Board | 59 |
| 4.8 | Changes in the Company's and the Group's key business management policies | 59 |
| 4.9 | Internal control and risk management system | 59 |
| 4.10 | Entity qualified to audit the financial statements | 61 |

Authorisation by the MLP Group S.A. Management Board Management Board's Report on the activities of the MLP Group S.A. Group in the 12 months ended 31 December 2020

This Management Board's Report on the activities of the MLP Group S.A. Group in the 12 months 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.

Radosław T. Krochta
*President of the Management
Board*

Michael Shapiro
*Vice President of the
Management Board*

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. Group (the "Group"). The Company is entered in the National Court Register maintained by the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register, under No. 0000053299. The Company's registered office is located at ul. 3-go Maja 8, 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 Parent's and its subsidiaries' business activities comprise development, purchase and sale of own real estate, lease of own real estate, management of residential and non-residential real estate, general activities involving construction of buildings, and construction. The PKD code of the principal business activity is: 7032Z, i.e. property management services.

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

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

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

1.1 Structure of the Group

As at 31 December 2020, the Group comprised the following entities:

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

Changes in the Group

¹⁾ 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.

²⁾ 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.

³⁾ 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 markets as an industrial developer, consultant and property manager, providing comprehensive solutions to numerous Polish and international logistics, distribution and production companies, enabling them to optimise their warehouse and production space.

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

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

At present, the Group operates eleven logistics parks in the following key locations: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, MLP Czeladź, MLP Poznań West, MLP Wrocław West and MLP Łódź. Under a property development contract, the Group was also responsible for the commercialisation of the MLP Bieruń logistics park for the project owner DEKA Immobilien | West Invest. The complex was sold in 2015. In the first quarter of 2019, the commercialisation process was completed.

In Germany, the Group 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. In December 2020, the Group signed a deed to acquire property in Austria for the construction of a new park in Vienna.

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

The Group has also signed a number of reservation agreements to purchase new land for planned logistics parks in Poland, Germany and Austria.

In Poland, the land bank 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 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 m², 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 m² to 2,500 m²) 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.

1.3 The Group's property portfolio

The Group classifies its portfolio properties into two main categories:

- properties generating rental income,
- investment projects
- land bank (area).

The structure of the Group's property portfolio by property category as at 31 December 2020 is presented below.

| Logistics parks in Poland | Location | Target area (m ²) | Existing leasable space (m ²) | Space under construction and under preparation (m ²) | Land bank (area) (m ²) | Target capacity (m ²) |
|---|----------------|-------------------------------|---|--|------------------------------------|-----------------------------------|
| MLP Pruszków I | Pruszków | 169 630 | 169 630 | - | - | 170 695 |
| MLP Pruszków II | Brwinów | 309 048 | 208 500 | 25 582 | 163 620 | 309 048 |
| MLP Poznań | Poznań | 89 935 | 48 356 | 9 675 | 83 092 | 89 935 |
| MLP Poznań West | Dąbrówka | 82 818 | 20 760 | 5 670 | 117 555 | 82 818 |
| MLP Lublin | Lublin | 48 314 | 46 321 | - | 3 780 | 48 314 |
| MLP Teresin | Teresin | 37 954 | 37 954 | - | - | 37 954 |
| MLP Gliwice | Szałsza | 52 888 | 44 384 | - | 17 280 | 52 888 |
| MLP Wrocław | Mirków | 63 234 | 46 527 | - | 33 768 | 63 234 |
| MLP Wrocław West | Mokronos Dolny | 31 000 | - | 8 640 | 90 824 | 31 000 |
| MLP Czeladź | Czeladź | 68 332 | 18 899 | - | 98 882 | 68 332 |
| MLP Łódź ³⁾ | Łódź | 71 100 | - | 17 335 | 179 440 | 71 100 |
| MLP Unna ²⁾ | Unna | 56 500 | 27 041 | 56 500 | - | 56 500 |
| MLP Business Park Berlin ¹⁾ | Berlin | 17 953 | - | 17 953 | - | 17 953 |
| MLP Business Park Niederrhein ⁴⁾ | Schwalmtal | 64 000 | - | - | 125 000 | 64 000 |
| MLP Bucharest West | Bukareszt | 99 000 | 22 910 | - | 148 704 | 99 000 |
| MLP Business Park Poznań | Poznań | 26 021 | 24 431 | - | - | 26 021 |
| Total | | 1 287 727 | 715 713 | 141 355 | 1 061 945 | 1 288 792 |

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

²⁾ On 4 April 2017, MLP Logistic Park Germany I Sp. z o.o. &Co KG. purchased a land property with an area of 12.5 ha, developed with warehouse and office buildings. The MLP Unna Logistics Park is located on the land and comprises buildings which are planned to be demolished – in 2021 the Group is starting construction of a new warehouse facility for a tenant with whom it signed a lease contract in 2019. The new facility will have an area of 56,500 m².

³⁾ By the date of issue of this report, MLP Łódź II Sp. z o.o. purchased 16.7 ha of land of the planned 18 ha.

4) In November 2019, MLP Schwalmtal Sp. z o.o. & Co. KG concluded a preliminary agreement for the sale of 12.5 ha of land, to be used for development of MLP Business Park Niederrhein, a new logistics park. The transaction will be completed by the end of 2021.

Summary of leasable area owned by the Group in Poland as at 31 December 2020 (m²):

| Target space upon completion (m ²) | Space completed (m ²) | Space under construction and under preparation (m ²) | Space completed and leased out (m ²) | Pre-leased space under construction and under preparation (m ²) | Space completed but not leased out (m ²) | Target capacity (m ²) |
|--|-----------------------------------|--|--|---|--|-----------------------------------|
| POLAND: | | | | | | |
| 1 050 274 | 665 762 | 66 902 | 643 781 | 47 462 | 21 981 | 1 051 339 |
| GERMANY: | | | | | | |
| 138 453 | 27 041 | 74 453 | 16 402 | 56 500 | 10 639 | 138 453 |
| ROMANIA: | | | | | | |
| 99 000 | 22 910 | - | 12 395 | - | 10 515 | 99 000 |
| 1 287 727 | 715 713 | 141 355 | 672 578 | 103 962 | 43 135 | 1 288 792 |

Types of rental space offered:

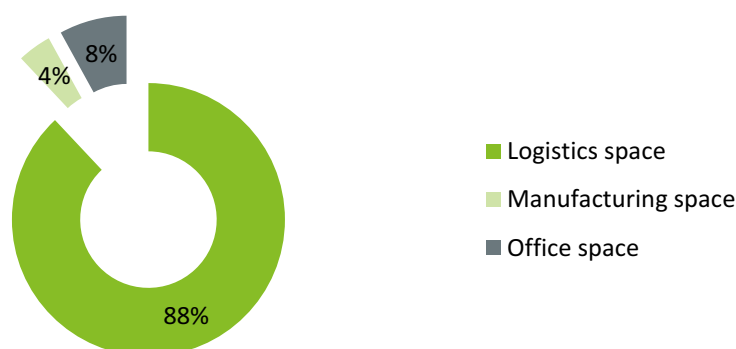
The Group offers two types of space to its tenants:

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

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

Space completed at the Group's parks as at 31 December 2020:

Group's developed space by type as at 31 December 2020



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

| Logistics park | Fair value (EUR '000) | 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 Poznań Business Park | 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 |
| Total | 491 093 | 2 266 312 |

The value of investment property portfolio disclosed in the consolidated financial statements as at 31 December 2020 included: (i) market value of investment property of PLN 2,266,312 thousand, (ii) perpetual usufruct right to land of PLN 37,063 thousand, (iii) additional expenditure incurred on properties at MLP Wrocław West of PLN 20,635 thousand, and expenditure on future investment projects of PLN 6,775 thousand in new locations of interest to the Group.

1. 4 Market, customers and suppliers

The Group's property portfolio currently comprises twelve logistics parks at the following key locations in Poland: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, MLP Czeladź, MLP Poznań West, MLP Wrocław West, MLP Łódź and MLP Poznań Business Park. In Germany, the Group currently owns three logistics parks: MLP Unna, MLP Business Park Berlin, and MLP Business Park Niederrhein. In Romania, the Group operates the logistics park MLP Bucharest West. In Austria, the Group has purchased land to develop a new logistics park MLP Vienna.

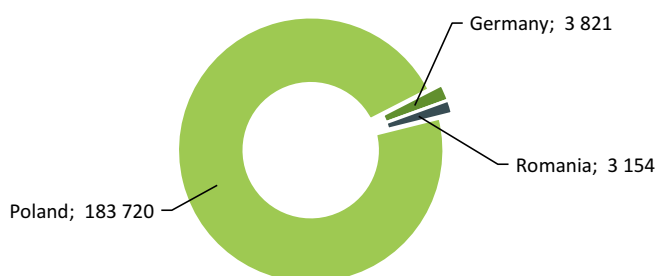
The Group has signed agreements granting options to purchase land in new locations in Poland and Germany, which would allow it to expand the selection of available locations for tenants.

1. 4.1 Structure of the Group's sales

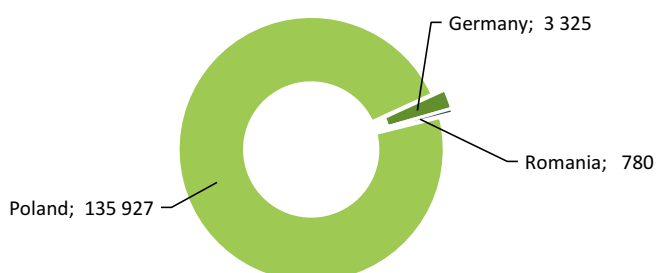
The Group earns revenue from lease of investment property in logistics parks in Poland and Germany, and since July 2019 – also in Romania. The table below presents the types of revenue derived from lease of the properties.

| Revenue for the 12 months ended 31 December | 2020 | 2019 | change (%) |
|---|----------------|----------------|--------------|
| Sales to external customers: | | | |
| Rental income from investment property | 101 466 | 81 864 | 23,9% |
| Recharge of service charges | 36 249 | 27 257 | 33,0% |
| Recharge of utility costs | 33 581 | 28 070 | 19,6% |
| Other revenue | 1 657 | 1 481 | 11,9% |
| Revenue from property development contract concluded by MLP Bieruń Sp. z o.o. | - | 1 360 | -100,0% |
| Revenue from property development contract concluded by MLP Group Sp. z o.o. | 17 742 | - | 100,0% |
| Total | 190 695 | 138 672 | 37,5% |

2020 revenue by geography



2019 revenue by geography



The structure of the Group's tenants is highly diversified and therefore the Group is not exposed to any material risk related to a single tenant or group of tenants. As at 31 December 2020, the average space of income-generating properties per tenant was approximately 4.4 thousand m² (31 December 2019: 6.6 thousand m²).

As at 31 December 2020, the 10 largest tenants occupied about 34% of the total leased space in all of the Group's parks (31 December 2019: 43%).

1. 4.2 Key trading partners

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

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

For construction services, general contractors are selected in internally organised tender procedures. In 2020, the Group cooperated with Pekabex Bet S.A. and Wielkopolskie Przedsiębiorstwo Inżynierii Przemysłowej Spółka Komandytowa under the general contractor system, and the Group's turnover with these companies exceeded 10% of the Group's revenue.

The other services are procured from a broad base of suppliers, and therefore the Group is not dependent on any single supplier. In 2020, none of the Group's other suppliers accounted for more than 10% of the Group's revenue.

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

2.1 Activities of the MLP Group S.A. Group in 2020

In 2020, the Group continued its principal business activity consisting in the construction and lease of warehouse and office space. Construction work was mainly outsourced to specialist third-party service providers on a general contractor basis.

In the reporting period, the Group carried out several property development projects and leased more than 715 thousand m² 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 Group was engaged in construction of projects with a total area of 155,693 m², with a further 85,373 m² in preparation, i.e. the total area of projects under development was 241,066 m².

Out of the total, 90,512 m² was attributable to projects commenced in 2019 and completed in 2020. In 2020, the Group launched projects with a total area of 65,181 m², of which 9,271 m² has been completed (MLP Pruszków II) and 55,910 m² 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 m² at MLP Unna and 5,868 m² at MLP Business Park Berlin I, and two investment projects at logistics parks in Poland – 17,335 m² at MLP Łódź and 5,670 m² 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 Group worked on development of projects with a total area of 241,066 m². Of these projects, a total area of 99,783 m² was completed in 2020 at the following parks: MLP Pruszków II (48,006 m²), MLP Wrocław (20,550 m²), MLP Gliwice (8,813 m²), MLP Poznań West (11,690 m²) and MLP Bucharest (10,515 m²).

As at December 31st 2020, 55,910 m² 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 m² 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 Group's equity were concluded in 2020.

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

2. 1.4 Shareholder agreements

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

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

2. 1.5 Partnership or cooperation agreements

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

2. 1.6 Related-party transactions

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

For description of related-party transactions, see Note 23 to the Group's full-year consolidated financial statements for the 12 months ended 31 December 2020.

2. 1.7 Litigation

Proceedings pending before courts, arbitration bodies or public administration bodies

As at 31 December 2020, the Group was party to proceedings with a total amount of liabilities and claims under litigation of approximately PLN 6,045 thousand, including liabilities under litigation of approximately PLN 3,995 thousand (all relating to the Depenbrock Polska Sp. z o.o. sp.k. case), and claims under litigation of approximately PLN 2,050 thousand.

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

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

Currently, an appeal against the default judgment is pending before the District Court in Warsaw (the proceedings have been suspended due to CreditForce Holding B.V. being declared bankrupt). The Group recognized an impairment allowance of the abovementioned receivables.

On 31 January 2020, MLP Gliwice Sp. z o.o. was served a default judgment dated 22 January 2020, in which the court awarded the amount of EUR 865,777.48 plus interest from the Company to DEPENBROCK Polska Sp. z o.o. sp. k. The court also ordered the Company to reimburse the costs of the court proceedings and made the judgment immediately enforceable. The Company filed an opposition to the default judgment with a motion for stay of execution. The claim should be dismissed on the grounds that it is premature. From August 2020 to February 2021, mediation proceedings were ongoing, however the parties failed to reach an agreement.

2. 2 Development of the Group and risk factors

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

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

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

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

Credit risk

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

Liquidity risk

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

Market risk

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

Currency risk

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

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

Interest rate risk

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

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

Risk related to the Group's dependence on macroeconomic conditions

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

Risks related with factors specific to the real estate sector

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

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

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

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

Insurance risk

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

Risk related to the nature of the Group's business

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

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

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

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

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

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

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

Risk relating to general contractors

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

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

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

Risk related to obtaining administrative decisions

As part of its activities and in the course of managing its assets, the Group is legally required to obtain a number of licenses, consents, 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 the Group 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 may also seek changes in some of the Group's projects or facilities, as well as changes in the use of the properties to make them more effective or aligned with current trends in the real estate market. Implementing such changes may prove impossible due to difficulties in obtaining or amending the terms of the required permits, consents, administrative decisions and other decisions of public administration bodies, in particular in the case of properties entered in the register of historical places.

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

Risk related to land acquisition

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

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

An increase in future land prices may also adversely affect the competitiveness and profitability of the Group's new projects. This is because the cost of land is a major factor determining the viability of a given project. On the other hand, increase in land prices may improve the competitiveness of the Group's projects on land which had already been purchased at lower prices. In order to minimise the impact of the risk of land price increases, the Group has a land bank for prospective projects with a total area of approximately 106.2 ha. Decline in the value of land may result in lower valuations of the investment properties, and may adversely affect the competitiveness and profitability of some of the Group's projects on land owned by the Group.

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

The COVID-19 pandemic, which began in the first quarter of 2020, has had and may continue to have an impact on the Group's operations. 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 Group's operations. This may delay the start and execution of projects pursued by the Company and 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

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 m² 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 m² 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 m² in 2020, including nearly 80,000 m² 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/m²/month. The most attractive rates were offered in locations outside the city limit in Central Poland (EUR 2.6–3.5/m²/month). At the end of December, the vacancy rate was 7.5%.

In 2020, developers delivered over 2m m² of new warehouse space, most of it located in the Warsaw, Upper Silesia and Wrocław markets, which accounted for a total of 1.4m m² of new space. As a result, the total stock of modern warehouse space in Poland reached 20.7m m². At the end of last year, over 1.9m m² 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 m², 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 m² of space leased out in the second half of 2020. Never before was so much space leased in a six-month period. Over 1.9m m² 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 m² of new space was delivered to the five largest markets. Approximately 1.03m m² 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 m² remained stable in the five largest markets. Monthly rent rates for premium space were the highest in Munich, at EUR 7.10/m², followed by Hamburg and Frankfurt, at EUR 6.40/m² and EUR 6.20/m² respectively, with the lowest rents paid in Berlin and Düsseldorf, at EUR 5.50/m².

In 2020, the volume of transactions in the other parts of Germany, outside the five largest markets, was 5.04m m², 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 m²).

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 m² of modern warehouse space was delivered, and the market's total supply at the year's end was 5.1m m². 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 m², 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/m²/month.

At the end of last year, approximately 398,000 m² 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 the Group; management of financial resources

3.1 Key economic and financial data disclosed in the Group's full-year consolidated financial statements for 2020

3.1.1 Selected financial data from the consolidated statement of financial position

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

| | 31 December | | 31 December | | Change (%) |
|------------------------------|------------------|-------------|------------------|-------------|------------|
| <i>as at</i> | 2020 | % share | 2019 | % share | |
| ASSETS | 2 682 892 | 100% | 2 074 127 | 100% | 29% |
| Non-current assets | 2 392 123 | 89% | 1 838 209 | 91% | 30% |
| Including: | | | | | |
| Investment property | 2 330 899 | 87% | 1 809 850 | 86% | 29% |
| Other long-term investments | 53 213 | 3% | 23 826 | 6% | 123% |
| Current assets | 290 769 | 11% | 235 918 | 9% | 23% |
| Including: | | | | | |
| Short-term investments | 27 958 | 1% | 63 688 | 2% | -56% |
| Trade and other receivables | 82 430 | 3% | 67 128 | 2% | 23% |
| Other short-term investments | 10 108 | 0% | 2 774 | 0% | - |
| Cash and cash equivalents | 163 009 | 6% | 102 046 | 5% | 60% |

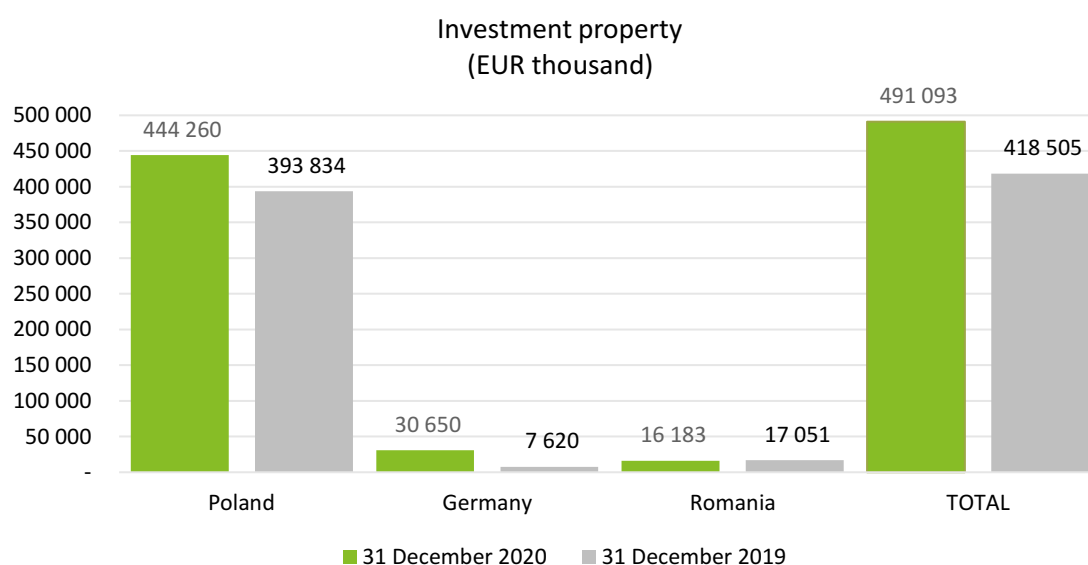
| | 31 December | | 31 December | | Change (%) |
|--|------------------|-------------|------------------|-------------|-------------|
| <i>as at</i> | 2020 | % share | 2019 | % share | |
| EQUITY AND LIABILITIES | 2 682 892 | 101% | 2 074 127 | 100% | 29% |
| Total equity | 1 211 732 | 45% | 938 555 | 53% | 29% |
| Non-current liabilities | 1 374 714 | 51% | 971 135 | 42% | 42% |
| Including: | | | | | |
| Borrowings and other debt instruments, and other non-current liabilities | 1 194 536 | 45% | 825 845 | 35% | 45% |
| Current liabilities | 96 446 | 5% | 164 437 | 5% | -41% |
| Including: | | | | | |
| Borrowings and other debt instruments | 33 985 | 1% | 54 429 | 2% | -38% |
| Trade and other payables | 57 366 | 2% | 108 546 | 3% | -47% |

As at 31 December 2020, the Group's investment property, comprising logistics parks, continued as the key item of the Group's assets, accounting for 87% of total assets. The largest items of equity and liabilities were borrowings and other debt instruments and equity. As at 31 December 2020, equity accounted for 45% of total equity and liabilities, and non-current liabilities, borrowings, other debt instruments and other liabilities accounted for 45% of total equity and liabilities. The increase in liabilities under bank and non-bank borrowings, other debt instruments and other non-current and current liabilities was mainly attributable to the bond issue for a total of EUR 45m and new credit facilities taken out by MLP Wrocław Sp. z o.o., MLP Pruszków V Sp. z o.o., MLP Czeladź Sp. z o.o., MLP Gliwice Sp. z o.o and MLP Poznań Sp. z o.o. Proceeds from the facilities are used to finance the Group's continuous development – expansion of the existing and construction of new logistics parks. Proceeds from the bond issue were used to purchase land in new locations and to fund the Group's own contribution under projects co-financed by bank loans.

Investment property

| <i>as at</i> | 31 December 2020 [EUR '000] | 31 December 2020 [PLN '000] | 31 December 2019 [EUR '000] | 31 December 2019 [PLN '000] | Change [EUR '000] |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|----------------------|
| MLP Pruszków I | 92 210 | 425 531 | 90 030 | 383 393 | 2 180 |
| MLP Pruszków II | 145 480 | 671 361 | 128 224 | 546 042 | 17 256 |
| MLP Poznań | 34 460 | 159 026 | 31 750 | 135 207 | 2 710 |
| MLP Lublin | 34 610 | 159 718 | 34 293 | 146 037 | 317 |
| MLP Teresin | 17 000 | 78 452 | 16 870 | 71 841 | 130 |
| MLP Gliwice | 32 880 | 151 735 | 26 117 | 111 219 | 6 763 |
| MLP Wrocław | 30 980 | 142 967 | 28 800 | 122 645 | 2 180 |
| MLP Czeladź | 19 170 | 88 466 | 19 110 | 81 380 | 60 |
| MLP Poznań West | 22 020 | 101 618 | 18 640 | 79 378 | 3 380 |
| MLP Poznań Business Park | 7 090 | 32 719 | - | - | 7 090 |
| MLP Łódź | 3 040 | 14 029 | - | - | 3 040 |
| MLP Wrocław West | 5 320 | 24 551 | - | - | 5 320 |
| MLP Business Park Berlin | 9 950 | 45 917 | - | - | 9 950 |
| MLP Unna | 20 700 | 95 526 | 7 620 | 32 450 | 13 080 |
| MLP Bucharest West | 16 183 | 74 696 | 17 051 | 72 536 | (868) |
| Valuation of the property portfolio | 491 093 | 2 266 312 | 418 505 | 1 782 128 | 72 588 |

According to the valuations prepared as at 31 December 2020, the total value of the Group's property portfolio was EUR 491,093 thousand (PLN 2,266,312 thousand), having increased by EUR 72,588 thousand on 31 December 2019. The change was mainly attributable to the completion of projects in Poland and delivery of approximately 89,000 m² of new space in 2020 (including at MLP Pruszków II – 48,006 m², MLP Wrocław – 20,550 m², MLP Poznań West – 11,690 m², and MLP Gliwice – 8,813m²), as well as the obtaining of permit to construct the facility at the MLP Unna logistics park. This resulted in a change in the valuation methodology applied with respect to this property. A new project for L-Shop Team will be implemented within the MLP Unna park. In the six months ended 30 June 2020, the Group and L-Shop Team signed a 15-year lease contract for a total space of 56.5 thousand m², to be delivered in 2022.



Investments and other investments

| | <i>as at</i> | 31 December 2020 | 31 December 2019 |
|--|--------------|-----------------------------|-----------------------------|
| Other long-term investments | | 28 674 | 19 832 |
| Long-term loans | | 24 539 | 3 994 |
| Money fund units | | 20 000 | - |
| Short-term loans | | 7 958 | 63 688 |
| Other short-term investments | | 10 108 | 2 774 |
| Total investments and other investments | | 91 279 | 90 288 |

Other long-term investments comprised non-current portion of restricted cash of PLN 28,674 thousand, including: (i) cash of PLN 18,781 thousand, set aside pursuant to the provisions of credit facility agreements to secure payment of principal and interest, (ii) PLN 5,879 thousand, a deposit created from a security deposit retained from the tenant, (iii) as well as other retained security deposits of PLN 4,014 thousand.

As at 31 December 2020, receivables under loans decreased by PLN 35,185 thousand relative to the end of 2019. The change was mainly attributable to the settlement of a loan advanced to Third Party Czerwona Torebka S.A. Sp. komandytowa through acquisition of real property at ul. Wołczyńska 18 in Poznań. For details of the transaction, see Section 2.1.7 of this Directors' Report.

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

Other short-term investments comprise the current portion of restricted cash of PLN 10,108 thousand, including: (i) a short-term portion of retained security deposit of PLN 1969 thousand and (ii) a short-term portion of funds set aside pursuant to the terms of credit facility agreements of PLN 1,217 thousand, and (iii) collateral for investments in the MLP Berlin I logistics park in the amount of PLN 6,922 thousand.

Cash

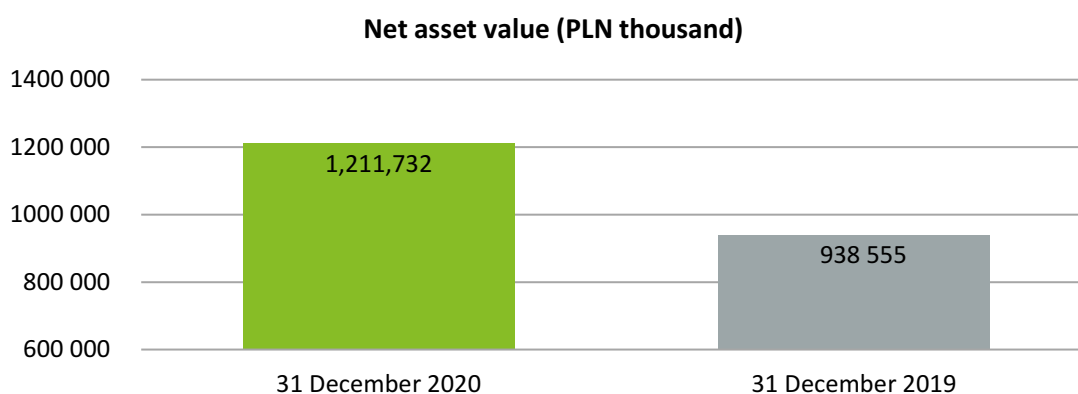
| | 31 December <i>as at</i> 2020 | 31 December 2019 |
|--|----------------------------------|---------------------|
| Cash in hand | 52 | 53 |
| Cash at banks | 162 957 | 94 179 |
| Short-term deposits | - | 7 814 |
| Cash and cash equivalents in the consolidated statement of financial position | 163 009 | 102 046 |
| Cash and cash equivalents in the consolidated statement of cash flows | 163 009 | 102 046 |

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

As at 31 December 2020, the balance of cash was PLN 163,009 thousand, having increased by PLN 60,963 thousand on 31 December 2019.

Equity

Net assets (NAV)



As at 31 December 2020, the net asset value was PLN 1,211,732 thousand, having increased by PLN 273,177 thousand (or 29.11%).

The increase in NAV was driven primarily by the net profit earned in 2020 of PLN 170,369 thousand, reduced by a loss on the measurement of hedging instruments recognised in other comprehensive income.

On 27 October 2020, the Company increased its share capital by PLN 401,750 through the issue of 1,607,000 new Series D ordinary shares. The District Court for the Capital City of Warsaw registered the capital increase on 7 December 2020.

Share capital

| | 31 December <i>as at</i> | 31 December 2020 | 31 December 2019 |
|---------------------|------------------------------------|-----------------------------------|-----------------------------------|
| 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 | - |
| Total | | 19 720 255 | 18 113 255 |
| 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.

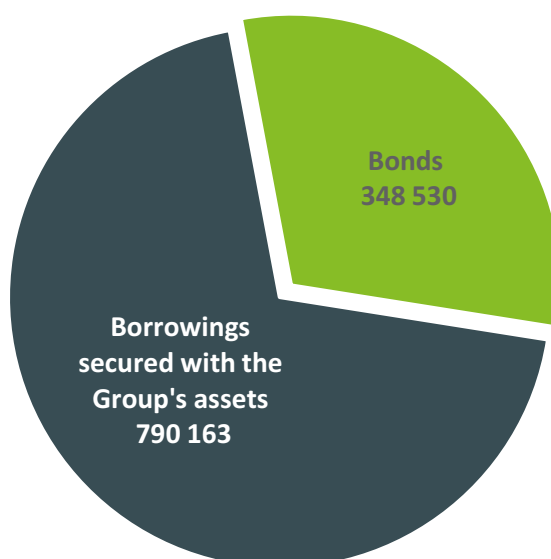
Rights to 1,607,000 Series D ordinary bearer shares with a par value of PLN 0.25 per share were introduced to trading on the main market of the WSE on 6 November 2020 under ISIN code PLMLPGR00074. Rights to shares are listed in a continuous trading system (abbreviated name: MLPGROUP-PDA; designation: 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 8 December 2020.

Liabilities under borrowings and other debt instruments, and other liabilities

| | 31 December <i>as at</i> 2020 | 31 December 2019 |
|---|-------------------------------------|---------------------|
| Borrowings secured with the Group's assets | 761 745 | 638 455 |
| Bonds | 346 110 | 127 755 |
| Non-bank borrowings | 24 623 | 14 283 |
| Total non-current liabilities under borrowings and other debt instruments | 1 132 478 | 780 493 |
| Finance lease liabilities | 37 063 | 24 688 |
| Liabilities from measurement of interest rate hedges | 15 686 | 8 161 |
| Performance bonds, security deposits from tenants and other deposits | 9 309 | 12 503 |
| Total other non-current liabilities | 62 058 | 45 352 |
| Short-term bank borrowings and short-term portion of bank borrowings secured with the Group's assets | 28 418 | 22 523 |
| Bonds | 2 420 | 491 |
| Non-bank borrowings | 3 147 | 31 415 |
| Total current liabilities under borrowings and other debt instruments, and other current liabilities | 33 985 | 54 429 |
| Liabilities under borrowings and other debt instruments, and other liabilities | 1 228 521 | 880 274 |

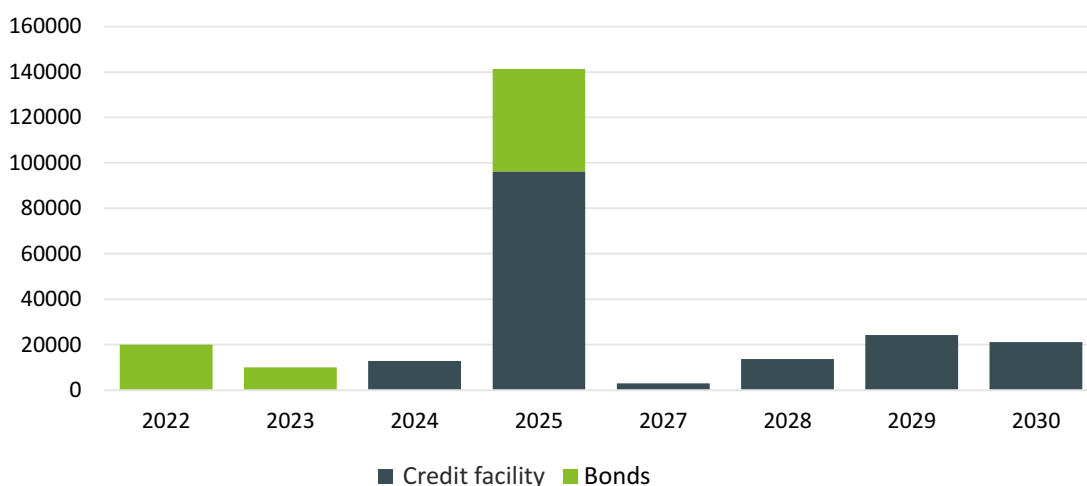
Liabilities under borrowings and other debt instruments represent a significant portion of the Group's total equity and liabilities. The Group uses bank credit mainly to finance construction of new facilities in the existing logistics parks. Proceeds from the issue of corporate bonds are invested in new land assets.



New credit facilities were the key source of increase in the amount of borrowings, other debt instruments, and other liabilities. 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. Series C1 bonds were introduced to trading on 16 October 2020 and assimilated to Series C bonds on 18 November 2020. The bonds were registered with Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) under ISIN number PLMLPGR00058. The securities will be listed in the continuous trading system, with ticker symbol “MLP0225”.

In 2020, MLP Wrocław Sp. z o.o., MLP Pruszków V Sp. z o.o., MLP Czeladź Sp. z o.o., MLP Gliwice Sp. z o.o. and MLP Poznań Sp. z o.o. contracted new credit facilities for a total amount of EUR 20,767 thousand.

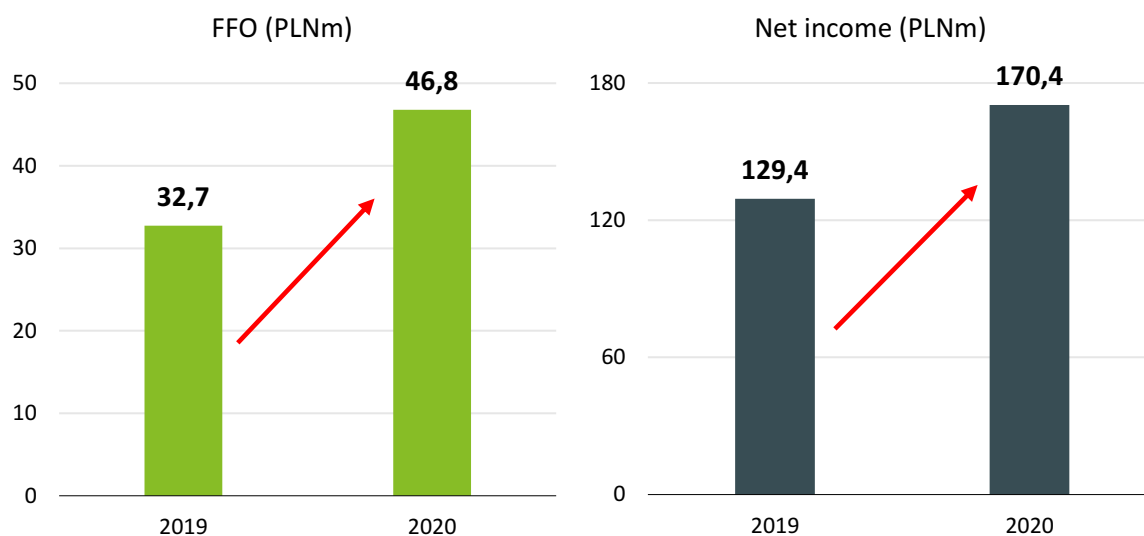
Bank borrowings and other debt instruments by maturity (EUR '000)



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

Consolidated statement of profit or loss for the year ended 31 December 2020 vs 2019

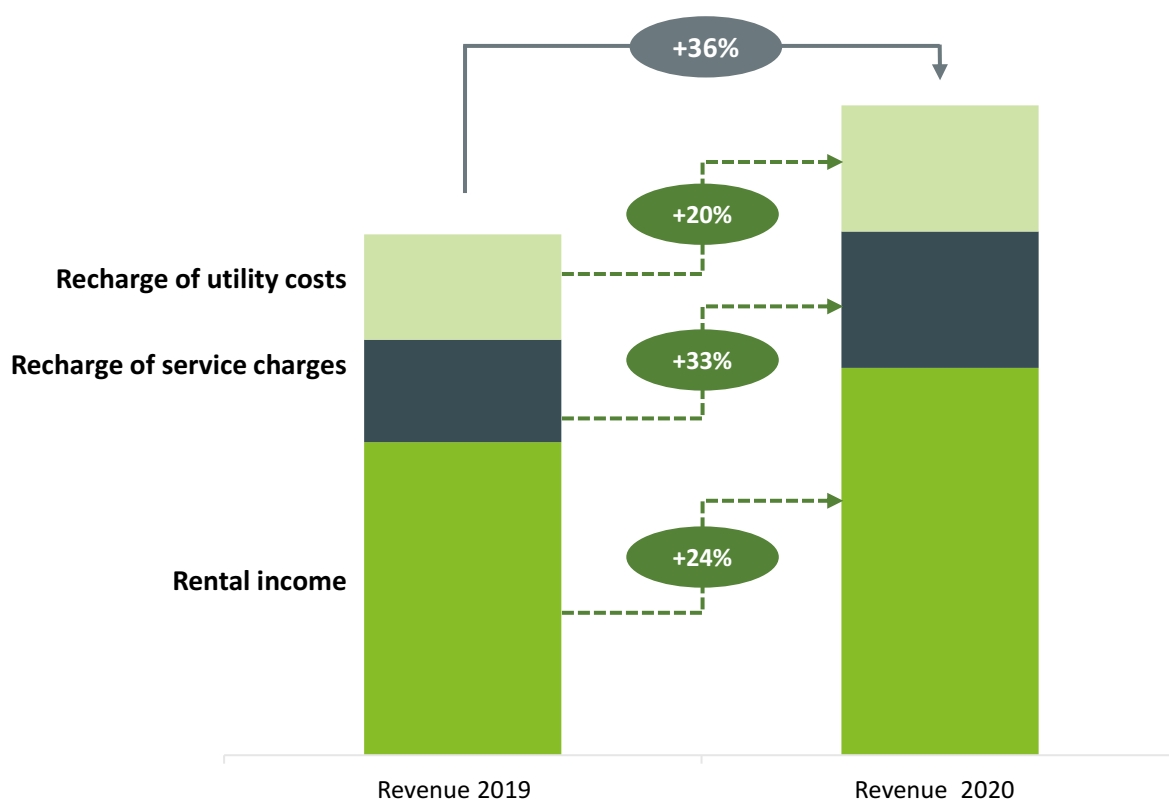
| <i>for the year ended 31 December</i> | 2020 | % sales | 2019 | % sales | Change (%) |
|--|----------------|----------------|---------------------------------------|----------------|-------------------|
| Revenue | 190 695 | 100% | 140 032 | 100% | 36% |
| <i>including:</i> | | | | | |
| <i>Revenue from development contract</i> | 17 742 | 9% | 1 360 | 1% | - |
| Other income | 2 967 | 2% | 1 317 | 1% | 125% |
| Distribution costs and administrative expenses (108 142) | | 57% | (77 726) | 56% | 39% |
| <i>including:</i> | | | | | |
| <i>Costs related to property development contract</i> | (12 821) | 7% | (649) | 0% | - |
| Other expenses | (1 006) | 1% | (4 405) | 3% | -77% |
| Operating profit before gain/(loss) on valuation of investment property | 84 514 | 44% | 59 218 | 42% | 43% |
| Gain on revaluation of investment property | 213 325 | 112% | 120 797 | 86% | 77% |
| Operating profit | 297 839 | 156% | 180 015 | 129% | 65% |
| Net finance costs | (87 732) | 46% | (16 798) | 12% | 422% |
| Profit before tax | 210 107 | 110% | 163 217 | 117% | 29% |
| Income tax | (39 738) | 21% | (33 848) | 24% | 17% |
| Net profit | 170 369 | 89% | 129 369 | 92% | 32% |
| EPRA Earnings | 49 504 | | 15 408 | | |
| EPRA Earnings per share | 2,51 zł | | 0,78 zł | | |
| FFO | 46 775 | | 32 725 | | |
| | | | <i>for the year ended 31 December</i> | 2020 | 2019 |
| Earnings per share: | | | | | |
| - Basic earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent | | | | 8,64 | 7,14 |
| Diluted earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent | | | | 8,64 | 7,14 |



| | <i>for the year ended 31 December</i> | 2020 | 2019 | change (%) |
|--|---------------------------------------|----------------|----------------|--------------|
| Rental income from investment property | | 101 466 | 81 864 | 23,9% |
| Recharge of service charges | | 36 249 | 27 257 | 33,0% |
| Recharge of utility costs | | 33 581 | 28 070 | 19,6% |
| Other revenue | | 1 657 | 1 481 | 11,9% |
| Revenue from development contract | | 17 742 | 1 360 | 1204,6% |
| Total revenue | | 190 695 | 140 032 | 36,2% |

Rental income is the main source of the Group's revenue. In 2020, rental income was PLN 101,466 thousand, having increased by 23.9% year on year. The increase in rental income (up PLN 19,602 thousand) was chiefly an effect of 92,763 m² of completed space having been delivered under leases (including 82,248 m² in Poland) (representing 93% of the total space completed in 2020) at MLP Pruszków II (44,765 m²), MLP Wrocław (20,550 m²), MLP Poznań West (7,910 m²), MLP Gliwice (8,813 m²) and MLP Bucharest West (10,515 m²). Rental income was further supported by lease extensions signed for a total of 39,868 m².

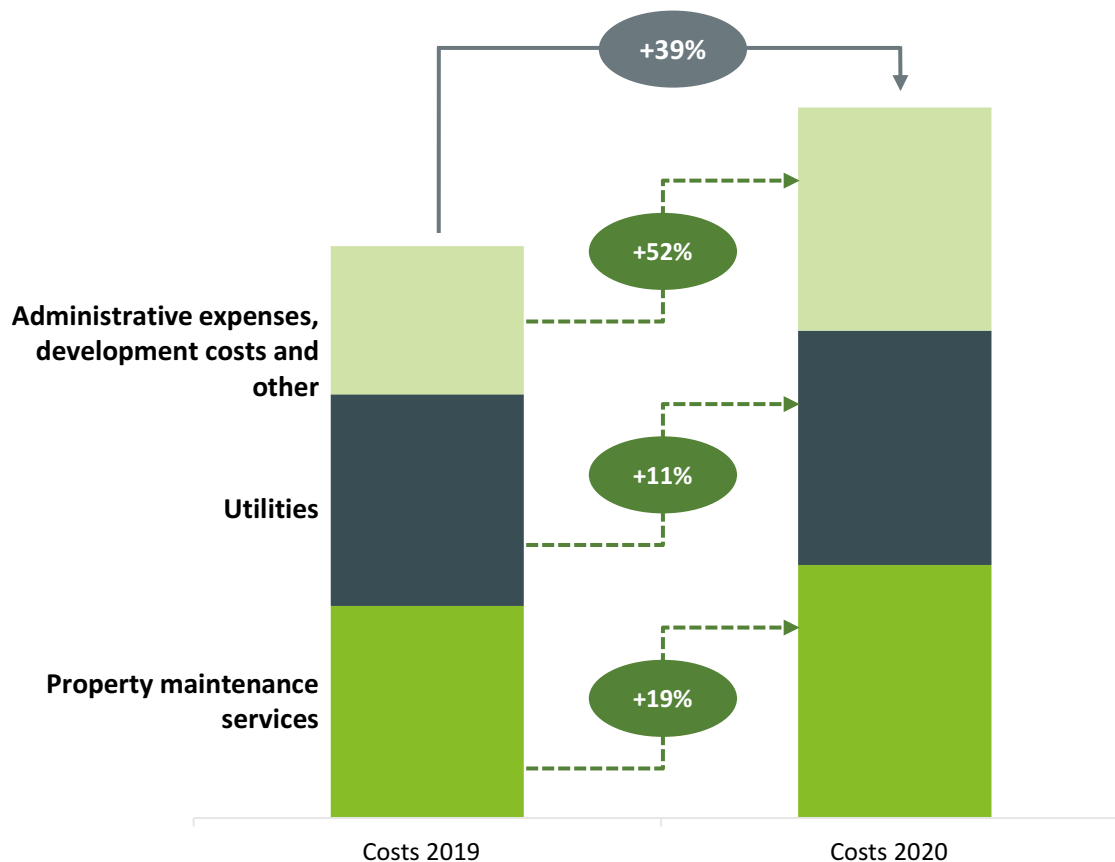
Change in key items of revenue in 2019 and 2020:



| | <i>for the year ended 31 December</i> | | |
|---|---------------------------------------|-----------------|--------------|
| | 2020 | 2019 | change (%) |
| Depreciation and amortisation | (695) | (930) | -25,3% |
| Property maintenance services | (33 701) | (28 228) | 19,4% |
| Utilities | (31 223) | (28 195) | 10,7% |
| Administrative expenses and development costs | (27 353) | (17 969) | 52,2% |
| Development contract costs | (12 821) | (649) | 1875,5% |
| Other recharged costs | (2 349) | (1 755) | 33,8% |
| Total distribution costs and administrative expenses | (108 142) | (77 726) | 39,1% |

Distribution costs and administrative expenses amounted to PLN 108,142 thousand in 2020. The item comprises six major cost categories, of which the most important one are costs directly associated with the Group's business (i.e. property maintenance costs and utility costs, accounting for % of total distribution costs and administrative expenses). Distribution costs and administrative expenses increased by PLN 30,416 thousand on 2019. The change was attributable to an increase in costs strongly correlated with the volume of buildings owned and leased by the Group – in 2020, the space leased in the existing buildings increased by 124,235 m² year on year.

Change in key items of distribution costs and administrative expenses in 2019 and 2020:



The Group also incurs administrative expenses and development costs related to its development activities. In 2020, this cost item increased 52% year on year, driven by higher costs of advisory services related to the development of the Group in Poland and abroad.

In 2020, net finance costs stood at PLN 87,732 thousand and were mainly attributable to foreign exchange losses of PLN 66,387 thousand (2019: finance income of PLN 5,337 thousand). Foreign exchange losses resulted from depreciation of PLN against EUR. As at 31 December 2020, the EUR/PLN exchange rate was 4.6148, up 8.4% year on year.

In 2020, the Group recognised gain on revaluation of investment properties of PLN 213,325 thousand (2019: gain of PLN 120,797 thousand). The main source of the gain in 2020 included completion of new space and delivery of 99,783 m², and launch of new projects within the MLP parks with a total area of 65,181 m², of which 9,271 m² was completed.

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

| | <i>for the year ended 31 December</i> | 2020 | 2019 |
|---|---------------------------------------|----------------|----------------|
| Net cash from operating activities | | 92 737 | 86 109 |
| including: | | | |
| <i>income from property development contract</i> | | 13 380 | 22 294 |
| Net cash from investing activities | | (393 408) | (208 082) |
| Net cash from financing activities | | 354 950 | 178 192 |
| Total net cash flows | | 54 279 | 56 219 |
| Cash at beginning of period | | 102 046 | 46 106 |
| Effect of exchange differences on cash and cash equivalents | | 6 684 | (279) |
| Cash and cash equivalents at end of period | | 163 009 | 102 046 |

In 2020, the Group reported positive operating cash flows of PLN 92,737 thousand, an increase of PLN 6,628 thousand (7.7%) on 2019.

The positive operating cash flows in the first half of 2020 were driven by an increase in the scale of the Group's business, which resulted from an increase in the volume of leased space at the logistics parks.

In 2020, the Group reported negative cash flows from investing activities of PLN 393,408 thousand. In the same period of 2019, cash flows from investing activities were also negative, at PLN 208,082 thousand. Higher negative cash flows from investing activities were a result of the investment programme implemented by the Group. The largest expenditures incurred by the Group were outlays on the development of logistics parks in Poland as well as purchases of land at new locations. In 2020, the Group also incurred expenditure to purchase money fund units (PLN 20,000 thousand).

In 2020, the Group reported positive cash flows from financing activities of PLN 354,950 thousand. The amount was attributable mainly to the issue of bonds (Series C) – PLN 196,733 thousand (EUR 45m), share issue (PLN 110,134 thousand) as well as disbursements of credit facilities to the Group companies, the largest of which were received under new credit facility agreements executed by MLP Pruszków V Sp. z o.o. and MLP Wrocław Sp. z o.o. and MLP Gliwice Sp. z o.o.

3. 2 Management Board's position on published forecasts

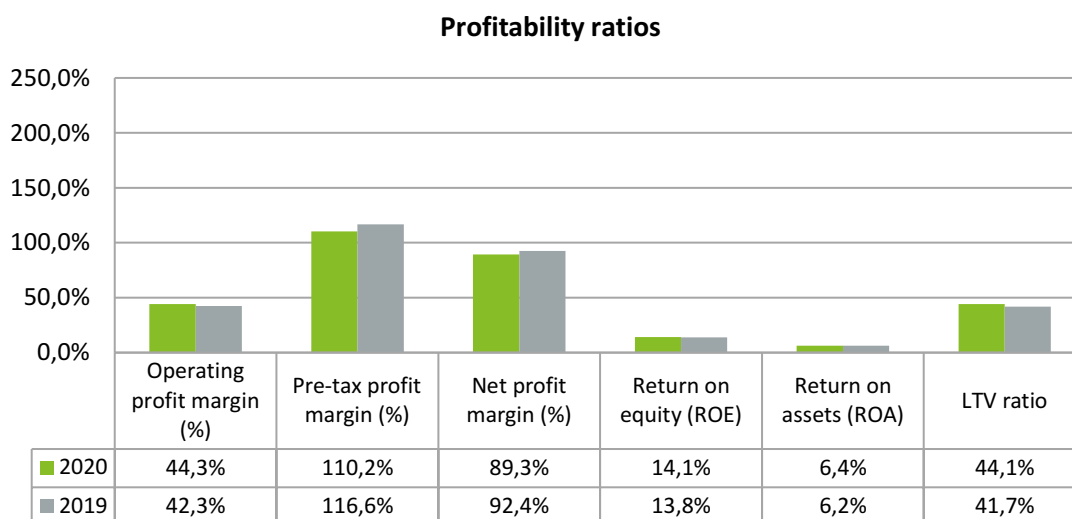
The Management Board of MLP Group S.A. has not published any financial forecasts for 2020.

3.3 Management of the Group's financial resources

In 2020, in connection with its investment projects involving construction of storage and office space, the Group's efforts in the area of managing its financial resources were mainly focused on securing and appropriately structuring the financing sources, and on maintaining safe liquidity ratios. The Management Board analyses and plans the Group's financing structure on an ongoing basis to deliver the budgeted ratios and financial results while ensuring that the Group's liquidity and wider financial security are maintained.

The Management Board believes that as at 31 December 2020 the Group's assets and financial position was stable, thanks to the Group's well-established position on the warehouse space market, combined with the relevant experience and operational capabilities in managing property development projects and leasing commercial space. Further in this report the Group's financial condition and assets are discussed in the context of the liquidity and debt ratios.

3.3.1 Profitability ratios



The profitability analysis is based on the following ratios:

- **operating profit margin:** operating profit before investment property valuation/revenue;
- **pre-tax profit margin:** profit/(loss) before tax / revenue;
- **net profit margin:** net profit (loss)/revenue;
- **return on equity (ROE):** net profit/(loss) / equity;
- **return on assets (ROA):** net profit (loss) / total assets.
- **LTV ratio:** [interest-bearing debt - (cash and cash equivalents + restricted cash to secure repayment of loans)]/Investment property

In 2020, the operating profit margin increased year on year. In the reporting period, the operating profit margin was mainly driven by completion of 99,783 m² of space and launch of new projects at MLP parks with a total area of 65,181 m², of which 9,271 m² was completed. As at 31 December 2020, 55,910 m² was under construction. In addition, the leased space in the existing buildings increased by 124,235 m² in 2020 compared with 2019.

In 2020, pre-tax profit margin was 110.2%, having decreased by 6.4 pp. The change was attributable to foreign exchange losses reported in 2020 (foreign exchange gains were reported in 2019).

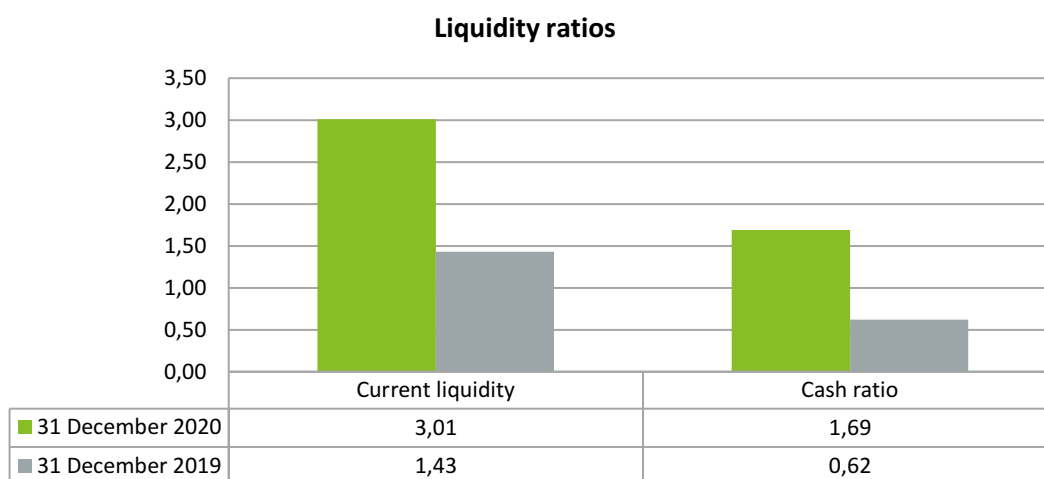
The net margin fell slightly year on year, by 3.1pp, to 89.3% in the current reporting period.

The return on equity in 2020 was higher than in the corresponding period of 2019, having increased by 0.3pp. Mainly on a 31.7% year-on-year increase in net profit and a 29.1% increase in equity.

The return on assets increased slightly year on year, by 0.2pp.

In 2020, the LTV ratio was 44.5%, 2.8pp more than the year before (when it stood at 41.7%) and is considered safe.

3. 3.2 Liquidity ratios



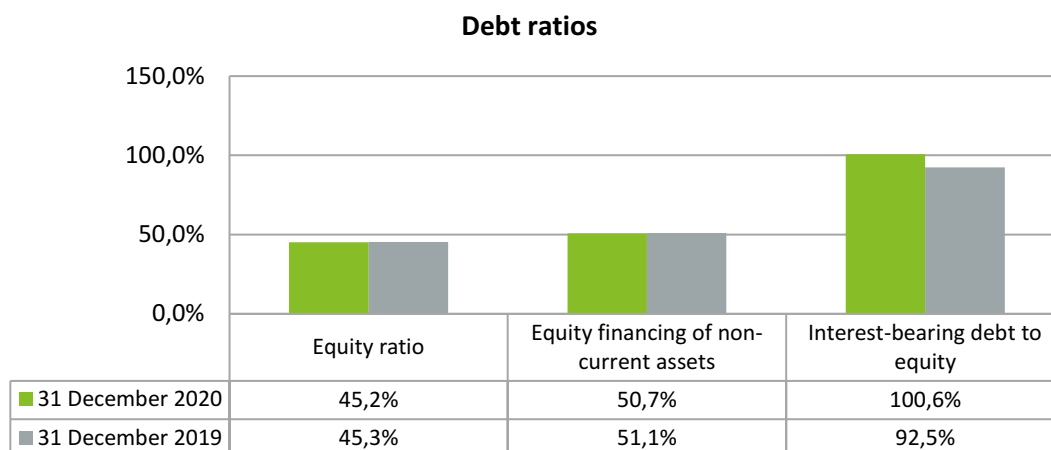
The liquidity analysis is based on the following ratios:

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

As at 31 December 2020, the current ratio increased relative to year-end 2019 (by 1.58pp).

The cash ratio as at 31 December 2020 increased relative to the end of 2019 by 1.07pp. The increase was due mainly to proceeds from borrowings and the issue of bonds.

3. 3.3 Debt ratios



The debt analysis is based on the following ratios:

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

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

As at 31 December 2020, the equity ratio fell slightly (by 0.1pp) year on year. The equity to non-current assets ratio also fell, by 0.4pp. On the other hand, the interest-bearing debt-to-equity ratio went up by 8.1pp as a result of the issue of bonds and the inflow of funds borrowed by the Group under new credit facilities, which led to an increase in liabilities.

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

3. 4 Borrowings, bonds, sureties and guarantees

3. 4.1 New and terminated non-bank borrowings

In 2020, the Group did not take out any new non-bank borrowings.

On June 10th 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.

3. 4.2 New and terminated bank borrowings

- **New credit facility agreements in 2020**

On 29 January 2020, 18 February 2020, 19 March 2020, 25 March 2020 and 11 August 2020 Bank Polska Kasa Opieki S.A. disbursed further tranches of the credit facility to MLP Wrocław Sp. z o.o.

On 13 August 2020, 9 October 2020 and 28 October 2020, Bank Polska Kasa Opieki S.A. disbursed further tranches of the credit facility to MLP Gliwice Sp. z o.o.

On 8 July 2020, Powszechna Kasa Oszczędności Bank Polska S.A. disbursed another tranche of the credit facility to MLP Czeladź Sp. z o.o.

On 22 April 2020, 2 October 2020 and 4 November 2020 BNP Paribas Bank Polska S.A. disbursed further tranches of the credit facility to MLP Pruszków V Sp. z o.o.

On 22 December 2020 ING Bank Śląski S.A. disbursed further tranches of the credit facility to MLP Poznań Sp. z o.o.

- **Repayment of bank borrowings in 2020**

In 2020, the Group repaid its bank borrowings in accordance with the agreed repayment schedules.

No credit facilities were terminated in the reporting period.

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.

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 – Series A | EUR | 20 000 000 | 2022-05-11 | 6M EURIBOR + margin | none | PLMLPGR00033 |
| Private bonds – Series B | EUR | 10 000 000 | 2023-05-11 | 6M EURIBOR + margin | none | PLMLPGR00041 |
| Public bonds – Series C | EUR | 45 000 000 | 2025-02-19 | 6M EURIBOR + margin | none | PLMLPGR00058 |

3. 4.4 Loans

In 2020, the Group did not grant any new loans.

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 the Group did not provide any guarantees.

3. 5 Feasibility of investment plans

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

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

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

3. 6 Non-recurring factors and events with a bearing on the consolidated financial result for the 12 months ended 31 December 2020

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

3. 7 Issue, redemption, 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 material achievements or failures other than those described in this Management Board's report on the activities of the MLP Group S.A. Group.

3. 9 Seasonality and cyclicity

The Group's business is not seasonal or cyclical.

4. Statement of compliance with corporate governance standards

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

VI. Wages and salaries

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

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

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

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

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

4. 1 Share capital and shareholders

4. 1.1 Shareholders

As at 31 December 2020, the Parent 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 ²⁾ | 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 ³⁾ | 1 656 022 | 8,40% | 8,40% |
| Israel Land Development Company Ltd. ¹⁾ | 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% |
| Total | 19 720 255 | 100% | 100% |

On 27 October 2020, the Parent 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.

¹⁾ 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.

^{1.2)} On the same day, CAJAMARCA HOLLAND B.V. sold 77,116 Company shares to Israel Land Development Company Ltd

³⁾ 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 Powszechne 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 – are submitted to the Supervisory Board for assessment prior to the General Meeting.

4. 4.2 Operation of the Management Board

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

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

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

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

4. 4.3 Composition of the Management Board

As at 31 December 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.

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

Radosław T. Krochta - President of the Management Board

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;¹⁾
- approving annual budgets and development plans of the Company and the Group;
- giving consent to the Company incurring liabilities or making expenditure in a single transaction or related transactions not provided for in the Company's budget falling outside the ordinary scope of the Company's business, where a value of such transaction or transactions exceeds PLN 5,000,000;
- giving consent to acquisition or disposal and cancellation by the Company of shares in other companies, except for transactions within the Group and transactions provided for in the Company's annual budget or financial plan;
- giving consent to the acquisition or disposal of real property (including perpetual usufruct rights) or interest in real property (including in perpetual usufruct rights) with a value in excess of PLN 1,000,000, except for transactions provided for in the Company's annual budget or financial plan;
- appointing and dismissing members of the Management Board;
- appointing the auditor to audit or review the Company's financial statements;¹⁾
- concluding agreements between the Company and members of the Management Board;
- adopting resolutions 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;¹⁾
- approving the Rules of Procedure for the Management Board;¹⁾ considering and giving opinions on matters to be decided by resolutions of the General Meeting,
- giving consent to encumbrance of real property, perpetual usufruct to, or interest in, the Company's real property with a mortgage to be established in favour of an entity other than a bank.

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

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

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

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

4. 5.2 Operation of the Supervisory Board

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

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

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

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

4. 5.3 Composition of the Supervisory Board

As at 31 December 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 ¹⁾ | 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 |

¹⁾ 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.

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).

Maciej Matusiak - Member of the Supervisory Board

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

Guy Shapira - Member of the Supervisory Board

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

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

Piotr Chajderowski - Member of the Supervisory Board

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

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

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

4. 5.4 Audit Committee

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

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

As at 31 December 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 of the Group companies and of the Supervisory Board

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

| Remuneration of the Management Board in 2020 | At the Company | At other Group companies |
|--|----------------|--------------------------|
| • Remuneration and other benefits: | | |
| Radosław T. Krochta | 1 010 | 500 |
| Michael Shapiro | 483 | 475 |
| Tomasz Zabost | 644 | 380 |
| Marcin Dobieszewski | - | 274 |
| | 2 137 | 1 629 |

In 2020, the total amount of remuneration due to and received by the Management Board from the Company and other Group companies was PLN 3,766 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 |
| | 234 |

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

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

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

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

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

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

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

4. 9 Internal control and risk management system

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

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

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

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

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

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

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

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

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

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

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

- construction projects,
- operational projects,
- distribution costs and administrative expenses.

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

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

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

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

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

4. 10 Entity qualified to audit the financial statements

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 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.

| | 31 December as at | 31 December 2020 | 31 December 2019 |
|--|----------------------|---------------------|---------------------|
| Audit of full-year financial statements | | 60 | 60 |
| Audit of separate financial statements of subsidiaries | | 255 | 210 |
| 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 |
| Total fees | | 515 | 525 |

Signed with qualified electronic signature.

Radosław T. Krochta
*President of the Management
Board*

Michael Shapiro
*Vice President of the
Management Board*

Tomasz Zabost
*Member of the Management
Board*

Pruszków, 17 March 2021