



MLP
GROUP



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

for the year ended 31 December 2021

This document is a translation. Polish version prevails.

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Authorisation by the MLP Group S.A. Management Board Management Board's Report on the activities of MLP Group S.A. for the year ended 31 December 2021

This Management Board's Report on the activities of MLP Group S.A. in for the year ended 31 December 2021 was prepared as at and authorised for issue by the Company's Management Board on 16 March 2022.

Signed with qualified electronic signature.

Radosław T. Krochta
President of the Management

Michael Shapiro
*Vice President of the
Management Board*

Tomasz Zabost
Member of the Management

Pruszków, 16 March 2022

Introduction

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

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

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

The higher level parent of MLP Group S.A. is CAJAMARCA HOLLAND B.V. of the Netherlands, registered address: Locatellikade 1, 1076 AZ Amsterdam.

1. General information on MLP Group S.A.

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

As at 31 December 2021, MLP Group S.A. held directly or indirectly interests in the following entities:

No.	Entity	Country of registration	Parent's direct and indirect interest in equity	Parent's direct and indirect interest in voting rights
1	MLP Pruszków I Sp. z o.o.	Poland	100%	100%
2	MLP Pruszków II Sp. z o.o.	Poland	100%	100%
3	MLP Pruszków III Sp. z o.o.	Poland	100%	100%
4	MLP Pruszków IV Sp. z o.o.	Poland	100%	100%
5	MLP 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	Fenix Obrót Sp. z o.o. ¹⁰⁾	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.	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 Sp. z o.o.	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%
35	MLP Business Park Berlin I GP Sp. z o.o.	Poland	100%	100%
35	MLP Łódź II 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
36	MLP Poznań East sp. z o.o.	Poland	100%	100%
37	MLP Schwalmthal LP sp. z o.o.	Poland	100%	100%
38	MLP Schwalmthal GP sp. z o.o.	Poland	100%	100%
39	MLP Pruszków VI sp. z o.o. ¹⁾	Poland	100%	100%
40	MLP Business Park Berlin I sp. z o.o. & Co. KG	Germany	100%	100%
41	MLP Schwalmthal Sp. z o.o. & Co. KG	Germany	100%	100%
42	MLP Business Park Wien GmbH	Austria	100%	100%
43	MLP Wrocław West I Sp. z o.o. ²⁾	Poland	100%	100%
44	MLP Gelsenkirchen GP Sp. z o.o. ³⁾	Poland	100%	100%
45	MLP Gelsenkirchen LP Sp. z o.o. ⁴⁾	Poland	100%	100%
46	MLP Gelsenkirchen Sp. z o.o. & Co.KG ⁵⁾	Germany	100%	100%
47	MLP Gorzów Sp. z o.o. ⁶⁾	Poland	100%	100%
48	MLP Idstein LP Sp. z o.o. ⁷⁾	Poland	100%	100%
49	MLP Idstein GP Sp. z o.o. ⁸⁾	Poland	100%	100%
50	MLP Idstein Sp. z o.o. & Co. KG ⁹⁾	Germany	100%	100%

Changes in equity interests held

¹⁾ 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.

²⁾ On 9 March 2021, MLP Wrocław West I Sp. z o.o. was established. All shares in the new company were acquired by MLP Group S.A. (50 shares with a total par value of PLN 5,000). The company was registered with the National Court Register on 29 March 2021.

³⁾ On 18 November 2020, MLP Gelsenkirchen GP Sp. z o.o. was established. All shares in the new company were acquired by MLP Group S.A. (50 shares with a total par value of PLN 5,000). The company was registered with the National Court Register on 21 May 2021.

⁴⁾ On 18 November 2020, MLP Gelsenkirchen LP Sp. z o.o. was established. All shares in the new company were acquired by MLP Group S.A. (50 shares with a total par value of PLN 5,000). The company was registered with the National Court Register on 17 June 2021.

⁵⁾ MLP Gelsenkirchen Sp. z o.o. & Co. KG, in which MLP Gelsenkirchen LP Sp. z o.o. is a limited partner and MLP Gelsenkirchen GP Sp. z o.o. was the general partner, was established pursuant to a notarial deed of 30 June 2021.

⁶⁾ On 18 August 2021, MLP Gorzów Sp. z o.o. was established. All shares in the new company were acquired by MLP Group S.A. (50 shares with a total par value of PLN 5,000). The company was registered with the National Court Register on 12 October 2021.

⁷⁾ On 13 October 2021, MLP Idstein LP Sp. z o.o. was established. All shares in the new company were acquired by MLP Group S.A. (50 shares with a total par value of PLN 5,000). The company was registered with the National Court Register on 28 October 2021.

⁸⁾ On 13 October 2021, MLP Idstein LP Sp. z o.o. was established. The shares in the new company were acquired by MLP Group S.A. (50 shares with a total par value of PLN 5,000). The company was registered with the National Court Register on 28 October 2021.

⁹⁾ Pursuant to a notarial deed of 4 November 2021, MLP Idstein Sp. z o.o. & Co.KG was established, in which MLP Idstein LP Sp. z o.o. is a limited partner and MLP Idstein GP Sp. z o.o. is the general partner.

¹⁰⁾ On 25 October 2021, the change of the name of MLP Energy Sp. z o.o. to Feniks Obrót Sp. z o.o. was registered.

1. 2 Principal business of the Company and the Group

MLP Group S.A. is one of the leading European logistics platforms, offering clients a complete range of services, from site identification, through land acquisition, to property management. The unique Build & Hold business model enables MLP Group to stay in close touch with clients, which helps to keep tenant satisfaction levels high and ultimately translates into excellent occupancy rates.

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

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

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

Through its subsidiaries, the Company currently manages 20 logistics parks in Poland and abroad. MLP Group operates 13 logistics parks in 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, MLP Zgorzelec and MLP Business Park Poznań.

In Germany, the Group currently operates five logistics parks: MLP Unna, MLP Business Park Berlin, and MLP Business Park Niederrhein, MLP Business Park Schalke, and MLP Idstein. The Group owns the logistics park MLP Bucharest West in Romania and MLP Business Park Vienna in Austria.

The Group currently operates two types of warehouse space formats:

- (1) big-box (i.e. large-scale) warehouse facilities, primarily addressing e-commerce growth and increased demand from light industry customers, driven by such factors as relocation of production from Asia to Europe; and
- (2) City Logistics facilities, operated as MLP Business Parks and offering small warehouse units (ranging from 700 m² to 2.5 thousand m²). MLP Business Parks are urban logistics projects with a high potential for growth, which address the retail evolution (e-commerce) and are located within or close to city boundaries with easy access to labour and public transportation. The first such projects are MLP Business Park Berlin, MLP Business Park Schalke, MLP Business Park Niederrhein, MLP Business Park Vienna, 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.

In 2021, the Group acquired new land with a total area of approximately 59.3 ha, of which 34.3 ha in Poland, 10 ha in Austria, and 15 ha in Germany.

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

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

Fair value of the Company's property portfolio as at 31 December 2021:

Logistics park	Fair value (EUR '000)	Fair value (PLN '000)
MLP Pruszków I	94 910	436 529
MLP Pruszków II	183 200	842 610
MLP Poznań	39 820	183 148
MLP Lublin	37 690	173 351
MLP Teresin	18 840	86 653
MLP Wrocław	36 780	169 166
MLP Czeladź	25 000	114 985
MLP Gliwice	37 760	173 673
MLP Business Park Poznań	10 770	49 536
MLP Poznań West	71 270	327 799
MLP Wrocław West	15 760	72 487
MLP Łódź	20 220	93 000
MLP Unna	51 800	238 249
MLP Business Park Berlin	26 950	123 954
MLP Business Park Schalke	13 600	62 552
MLP Business Park Vienna	22 400	103 026
MLP Bucharest West	15 220	69 986
Total	721 990	3 320 704

1.3 Main products and services

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

The Company operates in Poland.

Revenue	<i>in the year ended 31 December</i>	2021	2020
Domestic sales			
Sales to external customers		1 920	17 779
Sales to related parties		18 825	9 353
Total domestic sales		20 745	27 132
International sales			
Sales to related parties		204	206
Total international sales		204	206
Total revenue		20 949	27 338

1.4 Market, customers and suppliers

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

1.4.1 Structure of the Company's sales

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

Revenue	<i>in the year ended 31 December</i>	2021	2020	<i>change (%)</i>
Property management		5 097	4 626	10%
Project management		816	949	-14%
Advisory services		12 498	3 206	290%
Agency services		-	139	-100%
Recharge of services		658	676	-3%
Revenue from development contract		1 880	17 742	-
Total revenue		20 949	27 338	-23,4%
<i>- including from related parties</i>		<i>19 029</i>	<i>9 559</i>	<i>99%</i>

In 2021, the total value of sales to related parties was PLN 19,029 thousand, with MLP Pruszków I Sp. z o.o. being the largest customer for these services. Its share in the revenue from related parties in the reporting period was 14% (2020: 28%). The table below presents the structure of the Company's sales in 2021 and 2020:

Structure of sales to related parties		
	<i>in the year ended 31 December</i>	
	2021	2020
Parent		
The Israel Land Development Ltd	204	206
Subsidiaries		
MLP Pruszków I Sp. z o.o.	2 643	2 645
MLP Pruszków II Sp. z o.o.	1 787	387
MLP Pruszków III Sp. z o.o.	1 299	1 222
MLP Pruszków IV Sp. z o.o.	870	799
MLP Poznań Sp. z o.o.	290	248
MLP Poznań II Sp. z o.o.	258	305
MLP Lublin Sp. z o.o.	1 828	594
MLP Teresin Sp. z o.o.	791	272
Feniks Obrót Sp. z o.o. (MLP Energy Sp. z o.o.)	168	149
MLP Wrocław Sp. z o.o.	1 854	580
MLP Czeladź Sp. z o.o.	214	254
MLP Gliwice Sp. z o.o.	1 610	446
MLP Property Sp. z.o.o.	2	75
MLP Business Park Poznań Sp. z o.o.	268	231
MLP Temp Sp. z o.o.	5	3
LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	4	-
MLP Bieruń Sp. z o.o.	4	-
MLP Bieruń I Sp. z o.o.	53	3
MLP Business Park Berlin I LP Sp. z o.o.	6	6
MLP Spółka z ograniczoną odpowiedzialnością SKA	-	-
MLP Poznań West II Sp. z o.o.	1 334	197
MLP Bucharest West Sp. z o.o.	4	-
MLP Teresin II Sp. z o.o.	3	3
MLP Pruszków V Sp. z o.o.	520	536
MLP Wrocław West Sp. z o.o.	87	163
MLP Łódź II sp. z o.o.	149	20
MLP Poznań East sp. z o.o.	4	4
MLP Pruszków IV Sp. z o.o.	4	4
MLP Wrocław West I Sp. z o.o.	3	-
MLP Gelsenkirchen GP Sp. z o.o.	2	-
MLP Gelsenkirchen LP Sp. z o.o.	2	-
MLP Gorzów Sp. z o.o.	7	-
MLP Idstein LP Sp. z o.o.	1	-
MLP Idstein GP Sp. z o.o.	1	-
MLP Logistic Park Germany I Sp. z o.o. & Co. KG	2 581	87
MLP Bucharest West SRL	138	109
MLP Germany Management GmbH	9	1
MLP Schwalmthal Sp. z o.o. & Co. KG	3	-
MLP Business Park Berlin I Sp. z o.o. & Co. KG	13	6
Fenix Polska Sp. z o.o.	6	4
Total	19 029	9 559

1. 4.2 Key trading partners

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

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

In 2021 the turnover with any trading partner did not exceed 10% of the Company's revenue.

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

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

2.1 Activities of the MLP Group S.A. Group and the Company in 2021

In 2021, the Company continued its activity consisting in the construction and management of logistics properties. The activity was conducted through subsidiaries.

In the reporting period, the Company, acting through its subsidiaries, carried out several property development projects and leased more than 895 thousand m² of the existing warehouse and office space. The Management Board of the Company 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 2021, the Company, through its subsidiaries, was engaged in construction of projects with a total area of 288 thousand m², with a further 25 thousand m² in preparation, i.e. the total area of projects under development was 313 thousand m².

Out of the total, 56 thousand m² was attributable to projects commenced in 2020 and completed in 2021. In the 12 months ended 31 December 2021, the Group commenced projects with a total area of 232 thousand m², of which 212 thousand m² will be completed in 2022.

2. 1.2 Projects under construction and under preparation

In 2021, the Company carried out, through its subsidiaries, projects with a total area of 313 thousand m². Of these projects, a total area of 76 thousand m² was completed in 2021, mainly located in Poland.

As at 31 December 2021, 212 thousand m² of space was under construction.

In connection with leases signed and the ongoing commercialisation processes, the Group began preparations for the construction of ca. 25 thousand m² of space. The permitting process also continued to enable the construction of new warehouse space on land reserved by the Group.

The Group companies have also signed a number of reservation agreements to purchase new land with a total area of ca. 60 ha, and a target capacity of ca. 270 thousand m².

Projects are carried out on a pre-lease basis, i.e. launch of the investment process is conditional upon execution of a lease contract with a potential tenant. In 2021, at selected locations the Group launched big-box speculative projects, which, together with pre-lease projects, constitute larger investment projects implemented in response to the present market situation.

2. 1.3 Material agreements

Material suppliers with whom agreements with a total value exceeding 10% of the Company's equity were concluded in 2021

In the financial 2021, the Company did not enter into any agreements with a single supplier where the total amount of payments to the supplier would exceed 10% of the Company's equity.

2. 1.4 Shareholder agreements

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

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

2. 1.5 Partnership or cooperation agreements

In 2021, the Company did not enter into any significant partnership or cooperation agreements with other entities.

2. 1.6 Related-party transactions

For description of related-party transactions, see Note 26 to the Company's Separate Financial Statements for the year ended December 31st 2021.

2. 1.7 Litigation

Proceedings pending before courts, arbitration bodies or public administration bodies

As at 31 December 2021, no single court, arbitration or administrative proceedings were pending with respect to any liabilities or claims of the Company whose value would represent 10% or more of the Company's equity.

As at 31 December 2021, no two or more court, arbitration or administrative proceedings were pending with respect to any liabilities or claims of the Company whose combined value would represent 10% or more of the Company's equity.

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

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

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

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

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

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

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

Credit risk

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

Liquidity risk

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

Market risk

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

Currency risk

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

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

Interest rate risk

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

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

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

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

Risks related with factors specific to the real estate sector

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

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

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

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

Insurance risk

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

Risk related to the nature of the Company's business

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

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

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

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

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

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

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

Risk relating to general contractors

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

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

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

Risk related to obtaining administrative decisions

As part of its activities and in the course of managing its assets, the Company's subsidiaries are legally required to obtain a number of licenses, consents, administrative decisions or other decisions from public administration bodies, including in particular permits for execution, construction and use of its properties. No assurance can be given by any of the Company's subsidiaries that all such permits, consents, administrative decisions or other decisions of public administration bodies concerning the existing properties or new projects will be obtained on time (including due to the recurring risk of the COVID-19 pandemic, as described above) or that they will be obtained at all, or that the permits, consents, administrative decisions or other decisions of public administration bodies held or obtained in the future will not be revoked or their validity will be extended on time. Moreover, certain administrative or other decisions of public administration authorities may be subject to satisfaction of additional conditions by the Group (including the provision of appropriate infrastructure by the Group), or such authorities may impose additional conditions and obligations on the Group, which may entail additional costs, protract the proceedings and result in temporary inability to earn revenue due to such delays.

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

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

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

The COVID-19 pandemic, which began in the first quarter of 2020, has had and may continue to have an impact on the operations of the Company and its Group. The effective and potential future changes to work policies of public administration authorities (partial remote work and temporary closures of certain offices) may delay the issuance of administrative decisions, including permits and consents material to the operations of the Company or its subsidiaries. This may delay the start and execution of projects pursued by the Company or the Group companies, not only in the Polish market but also in foreign markets where the Group operates. Delays may also result from disruptions in the work of notarial offices, contractors, subcontractors and suppliers of materials and equipment 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.

Risk of the actual and potential impact of Russia's invasion of Ukraine on the operations of the Company

In connection with Russia's invasion of Ukraine in late February 2022, the Company would like to stress that it does not conduct any business operations on the Ukrainian or Russian markets. Also, the armed conflict has not had any impact so far on the Company's Polish, German, Austrian or Romanian operations. However, as severe and extensive economic sanctions were imposed on Russia for the invasion, the country is likely to retaliate, which could affect the economic activity in Poland and globally, including the condition of tenants and other trading partners of the Company.

2. 2.2 Business development prospects

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

MLP Group's strategic objective is to constantly expand its warehouse space portfolio on the European market, namely Poland, Germany, Austria and Romania, and on new markets with a strong outlook for growth in 2022, specifically Benelux and Hungary.

The Group pursues its strategic objectives through Big Box development projects, undertaken primarily in response to e-commerce growth and demand from light industry customers, driven by such factors as relocation of production from Asia to Europe and, increasingly, implementation of city logistics projects offering strong growth potential – responding to the needs created by the evolution of e-commerce by offering small warehouse units of 700–2,500 m² within or near cities, with easy access to labour and public transport.

The strategic objectives were announced in Current Report No. 35 and Current Report No. 36 of 18 November 2021.

According to Statistics Poland, Poland's real GDP in 2021 was 5.7% higher than in 2020. Last year, inflation increased significantly, to 8.6% in December. Gradual normalisation of the global supply chain disruptions supported growth in the industrial sector.

MLP Group positively views the growth prospects of the warehouse market in all countries where it operates. Demand for state-of-the-art warehouse and production space remains high. It is now difficult to assess the impact of Russia's military aggression against Ukraine launched in the second half of February 2022. The situation in Europe and globally will heavily depend on the duration and extent of the military activities and the nature and extent of economic sanctions imposed on Russia. The war in Poland's eastern neighbour will certainly add pressure to further shorten supply chains, increase warehouse stock levels and relocate production from areas where the armed conflict is taking place. Ukrainian companies and international companies operating in Ukraine will relocate warehouses to other countries, including Poland. Also, international firms will be leaving Russia in protest against the invasion. Such activities are gaining pace. This will increase demand for warehouse and logistics space in Poland and other markets served by MLP Group.

Warehouse space market in 2021

- **Poland**

Throughout 2021, the warehouse market in Poland developed very dynamically. A surge in demand for warehouse space was achieved, with lease transaction volumes having reached 7.5m m², up 50% year on year. The high demand for warehouse space is driven by the need to diversify logistics networks tailored to e-commerce business needs as well as to the continued global supply chain constraints. Strong activity is displayed mainly by retail, e-commerce, logistics, courier, manufacturing and automotive companies.

The rapidly falling vacancy rates, combined with rising property development costs, are increasing pressure to raise rents for warehouse space. Currently, base rental rates are in the range of EUR 2.80–3.90/m²/month for Big-Box projects and EUR 4.30– 5.50/m²/month for Small Business Units (SBU). Effective rates vary between EUR 2.00 and EUR 3.10/m²/month depending on the location. At the end of December 2021, vacancy rates fell 3pp year on year, to a record low of 3.8%.

In 2021, property developers delivered to the market over 3.1m m² of new warehouse space, marking record-high development activity in Poland. As a result, the total stock of modern warehouse space reached 23.9m m². In response to the strong demand growth and falling vacancy rates, property developers launched a number of new projects with a total area of over 1.6m m² in the fourth quarter of 2021. At the end of December, the total area of warehouse space under construction hit a record high of 4.5m m².

Source: Marketbeat Polska, Rynek magazynowy IV kw. 2021 r., Cushman&Wakefield [Marketbeat Poland. Warehouse market Q4 2021, Cushman&Wakefield]

- **Germany**

The volume of transactions on the German warehouse and logistics markets reached a record 8.67m m² in 2021, having increased 25% year on year (2020: 6.95m m²) and 20% on the previous high recorded in 2018 (7.21m m²). Demand was particularly strong in the fourth quarter, which was the first three-month period ever with demand exceeding 2.5m m².

Some companies are suffering from the adverse effects of COVID-19 pandemic such as supply problems and material shortages due to global supply chain disruptions. It would be reasonable for these companies to increase their local warehousing capacities to reduce their reliance on these supply chains. Other companies, such as online retailers, are benefitting from the widespread shift in shopping habits, as customers moved online to shop during the pandemic. Many regions are facing a shortage of modern logistics space and facilities available at a short notice. The development of post-industrial land is gaining prominence.

In 2021, total demand on the five largest markets (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich) was record-high at approximately 2.42m m², or 170 thousand m² more than the previous record in 2011, up 27% year on year and approximately 23% above the five-year and ten-year averages. In 2021, approximately 620 thousand m² of new warehouse space was delivered in the Big Five regions, of which only 28% was not leased at the time of completion. Another 1.3m m² of space is under construction, of which 70% has been pre-leased. The construction activity is the strongest in the Hamburg region, where approximately 450 thousand m² is being developed.

In 2021, rents for warehouse space above 5 thousand m² increased by 1.6% to 9.1% year on year in four regions of the Big Five regions. The exception was the Berlin region, where prime rents remained unchanged at EUR 5.50/m²/month in 2021. The strongest increase was reported for Düsseldorf (+EUR 0.50 to the current EUR 6.00/m²/month). The highest prime rents are still paid by tenants in Munich, of EUR 7.50/m²/month (up 5.6% or EUR 0.40). Prime rents increased EUR 0.30 and EUR 0.10 in Frankfurt and Hamburg, respectively, to EUR 6.50/m²/month, with further increases expected in 2022.

In 2021, the volume of transactions in the other parts of Germany, outside the five largest markets, was 6.25m m², surpassing the 6m m² mark for the first time in history, up 24% year on year (2020: 5.04m m²) and 30% above the five-year average. The strongest demand was from retail and e-commerce companies, accounting for approximately 2.7m m², or 43% of total demand. Another 35% (2.2m m²) of total demand was attributable to distribution and logistics companies.

The highest volume of transactions outside the Big Five regions was recorded in the Ruhr (approximately 788 thousand m²), followed by the regions of Leipzig/Halle, Hannover/Bolszewo and Hannover/Braunschweig.

Source: JLL, Logistics and Industrial Market Overview, Germany, H2 2021

- **Romania**

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

Approximately 543 thousand m² of modern warehouse space was delivered in 2021, with the total stock at the year's end at 5.63m m². With 63% of the new supply, Bucharest maintains its leading position as the country's most developed industrial hub. The capital city claims half of the country's logistics stock, while the other four regions jointly accommodate the other half of modern space.

In 2021, total demand reached approximately 856 thousand m², or 8% less than in 2020, a record year in terms of transactions and new supply. Nonetheless, demand was 40% higher than in 2017, and 70% and 80%, respectively, above the 2018 and 2019 levels. Bucharest attracted 70% of total demand last year, with automotive and retail companies accounting for 40% of demand.

At the end of the year, the vacancy rate was approximately 3.9%. In the Bucharest area, the figure was 4.2%. The vacancy rate below 5.0% both at the country level and for the capital city reflects the impressive leasing activity since 2020 with implications for the occupied stock and future new supply. Headline rent remains stable at EUR 3.9/m²/month, while net effective rent is EUR 3.5/m²/month for a 5 thousand m² unit.

At the end of last year, approximately 522 thousand m² of space was under construction, which should be delivered by the end of 2022.

Source: Market Outlook 2022 Romania Real Estate, CBRE Research

- **Austria**

2021 was another very successful year for the Austrian warehouse market. Until a few years ago there was hardly any rental space in Austria that met the requirements of a modern logistics property. For some time now large-scale project developments for third-party users have dominated the market, demonstrating that increased supply also generates greater demand.

Overall, the takeup in 2021 amounted to around 150 thousand m² and once again reached a record level (+23% year on year). The largest share of this space was acquired by logistics service providers in the eastern surroundings of Vienna. The current state of demand suggests that this trend will continue over the next few years. By returning to regular operations and restructuring supply chains to avoid further supply shortages, retailers, logistics service providers and manufacturing companies have increased their need for additional logistics space.

The prime rent for logistics properties rose to approximately EUR 5.8/m²/month in 2021 and continues to follow an upward trend. The vacancy rate in modern logistics space reached a new record low, amounting to just 0.9% for Class A and B logistics properties in Vienna and the Vienna region.

We also see a similar development in the federal provinces and especially around the logistics hotspots of Graz and Linz. The rents there are currently lower than in Vienna, but several new projects are to be implemented, which together will create a larger modern supply.

Source: Market Outlook 2022, Austria Real Estate, CBRE Research

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

3. 1 Key economic and financial data disclosed in MLP Group S.A.'s separate financial statements for 2021

3. 1.1 Selected financial data from the separate statement of financial position

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

	31 December <i>as at</i> 2021	% share	31 December 2020	% share	Change (%)
ASSETS	1 044 123	100%	812 001	100%	29%
Non-current assets	899 206	86%	711 490	97%	26%
Including:					
Non-current financial assets in related entities	123 450	12%	123 420	32%	0%
Long-term investments	768 959	74%	584 256	64%	32%
Deferred tax assets	2 846	0%	2 616	1%	9%
Current assets	144 917	14%	100 511	3%	44%
Including:					
Short-term investments	49 480	5%	78 957	1%	-37%
Trade and other receivables	3 059	0%	8 683	1%	-65%
Assets under ongoing construction contracts	-	0%	6 403	0%	-
Cash and cash equivalents	92 192	9%	6 468	2%	1325%

	31 December <i>as at</i> 2021	% share	31 December 2020	% share	Change (%)
EQUITY AND LIABILITIES	1 044 123	100%	812 001	100%	29%
Total equity	413 326	39%	271 763	33%	52%
Non-current liabilities	527 333	51%	524 253	65%	1%
Non-bank borrowings and other debt instruments	527 333	51%	524 253	65%	1%
Current liabilities	103 464	10%	15 985	2%	547%
Including:					
Non-bank borrowings and other debt instruments	94 520	9%	3 763	0%	2412%

As at 31 December 2021, long-term investments were the key item of the Company's assets, accounting for 74% of total assets. The largest item of equity and liabilities was non-current liabilities under non-bank borrowings and other debt instruments (51% of total equity and liabilities) and equity (39% of total equity and liabilities).

The increase in liabilities under non-bank borrowings and other debt instruments was mainly attributable to the bond issue for a total of EUR 20m. Proceeds from the bond issue were used to purchase land in new locations and to fund equity contributions by the Company's subsidiaries to projects co-financed by bank loans.

Non-current financial assets in related entities

<i>as at 31 December</i>	2021	2020
Gross amount at beginning of period	123 420	123 396
Acquisition of shares in MLP Wrocław West I Sp. z o.o.	5	-
Acquisition of shares in MLP Gelsenkirchen GP Sp. z o.o.	5	-
Acquisition of shares in MLP Gelsenkirchen LP Sp. z o.o.	5	-
Acquisition of shares in MLP Gorzów Sp. z o.o.	5	-
Acquisition of shares in MLP Idstein LP sp. z o.o.	5	-
Acquisition of shares in MLP Idstein GP sp. z o.o.	5	-
Acquisition of shares in MLP Business Park Wien GmbH	-	24
Gross amount at end of period	123 450	123 420
Net amount at end of period	123 450	123 420

The shares held by MLP Group S.A. in the subsidiaries as at 31 December 2021 are presented in section 1.1 (*Shareholding structure of MLP Group S.A.*).

Long-term and short-term investments

<i>as at 31 December</i>	2021	2020
Long-term investments	768 959	584 256
Loans to related parties	768 959	584 256
Short-term investments	49 480	78 957
Loans to related parties	-	58 957
Money fund units	49 480	20 000
Total other investments	818 439	663 213

As at 31 December 2021, the Company carried long-term and short-term investments totalling PLN 818,439 thousand, including PLN 768,959 thousand worth of loans to related parties. Of these, the largest items were loans advanced to subsidiaries which are currently carrying out expansion projects at their logistics parks, namely MLP Poznań West II Sp. z o.o., MLP Business Park Berlin I Sp. z o.o. & Co. KG, MLP Business Park Wien GmbH, MLP Wrocław West Sp. z o.o., MLP Logistic Park Germany I Sp. z o.o. & Co KG., MLP Gelsenkirchen Sp. z o.o. & Co. KG, and MLP Business Park Berlin I LP Sp. z o.o. At the end of 2021, the Group also acquired money fund units (PLN 49,480 thousand).

Cash

<i>as at 31 December</i>	2021	2020
Cash in hand	6	15
Cash at banks	92 186	6 453
Cash and cash equivalents in the separate statement of financial position	92 192	6 468
Cash and cash equivalents in the separate statement of cash flows	92 192	6 468

As at 31 December 2021, the balance of cash was PLN 92,192 thousand, having increased from PLN 6,468 thousand a year earlier. The change was driven mainly by repayments of loans advanced to expand existing and build new logistics parks, as well as dividend and share issue proceeds.

Equity

Share capital

	<i>as at 31 December</i>	2021	2020
Series A shares	11 440 000	11 440 000	11 440 000
Series B shares	3 654 379	3 654 379	3 654 379
Series C shares	3 018 876	3 018 876	3 018 876
Series D shares	1 607 000	1 607 000	1 607 000
Series E shares	1 653 384	1 653 384	1 653 384
Total	21 373 639	21 373 639	19 720 255
Par value per share		0,25 zł	0,25 zł

As at 31 December 2021, the Parent's share capital amounted to PLN 5,343,409.75 and was divided into 21,373,639 shares conferring 21,373,639 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 5 May 2021, the Company issued 1,653,384 Series E ordinary shares with a total par value of PLN 413,346. The par value per Series E 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 21,373,639.

On 31 May 2021, the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division of the National Court Register, recorded in the Business Register of the National Court Register an increase in the Company's share capital from PLN 4,930,063.75 to PLN 5,343,409.75.

Series E 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 16 June 2021 under ISIN PLMLPGR00017.

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

Separate statement of profit or loss for the financial year ended 31 December 2021 vs the previous year:

<i>for the year ended 31 December</i>	2021	% sales	2020	% sales	Change (%)
Revenue	20 949	100%	27 338	100%	-23%
<i>including:</i>					
<i>Revenue from development contract</i>	1 880	9%	17 742	65%	-89%
Other income	145	1%	360	5%	-60%
Distribution costs and administrative expenses	(20 328)	97%	(29 512)	104%	-31%
<i>including:</i>					
<i>Costs related to property development contract</i>	(1 529)	-7%	(12 821)	-47%	-
Other expenses	(498)	2%	(110)	1%	353%
Operating loss	268	1%	(1 924)	0%	-114%
Net finance income	19 572	-93%	11 095	-41%	76%
Profit before tax	19 840	95%	9 171	41%	116%
Income tax	(1 862)	9%	92	34%	-2124%
Net profit	17 978	86%	9 263	6%	94%

The main source of the Company's revenue stream is the provision of management and advisory services. In 2021, 9% of total revenue was revenue from a property development contract. The Company signed a property development contract with Westinvest Gesellschaft für Investmentfonds mbH, under which in 2020-2021 a warehouse was constructed on third-party land in Tychy. In 2021, the Company recognised revenue from the contract of PLN 1,880 thousand, calculated based on the percentage of completion of the work.

Distribution costs and administrative expenses in 2021 were PLN 20,328 thousand, having decreased by PLN 9,184 thousand on 2020. The increase was largely attributable to inclusion of costs incurred on performance of the development contract, of PLN 1,529 thousand (cost of services), Salaries and wages, as well as advisory and legal services, represent the main item of the Company's operating expenses.

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

In 2021, the Company generated net finance income of PLN 19,572 thousand, which represented an increase year on year. The main cause of the change was an increase in interest on loans granted to related entities.

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

	<i>for the year ended 31 December</i>	2021	2020
Net cash from operating activities		3 399	(1 772)
Net cash from investing activities		(124 613)	(337 597)
Net cash from financing activities		208 153	298 933
Total net cash flows		86 939	(40 436)
Cash and cash equivalents at beginning of period		6 468	41 934
Effect of exchange differences		(1 215)	4 970
Cash and cash equivalents at end of period		92 192	6 468

The 2021 opening balance of cash and cash equivalents was PLN 6,468 thousand; at year end, the balance was PLN 92,192 thousand, having increased by PLN 85,724 thousand.

In contrast to the previous year, the Company recorded positive operating cash flows of PLN 3,399 thousand in 2021.

In 2021, the Company reported negative cash flows from investing activities of PLN 124,613 thousand. The largest item were loans advanced by MLP Group S.A. to Group companies in 2021 of PLN 386,356 thousand. The loans were used to fund project developments in Poland and abroad. These outflows were offset by repayment of loans (the Group companies repaid PLN 268,394 thousand of loans granted by MLP Group S.A.). Net cash used in investing activities also reflected the purchase of investment fund units (PLN 132,700 thousand), partly offset by proceeds from their sale (PLN 103,381 thousand).

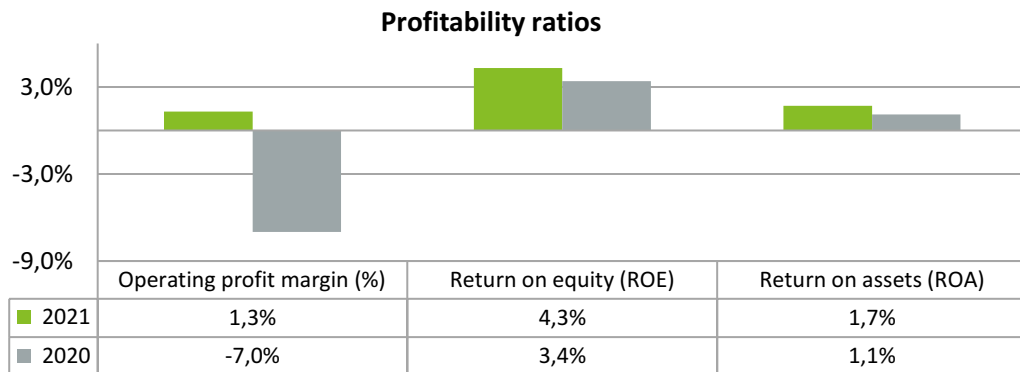
In 2021, cash flows from financing activities were PLN 208,153 thousand, down year on year. In 2021, the Company issued bonds for a total amount of EUR 20,000 thousand. In addition, the Company's share capital was increased through a share issue, which generated PLN 123,585 thousand in proceeds.

3. 2 Management Board's position on published forecasts

The Management Board of MLP Group S.A. has not published any financial forecasts for 2021.

3.3 Management of financial resources

3.3.1 Profitability ratios

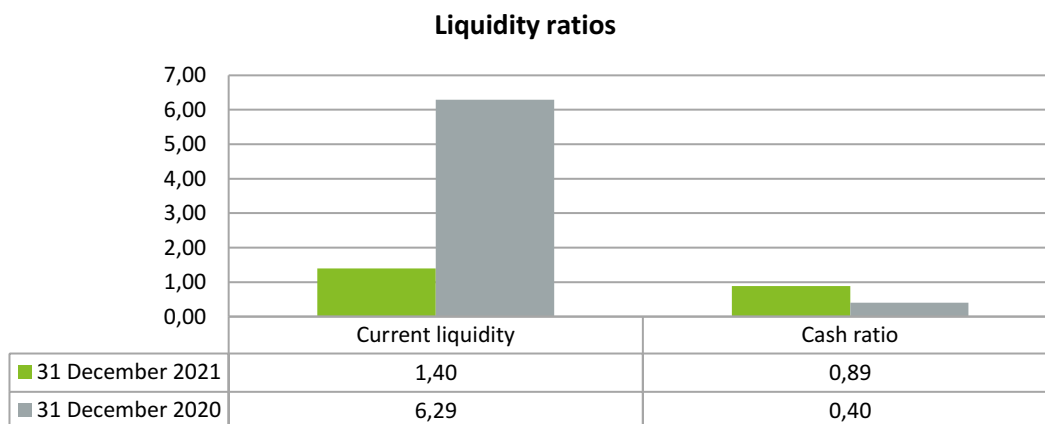


The profitability analysis is based on the following ratios:

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

In 2021, the operating margin increased year on year, to 1.3%. The main contributing factor was the Company's operating profit resulting from the lower distribution costs and administrative expenses. The level of the remaining ratios increased year on year.

3.3.2 Liquidity ratios



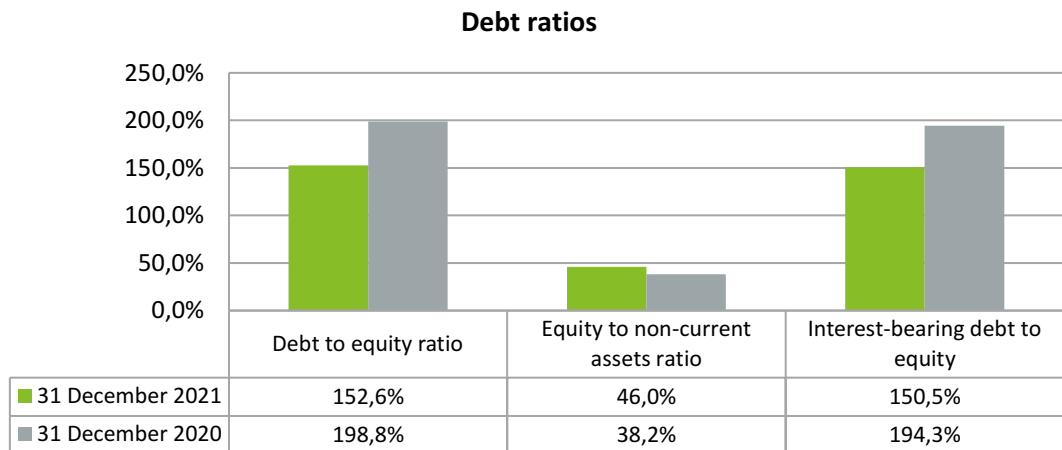
The liquidity analysis is based on the following ratios:

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

The current ratio as at 31 December 2021 decreased on year-end 2020, by 4.89pp. The fall resulted mainly from an increase in current liabilities due to the bonds issue.

The cash ratio increased due to higher balance of cash.

3. 3.3 Debt ratios



The debt analysis is based on the following ratios:

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

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

In 2021, both the debt-to-equity ratio and the financial-liabilities-to-equity ratio fell slightly. The decline was mainly attributable to an increase in the Company's share capital through a share issue.

In the same period, equity-to-non-current-assets ratio increased year on year, by 7.8 pp.

3. 4 Borrowings, bonds, sureties and guarantees

3. 4.1 New and terminated non-bank borrowings

As at 31 December 2021, the Company carried no non-bank borrowings contracted in 2021.

Borrower	Lender	Loan agreement date	Original amount	Outstanding principal
MLP Group S.A.	MLP Pruszków I Sp. z o.o.	2021-08-12	6 000 000 PLN	0 PLN
MLP Group S.A.	MLP Poznań II Sp. z o.o.	2021-08-12	6 433 000 PLN	0 PLN

In 2021, the Company repaid the following non-bank borrowings and interest:

Borrower	Lender	Loan agreement date	Amount of principal repaid	Interest paid
MLP Group S.A.	MLP Pruszków I Sp. z o.o.	2021-08-12	6 000 000 PLN	76 422 PLN
MLP Group S.A.	MLP Poznań II Sp. z o.o.	2021-08-12	6 433 000 PLN	0 PLN

In 2021, no non-bank borrowings were terminated.

3. 4.2 New and terminated bank borrowings

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

3. 4.3 Bonds

On 17 October 2021, the Company issued, by way of public offering for qualified investors, 20,000 Series D bearer bonds with a nominal value of EUR 1,000 per bond and total nominal value of EUR 20,000,000. The bonds were issued as unsecured instruments. The objectives of the issue were not specified. The bonds were registered with Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) under ISIN number PLMLPGR00090, and the bonds have been traded in the Catalyst alternative trading system since 17 November 2021. The bonds pay variable interest at 6M EURIBOR plus margin. The maturity date for the Series D bonds is 17 May 2024.

The bonds of MLP Group S.A. outstanding as at 31 December 2021 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	Euribor 6M + margin	none	PLMLPGR00033
Private bonds – series B	EUR	10 000 000	2023-05-11	Euribor 6M + margin	none	PLMLPGR00041
Public bonds – series C	EUR	45 000 000	2025-02-19	Euribor 6M + margin	none	PLMLPGR00058
Public bonds – series D	EUR	20 000 000	2024-05-17	Euribor 6M + margin	none	PLMLPGR00090

3. 4.4 Loans

As at 31 December 2021, the Company had outstanding receivables under loans advanced in 2021:

Lender	Borrower	Loan agreement date	Original amount	Outstanding principal
MLP Group S.A.	MLP BIERUŃ I Sp. z o.o.	2021-04-20	469 000 PLN	469 000 PLN
MLP Group S.A.	MLP BIERUŃ I Sp. z o.o.	2021-06-15	400 000 PLN	400 000 PLN
MLP Group S.A.	MLP BIERUŃ I Sp. z o.o.	2021-12-21	200 000 PLN	200 000 PLN
MLP Group S.A.	MLP BUSINESS PARK BERLIN I & Co.KG c/o MLP Germany Sp. z o.o.	2021-03-15	3 000 000 EUR	3 000 000 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I & Co.KG c/o MLP Germany Sp. z o.o.	2021-04-20	500 000 EUR	500 000 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I & Co.KG c/o MLP Germany Sp. z o.o.	2021-05-06	1 600 000 EUR	1 600 000 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I & Co.KG c/o MLP Germany Sp. z o.o.	2021-05-25	1 500 000 EUR	1 500 000 EUR
MLP Group S.A.	MLP BUSINESS PARK BERLIN I & Co.KG c/o MLP Germany Sp. z o.o.	2021-11-04	2 000 000 EUR	750 000 EUR
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2021-01-14	650 000 PLN	650 000 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2021-02-01	530 000 PLN	530 000 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2021-02-24	637 000 PLN	637 000 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2021-03-15	362 000 EUR	362 000 EUR
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2021-04-12	337 978 PLN	337 978 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2021-05-24	865 513 PLN	865 513 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2021-06-21	651 000 PLN	651 000 PLN
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2021-07-15	200 000 EUR	200 000 EUR
MLP Group S.A.	MLP BUSINESS PARK POZNAŃ Sp. z o.o.	2021-11-16	2 500 000 PLN	2 500 000 PLN
MLP Group S.A.	MLP GELSENKIRCHEN GP Sp. z o.o.	2021-12-23	40 000 PLN	40 000 PLN
MLP Group S.A.	MLP GELSENKIRCHEN LP Sp. z o.o.	2021-12-23	40 000 PLN	40 000 PLN
MLP Group S.A.	MLP Gelsenkirchen Sp. z o.o. & Co.KG	2021-07-27	4 408 950 EUR	3 705 000 EUR
MLP Group S.A.	MLP Gelsenkirchen Sp. z o.o. & Co.KG	2021-09-08	12 500 000 EUR	9 996 029 EUR
MLP Group S.A.	MLP Germany Management GmbH	2021-12-29	1 000 000 EUR	360 000 EUR
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2021-03-03	220 226 PLN	0 PLN
MLP Group S.A.	MLP Gliwice Sp. z o.o.	2021-07-15	129 300 EUR	129 300 EUR
MLP Group S.A.	MLP GORZÓW Sp. z o.o.	2021-11-29	100 000 PLN	100 000 PLN
MLP Group S.A.	MLP GORZÓW Sp. z o.o.	2021-12-14	200 000 PLN	200 000 PLN

MLP Group S.A.	MLP IDSTEIN Sp. z o.o. & Co.KG	2021-12-22	5 900 000 EUR	5 900 000 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO. KG	2021-02-15	100 000 EUR	100 000 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO. KG	2021-04-20	500 000 EUR	500 000 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO. KG	2021-06-09	1 200 000 EUR	1 200 000 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO. KG	2021-07-01	650 000 EUR	650 000 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO. KG	2021-07-28	1 090 000 EUR	1 090 000 EUR
MLP Group S.A.	MLP LOGISTIC PARK GERMANY I SP.Z O.O.& CO. KG	2021-09-02	5 000 000 EUR	2 171 000 EUR
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2021-05-06	717 423 EUR	717 423 EUR
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2021-06-09	957 600 EUR	957 600 EUR
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2021-07-15	979 280 EUR	979 280 EUR
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2021-07-21	8 198 400 PLN	8 198 400 PLN
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2021-08-11	377 200 EUR	377 200 EUR
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2021-08-11	392 000 PLN	392 000 PLN
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2021-10-05	1 326 826 EUR	1 326 826 EUR
MLP Group S.A.	MLP ŁÓDŹ II Sp. z o.o.	2021-10-28	710 000 EUR	710 000 EUR
MLP Group S.A.	MLP POZNAŃ EAST Sp. z o.o.	2021-11-08	185 000 PLN	185 000 PLN
MLP Group S.A.	MLP POZNAŃ EAST Sp. z o.o.	2021-12-06	2 113 255 PLN	2 113 255 PLN
MLP Group S.A.	MLP POZNAŃ Sp. z o.o.	2021-04-20	89 831 EUR	89 831 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2021-05-05	299 400 EUR	299 400 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2021-06-15	851 000 EUR	851 000 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2021-07-07	418 300 EUR	418 300 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2021-07-28	1 603 800 EUR	1 603 800 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2021-08-12	18 733 000 PLN	18 733 000 PLN
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2021-09-15	1 933 000 EUR	1 933 000 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2021-10-05	688 643 EUR	688 643 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2021-10-28	1 381 000 EUR	1 381 000 EUR
MLP Group S.A.	MLP POZNAŃ WEST II Sp. z o.o.	2021-12-15	1 287 100 EUR	1 287 100 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2021-01-20	686 076 EUR	686 076 EUR

Lender	Borrower	Loan agreement date	Original amount	Outstanding principal
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2021-02-24	113 500 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2021-03-15	914 000 EUR	914 000 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2021-05-06	1 032 386 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2021-06-15	1 581 000 EUR	0 EUR
MLP Group S.A.	MLP PRUSZKÓW II Sp. z o.o.	2021-11-29	244 000 EUR	244 000 EUR
MLP Group S.A.	MLP PRUSZKÓW VI Sp. z o.o.	2021-02-10	12 772 000 PLN	12 772 000 PLN
MLP Group S.A.	MLP PRUSZKÓW VI Sp. z o.o.	2021-02-17	3 500 000 PLN	3 500 000 PLN
MLP Group S.A.	MLP PRUSZKÓW VI Sp. z o.o.	2021-06-15	131 000 PLN	131 000 PLN
MLP Group S.A.	MLP SCHWALMTAL Sp.z o.o.& Co.KG	2021-03-29	200 000 EUR	197 000 EUR
MLP Group S.A.	MLP WROCŁAW WEST I Sp. z o.o.	2021-12-23	40 000 PLN	40 000 PLN
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2021-01-05	2 209 753 PLN	2 209 753 PLN
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2021-01-12	78 000 EUR	78 000 EUR
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2021-01-26	1 100 000 PLN	1 100 000 PLN

Lender	Borrower	Loan agreement date	Original amount	Outstanding principal
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2021-03-03	800 000 PLN	800 000 PLN
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2021-03-15	1 036 300 EUR	1 036 300 EUR
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2021-04-26	10 397 534 PLN	10 397 534 PLN
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2021-08-11	200 000 PLN	200 000 PLN
MLP Group S.A.	MLP WROCŁAW WEST Sp. z o.o.	2021-12-10	5 500 000 PLN	5 500 000 PLN

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.

On 16 September 2021, MLP Group S.A. provided an up to EUR 7,125,000.00 surety in the form of a corporate guarantee in favour of Bayerische Landesbank to secure the latter's claims against MLP Logistic Park Germany I sp. z o.o. & Co. KG under the credit facility agreement of 16 September 2021.

3. 4.6 Guarantees provided and received

On 26 November 2021, at MLP Group S.A.'s request, a bank guarantee was issued to secure fulfilment by MLP Gliwice Sp. z o.o. of its project developer commitments under an agreement with the General Directorate for National Roads and Motorways (GDDKiA) to redevelop the intersection of road 2902S and road DK 78 in the town of Szałsza, with the maximum amount of the guarantee being PLN 2,727,541.93 in the period to 31 August 2022 and PLN 136,377.10 in the period from 1 September 2022 to 31 August 2027.

3. 4.7 Other security interests

- Agreement to subordinate a loan granted to MLP Czeladź Sp. z o.o. in connection with the credit facility agreement of 14 December 2018
- Agreement to subordinate loans granted to MLP Pruszków I Sp. z o.o. in connection with the credit facility agreement of 9 May 2019
- Agreement to subordinate loans granted to MLP Pruszków III Sp. z o.o. in connection with the credit facility agreement of 9 May 2019
- Agreement to subordinate loans granted to MLP Pruszków IV Sp. z o.o. in connection with the credit facility agreement of 9 May 2019
- Agreement to subordinate loans granted to MLP Lublin Sp. z o.o. in connection with the credit facility agreement of 9 April 2021
- Agreement to subordinate loans granted to MLP Teresin Sp. z o.o. in connection with the credit facility agreement of 9 April 2021
- Agreement to subordinate loans granted to MLP Wrocław Sp. z o.o. in connection with the credit facility agreement of 9 April 2021
- Agreement to subordinate loans granted to MLP Gliwice Sp. z o.o. in connection with the credit facility agreement of 9 April 2021
- Agreement to subordinate a loan granted to MLP Poznań II Sp. z o.o. in connection with the credit facility agreement of 8 August 2011
- Agreement to subordinate a loan granted to MLP Poznań Sp. z o.o. in connection with the credit facility agreement of 11 June 2018
- Agreement to subordinate loans granted to MLP Pruszków IV Sp. z o.o. in connection with the credit facility agreement of 7 November 2019

- Agreement to subordinate a loan granted to MLP Poznań West II Sp. z o.o. in connection with the credit facility agreement of 10 February 2021
- Agreement to subordinate loans granted to MLP Pruszków II Sp. z o.o. in connection with the credit facility agreement of 23 July 2021
- Agreement to subordinate loans granted to MLP Logistic Park Germany I sp. z o.o. & Co. KG in connection with the credit facility agreement of 16 September 2021
- Support agreements granted by MLP Group S.A. as sponsor for MLP Czeladź Sp. z o.o., MLP Wrocław sp. z o.o., MLP Poznań Sp. z o.o., MLP Poznań II Sp. z o.o., MLP Pruszków V Sp. z o.o., MLP Poznań West II Sp. z o.o. and MLP Pruszków II Sp. z o.o., whereby the sponsor is to provide funds to cover any project cost overruns.

3. 5 Feasibility of investment plans

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

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

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

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

In 2021, there were no non-recurring factors or events that would have a material effect on the separate profit or loss for the financial period.

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

On 17 October 2021, the Company issued, by way of public offering for qualified investors, 20,000 Series D bearer bonds with a nominal value of EUR 1,000 per bond and total nominal value of EUR 20,000,000. The bonds were issued as unsecured instruments. The objectives of the issue were not specified. The bonds were registered with Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) under ISIN number PLMLPGR00090, and the bonds have been traded in the Catalyst alternative trading system since 17 November 2021. The bonds pay variable interest at 6M EURIBOR plus margin. The maturity date for the Series D bonds is 17 May 2024.

3. 8 Material achievements and failures in the 12 months ended 31 December 2021.

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

3. 9 Seasonality and cyclicality

The Company's business is not seasonal or cyclical.

4. Statement of compliance with corporate governance standards

Statement of MLP Group S.A. of Pruszków (the "Company", the "Issuer", the "Parent") regarding selected corporate governance rules set forth in the Annex to Resolution No. 14/1835/2021 of the Exchange Supervisory Board dated 29 March 2021 which were not complied with in the financial year ended 31 December 2021, 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 2021 all the corporate governance rules defined in the 'Code of Best Practice for WSE Listed Companies' were applied, except for:

1. Disclosure policy, investor communications

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

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

The proportion of women and men is based on competence, skills and performance. Hiring decisions are not based on the gender of the candidate. Therefore, the Company cannot ensure balanced proportion of women and men in the total number of employees, and thus the value of the equal remuneration paid to employees would be unreliable.

1.5. Companies disclose at least on an annual basis the amounts expensed by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.

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

The Group supports charitable institutions, but details are not published.

2. Management Board, Supervisory Board

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

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

The principle is applied except for the gender area.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

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

The performance of management and supervisory functions within the Company's structures is dependent on competence, skill and efficiency. Decisions on appointments to key management, management and supervisory positions are not decisions regarding appointments to key management, management and supervisory positions are not based on a candidate's gender or age.

2.11. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:

2.11.1. information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfil the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company, and information about the members of the supervisory board in the context of diversity;

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

The Company will ensure that the principle is applied in the future

2.11.2. summary of the activity of the supervisory board and its committees;

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

The Company will ensure that the principle is applied in the future

2.11.3. assessment of the company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function, and information about measures taken by the supervisory board to perform such assessment; such assessment should cover all significant controls, in particular reporting and operational controls;

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

The Company will ensure that the principle is applied in the future

2.11.4. assessment of the company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, and information about measures taken by the supervisory board to perform such assessment;

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

The Company will ensure that the principle is applied in the future

2.11.5. assessment of the rationality of expenses referred to in principle 1.5;

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

The Company will ensure that the principle is applied in the future

2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

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

The Company will ensure that the principle is applied in the future

3. Internal systems and functions

3.2. Companies' organisation includes units responsible for the tasks of individual systems and functions unless it is not reasonable due to the size of the company or the type of its activity.

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

The Company does not distinguish in its structure units responsible for the execution of tasks in individual systems or functions due to the Company's size and its unstructured organizational structure.

3.10. Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.

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

The Company does not belong to any of the following indexes: WIG20, mWIG40 or sWIG80.

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 2021, the Parent was controlled by the majority shareholder, Cajamarca Holland B.V. of Amsterdam, which held 10,242,726 shares in the Company, representing 47.92% of the share capital and conferring 47.92% 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 2021:

Shareholder	Number of shares	Equity interest	% of total voting rights
CAJAMARCA Holland BV	10 242 726	47,92%	47,92%
Pozostali akcjonariusze	4 426 794	20,71%	20,71%
THESINGER LIMITED	1 771 320	8,29%	8,29%
MetLife OFE	1 656 022	7,75%	7,75%
Israel Land Development Company Ltd. ¹⁾	1 933 519	9,05%	9,05%
GRACECUP TRADING LIMITED	641 558	3,00%	3,00%
MIRO B.V.	452 955	2,12%	2,12%
Shimshon Marfogel	149 155	0,70%	0,70%
MIRO LTD.	99 170	0,46%	0,46%
Oded Setter ²⁾	420	0,00%	0,00%
Total	21 373 639	100%	100%

On 5 May 2021, the Parent issued 1,653,384 Series E shares with a total par value of PLN 413,346 (par value per Series E 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 is 21,373,639.

¹⁾ As part of the issue of Series E shares, 1,001,000 shares were subscribed for by Israel Land Development Company Ltd. Furthermore, on 28 September, 11 October and 14 October 2021 Israel Land Development Company Ltd. of Bnei Brak, Israel, acquired 65,000; 133,000; and 77,500 ordinary shares in the Company, thus increasing its holding to 1,933,519 shares, representing (after the changes) 9.05% of the Company's share capital and conferring rights to 1,933,519 votes, i.e. 9.05% of total voting rights.

²⁾ On 13 September and 7 October 2021, Oded Setter, a member of the Supervisory Board, acquired 270 and 150 ordinary shares, representing in total 0.002% of the share capital and 420 voting rights, or 0.002% 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 30 June 2021 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 30 June 2024. 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 2023.

On 9 June 2016, pursuant to a resolution of the Supervisory Board, Mr Radosław T. Krochta was appointed President of the Management Board.

On 9 June 2016, pursuant to a resolution of the Supervisory Board, Mr Michael Shapiro was appointed Vice President of the Management Board.

On 25 June 2015, 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 obliges the other party and do not contain any obligations of the Company to pay a down payment or advance payment;
- execution, amendment or termination of an agreement for the provision of a credit facility, a bank guarantee or an insurance guarantee, or an agreement concerning a bank account, a letter of credit or other financial product or financial service, to which the Company and a domestic bank, a foreign bank, a credit institution or a financial institution within the meaning of the Banking Law Act of 29 August 1997 is a party or is to be a party;
- releasing a debtor of the Company from debt in excess of PLN 100,000 or an equivalent of the amount in another currency;
- approving annual budgets or long-term financial plans.

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

4. 4.2 Operation of the Management Board

The Management Board operates pursuant to the Company's Articles of Association, the Rules of 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 2021, the Management Board was composed of three members.

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

First name	Surname	Position held	Most recent appointment	End of term
Michael	Shapiro	Vice President of the Management Board	30 June 2021	30 June 2024
Radosław Tomasz	Krochta	President of the Management Board	30 June 2021	30 June 2024
Tomasz	Zabost	Member of the Management Board	30 June 2021	30 June 2024

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 30 June 2021 and expires on 30 June 2024. 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 2021, the Supervisory Board was composed of six members.

Subject to the personal rights described in Section 4.1.2 of this report (in Special rights of the Shareholders), members of the Supervisory Board are appointed and removed by the General Meeting.

4. 5.1 Powers and competencies of the Supervisory Board

The Supervisory Board exercises ongoing supervision over the Company in all areas of its business, and in addition to the matters specified in the Commercial Companies Code the special powers of the Supervisory Board under Art. 21.2 of the Articles of Association include:

- giving consent to the issuance of shares within the limit of the authorised share capital, including rules governing the determination of the issue price and waiver of the existing shareholders' pre-emptive rights if a resolution of the Management Board provides for such waiver;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 2021 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	30 June 2021	30 June 2024
Eytan	Levy	Deputy Chairman of the Supervisory Board	30 June 2021	30 June 2024
Oded	Setter	Member of the Supervisory Board	30 June 2021	30 June 2024
Guy	Shapira	Member of the Supervisory Board	30 June 2021	30 June 2024
Piotr	Chajderowski	Member of the Supervisory Board	30 June 2021	30 June 2024
Maciej	Matusiak	Member of the Supervisory Board	30 June 2021	30 June 2024

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.

Eytan Levy - Deputy Chairman of the Supervisory Board

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

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

Maciej Matusiak - Member of the Supervisory Board

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

Guy Shapira - Member of the Supervisory Board

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

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

Piotr Chajderowski - Member of the Supervisory Board

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

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

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

Oded Setter - Member of the Supervisory Board

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

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

The Management Board further announces that according to Oded Setter's representation, he does not conduct any activities outside the Company's business which would compete with the Company's business, he is not a partner in a competing civil law partnership, a member of a competing company under commercial law or a member of a governing body of any competing legal entity, and is not entered in the Register of Insolvent Debtors maintained pursuant to the Act on the National Court Register (KRS).

4. 5.4 **Audit Committee**

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

As at 31 December 2021, the Audit Committee was composed of the following persons

- Piotr Chajderowski
- Eytan Levy,
- Maciej Matusiak.

As at 31 December 2021, Maciej Matusiak and Piotr Chajderowski satisfied the requirements of Art. 129.1 of the Act on Certified Auditors (they had the required accounting or auditing qualifications) and the independence criteria set out in Art. 129.3 of the Act on Certified Auditors.

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 2021, there was no remuneration committee at the Company's Supervisory Board.

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

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

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

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

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

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

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

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

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

Remuneration of the Management Board in 2021

- Remuneration and other benefits:

Radosław T. Krochta	2 898
Michael Shapiro	494
Tomasz Zabost	1 597
	4 989

The total amount of the remuneration received by and payable to the Management Board from the Company was PLN 4,989 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 2021

Maciej Matusiak	48
Eytan Levy	48
Shimshon Marfogel	48
Guy Shapira	48
Piotr Chajderowski	48
Oded Setter	48
	288

In 2021, the total amount of remuneration due to and received by the Supervisory Board was PLN 288 thousand.

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

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

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

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

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

Michael Shapiro, Vice President of the Management Board, holds indirectly, through his fully-controlled companies MIRO B.V. and MIRO Ltd., a 2.58% interest in MLP Group S.A.'s share capital, and, through a 25% interest in the share capital held by MIRO B.V. in Cajamarca Holland B.V., Mr Shapiro is the beneficial owner of 11.98% of the share capital of MLP Group S.A. Therefore, in aggregate, Mr Shapiro is the beneficial owner of a 14.56% interest in the share capital of MLP Group S.A.

Shimshon Marfogel, Chairman of the Supervisory Board, is – indirectly, through a 7.86% interest held in the share capital of a company (Thesinger Limited) holding Issuer shares – the beneficial owner of 0.65% of the share capital of MLP Group S.A., and holds directly an 0.70% interest in the share capital of the Company in the for of shares subscribed for in September 2017. Therefore, in aggregate, Mr Marfogel is the beneficial owner of a 1.35% interest in the share capital of MLP Group S.A.

As at 31 December 2021, Oded Setter, a member of the Supervisory Board, held directly 0.002% of the Company's share capital following share purchase transactions executed in September and October 2021.

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

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

In 2021, there were no major changes in the key management policies. The development of the organisation requires that management procedures applicable in MLP Group S.A. be improved on a continuous basis.

4. 9 Internal control and risk management system

The Company's Management Board is responsible for the internal control system and its effectiveness in the process of preparing financial statements and reports required to be prepared and published pursuant to the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated 29 March 2018 (Dz.U. of 2018, item 757, as amended).

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

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

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

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

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

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

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

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

In accordance with the applicable laws, the Company presents its financial statements for review or audit, as applicable, by a 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,

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

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

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

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

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

4. 10 Entity qualified to audit the financial statements

By a resolution passed on 17 June 2021, 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 2021 and to review the interim financial statements prepared for the six months ended 30 June 2021. The audit and review engagement also covers the years 2022 and 2023.

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

The contract with the auditor was executed by the Company's Management Board for a period necessary to perform the auditor's duties.

The contract was signed on 2 July 2021.

In 2021, 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 <i>as at</i>	31 December 2021	31 December 2020
Audit of full-year financial statements		85	60
Review of consolidated and separate financial statements		30	40
Audit and review of group reports		165	160
Total fees		280	260

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, 16 March 2022