

## Letter from CEO to Shareholders

*Dear Shareholders,*

MLP Group had a very successful year. We delivered excellent results, both from an operational and financial point of view. I am pleased to present you with the annual report, in which we describe the work done, our business achievements and development plans. We are proud that the results for 2021 exceeded market expectations.



### **Financial highlights:**

- Net profit amounted to PLN 480.5 million (EUR 105 million), + 182% yoy
- Value of investment properties increased to PLN 3.4 billion (EUR 752 million), + 46% yoy
- Lease agreements in 2021 for app 310 thousand sqm, + 50% yoy
- NAV per share PLN 85.36 (EUR 18.56), + 40% yoy
- FFO amounted to PLN 54.7 million (EUR 12.0 million), + 17% yoy
- Dynamic development on the Polish, German, Austrian and Romanian markets as well as planned entry to the Benelux and Hungary
- Strong land bank secured for new projects
- Operational stability achieved through mitigation of interest rate, inflation and currency risks

### **MLP Group – key developments in 2021**

2021 was a very successful year across all markets in where we operate.

In 2021, MLP Group was developing projects for a total of over 310 thousand sqm, with a further 210 thousand sqm under construction or in the pipeline. Last year, nearly 310 thousand sqm of warehouse space was leased, which is about 50% more than in the previous year. Additionally, in the first months of 2022, we noticed strong tenant's activity across all our markets. At the end of December 2021, MLP Group had nearly 1 million sqm of warehouse space. The vacancy rate at existing properties remained very low, below 3%. The Covid-19 pandemic has not affected MLP Group's business.

In 2021, MLPG acquired several new plots, among others in Vienna, Schalke (Gelsenkirchen), Zgorzelec, Wrocław, Idstein (Frankfurt) and additional plots in Pruszków, Poznań and Łódź.

MLPG currently operates 20 logistics parks in Poland and abroad. In addition, in 2021 MLP Group concluded several reservation agreements for new plots for further logistics parks in Poland and Western Europe. Based on the current land banks and reserved plots, MLP Group secured development potential for another 1 million sqm, with the area of the secured land of approximately 150 ha.



**MLP**  
GROUP



### **Financial standing of MLP Group**

Considering the current geopolitical situation and high volatility in the economy, we are very well prepared for the current challenges.

- All lease contracts are indexed to European inflation rates. Thus, an increase in inflation causes an automatic increase in revenues.
- All rentals are denominated in EUR or are directly expressed in EUR, which significantly reduces our exposure to the currency risk.
- Almost 100% of loans are hedged with IRS for the next 5 years, resulting in limited interest rates' exposure.
- The geographical diversification of our business across several countries, combined with the diverse tenant base and the average lease term of more than 8 years, provides significant operational stability.
- Diversification of energy sources and implementation of solutions having a positive impact on the protection of the natural environment.
- The greatest value is the potential of the secured plots, which enables rapid development in the coming years on European markets, and thus the achievement of the assumed strategic goals

- Strong cash flow position
  - LTV at 36.9%, the highest interest coverage ratio at 3.3 x ICR
  - Long debt maturity ratio of 4.7 years
  - FFO amounted to PLN 54.7 million (EUR 12.0 million), + 17% yoy

MLP Group has a very good financial standing, a safe capital structure enabling the implementation of long-term strategic goals, its own land bank located in attractive locations and highly qualified management staff.

### **MLP Group plans for 2022**

This year, we assume a further, very dynamic increase in the scale of our business. The key in this respect is to have a land bank secured for the new investments and to minimise the operational risk

Our strategic goal is to constantly expand the warehouse portfolio. We will continue to develop rapidly, above all in Germany, where we are systematically increasing our portfolio of projects. We plan to enter new key locations, but also to expand our offer in the Ruhr area. We also plan to strengthen our position on the Austrian market. Additionally, we will soon be present in the Benelux countries and Hungary. The Polish market is still very important for us, and we will consistently increase our offer in key logistics regions. In 2022, capital expenditure (CAPEX) will amount to approximately EUR 200 million, of which approximately 30% will be allocated to plots' purchases. We plan to lease 250 thousand sqm of the new warehouse space.

We pursue our strategic goal by building big box buildings, primarily in response to the development of electronic commerce (e-commerce). In this way, MLP Group also meets the current needs of tenants from the light industry sector where growing demand for area is driven by onshoring of production from Asia to Europe. We also prepare Urban / City Logistics facilities, i.e. small modules offering modern warehouse space along with a representative office with a high standard of finishing.

The Group's activities are particularly focused on environmental protection and achieving zero CO<sub>2</sub> emissions by 2024. As part of the existing and emerging facilities, a project to build photovoltaic farms on the roofs of logistics parks is being implemented, which should allow us to generate between 12 to 14 GWh of green energy in 2024.

We want 80% of our projects to obtain BREEAM certificate at the Excellent or Very Good level, and DGNB Gold or Platinum certificate on the German and Austrian market.

### **Macroeconomic situation 2022**

We do not know how the Russia's invasion of Ukraine will translate into the economic situation. Both the conflict and the sanctions will have a strong negative impact on the global economic recovery during the ongoing COVID-19 recession. The war in Ukraine poses a challenge to the world economy that is damaging to economic growth and cutting pressure on inflation, which is already at high levels. The most likely scenario is a decline in economic growth in Europe and an increase in inflation caused by further problems with the supply chain, an increase in energy prices will have a negative impact on



the economy of the European Union. **On the other hand, expectations for significant rate hikes this year have fallen since the beginning of the Russian-Ukrainian conflict, which shall translate into a positive valuation of assets in the medium term.**

We would like to thank all our shareholders for their unwavering support and trust. We will make every effort to effectively and consistently implement our strategy, achieve the best financial results and constantly increase the value of the MLP Group S.A.

**Radosław T. Krochta**

President & CEO of MLP Group