

Letter from President & CEO to Shareholders



Dear Fellow Shareholders,

We are facing challenges at every turn - in 2022, EU annual inflation reached the highest level ever measured at 9.2%. Compared with 2021, when the annual value was 2.9%. The supply shock was mainly driven by sharp increases in oil, gas and other commodities prices. Russian invasion of Ukraine affected both supply and demand. The increase in oil, gas and food prices was an inflationary and contractionary supply shock. The likely weakness of consumption and investment expenditures is a deflationary and contractionary demand shock. We do not know yet which effect will be larger and in what time perspective. In 2022, we observed a rapid increase in inflation while overall activity has not declined much. The Ukraine War shock hit at a time when the effects of the pandemic shock were still filtering through. Disentangling the impacts of each of these shocks is nearly impossible, so that interpreting the data is very hazardous.

Although I begin this annual letter to shareholders in a challenging landscape, I remain proud of what had been achieved in 2022. We had a very successful year. We delivered excellent results, both from an operational and financial point of view driven by strong leasing performance across Europe. Our modern, well-located and highly sustainable warehouses continue to be in high demand from a diverse range of occupiers, underpinned by long-term structural drivers. MLP Group has one of the best and most modern pan-European industrial warehouse portfolios, through which we can serve our customers' entire regional and local needs.











Our diversified group of tenants combined with prime portfolio of assets, excellent, well-located land bank give us the substantial potential for future development combined with industry expertise, customer focus and balance sheet capacity. Supply and availability of modern, sustainable warehouse space in the locations most desired by occupiers remain extremely limited across Europe. Vacancy levels are at historic lows and supply is likely to remain constrained given recent increases in financing.

We are well poised to the upcoming economic cycle since occupational demand and rental performance in the industrial and logistics sector has remained strong, supported by long-term structural tailwinds and tight supply. In 2022 we saw massive increase in rentals, reaching double digit growth - never seen in the past - **that shall translate to strong performance results in 2023.**

Looking back on 2022, our main highlights include:

- **Value of investment properties increased to PLN 4.4 billion (EUR 945 million), + 31% yoy**
- Net Assets Value (NAV) increased to PLN 2 498.0 million (EUR 532.6 million), + 37% yoy
- NAV per share PLN 104.1 (EUR 22.2), + 22% yoy
- EBITDA without revaluation amounted to PLN 135.1 million (EUR 28.8 million), + 47% yoy
- **FFO amounted to PLN 86.8 million (EUR 18.5 million), + 59% yoy**
- Net profit amounted to PLN 422.4 million (EUR 90.1 million), - 12% yoy
- Lease agreements in 2022 for approx. 235 thousand sqm,

And key ratio performance metrics in 2022 compared to our competitors

	Country of origin	Like-for-Like rental growth	Rental revenue growth y/y	Portfolio valuation y/y	LTV
		+10.0%	+31%	+30.0%	33%
		+4.5%	+35%	+33.0%	45%
		+6.7%	+19%	-11.0%	32%
		+4.0%	+14.6%	+9.6%	35%
		+4.3%	+2.4%	-2.0%	48%

The quality and location of our portfolio is important to our tenants, but in our DNA we believe the high level of service we provide is crucial to maintaining high customer retention as well as low vacancy and the most importantly satisfaction. We carry out a rolling survey of our tenants throughout the year to identify and rectify issues promptly. **In 2022, we spoke to 160 tenants, and 93% said that they considered MLP as the most professional business partner.** We continually collaborate to pass on our experience and best practices to provide best possible support to all our tenants. Customer relationship management helps us develop long-term relations reaching even over 20 years. We continue to learn about and from our tenants to understand their businesses, improve our services and stand out from the competition.

MLP GROUP – key developments in 2022

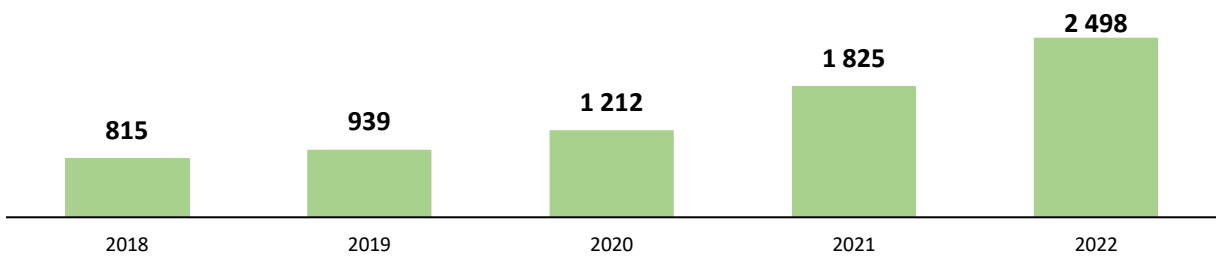
Value of investment properties

2022 was very successful year for us - we continued our strategy deployed in 2021 but from a much stronger equity position than we had in the past years.

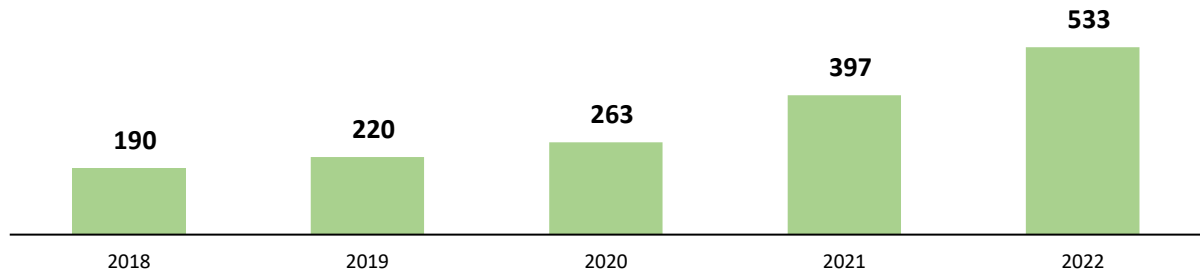
We remain on track to meet our target previously stated in 2021 in our strategic goals.

Net Assets Value (NAV) increased to PLN 2 498.0 million (EUR 532.6 million), + 37% yoy

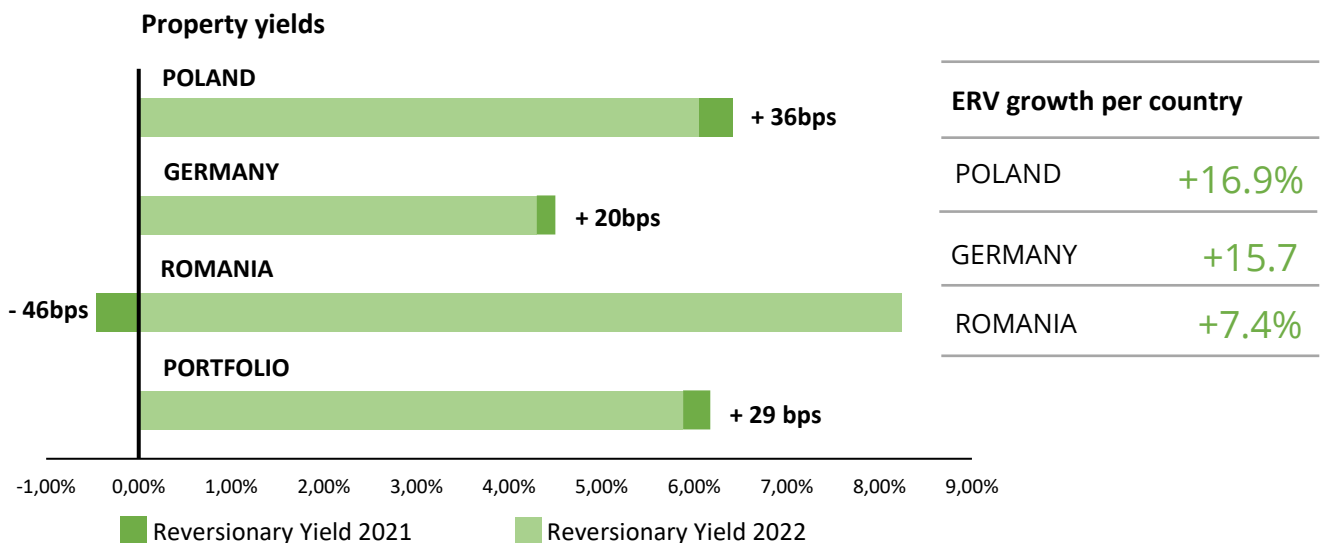
Net Assets Value (in mn PLN)



Net Assets Value (in mn EUR)



Yield widening significantly offset with increase in ERVs



MLP Group investment property valuation increased to **PLN 4.4 billion (EUR 945 million)**, + **31% yoy**, The slight yield expansion in 2H 2022 in Poland and Germany **was offset against substantial growth in ERW (estimated rental values)**.

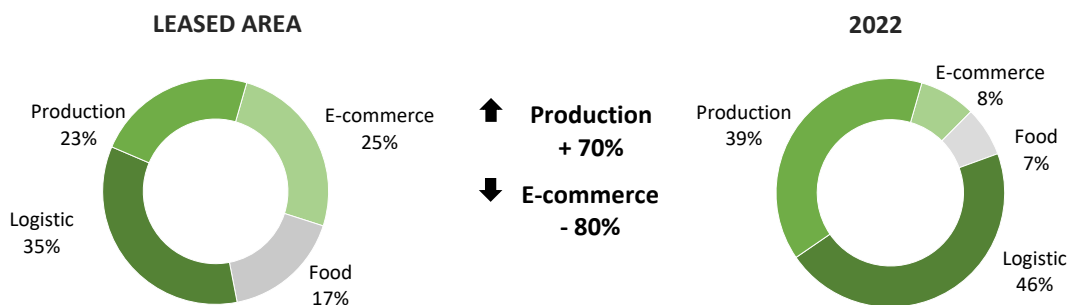
Leasing results

In 2022, we have leased 235 thousand sqm.

Our total portfolio reached 1 064 million sqm with 98% occupancy across all our assets and new space under development amounts to 119 thousand sqm. In 2022, we successfully continued our efforts to diversify our assets (Big-box logistic and Urban Logistic), tenants and geographies.

Our customer base remains well diversified, reflecting the multitude of uses of warehouse space. Top 10 tenants provide 42% of annual rental income. **Customers from the light manufacturing and logistics sector were the largest takers of our space during 2022.** We strongly believe that the trend of near-shoring will be maintained in 2023. In the last year, 65% of new leases was generated by existing MLPG tenants.

MLPG tenants' mix by sector



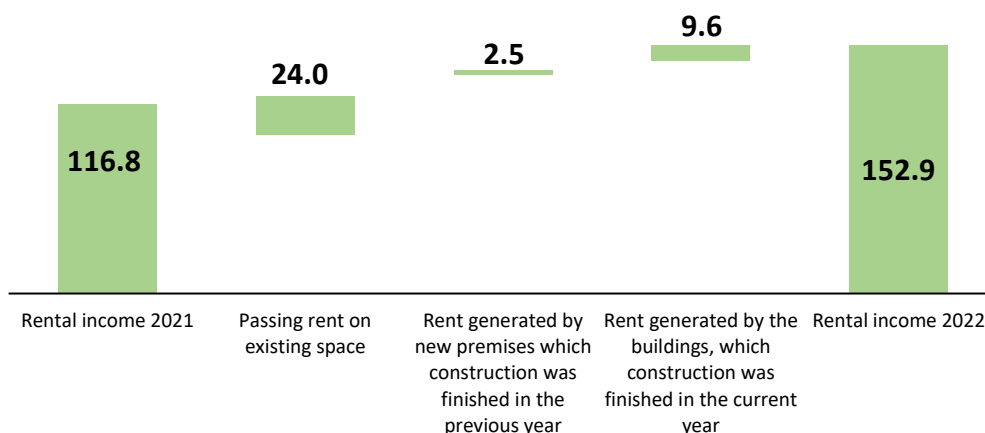
In 2022, we saw strong like-for-like rental growth of 10% during the year, signed 235 ths sqm of leases, with rental levels of **new leases averaging 16% above ERV**. We continue to see robust occupier demand combined with market vacancies close to historic lows in supply-constrained markets.

Moreover 2022 saw the delivery of approx. 226 thousands sqm of GLA in MLP Group portfolio, adding PLN 36.1 mn of contracted rent with the rent generated by the construction finished in previous year. Thanks to our profitable pipeline we continue to deliver positive revaluations with the high level of yield on cost – exceeding on average 10%, mobilizing our industry leading landbank, which we have been able to acquire at attractive prices.

Existing portfolio continues to perform well and delivered another set of strong operating metrics.

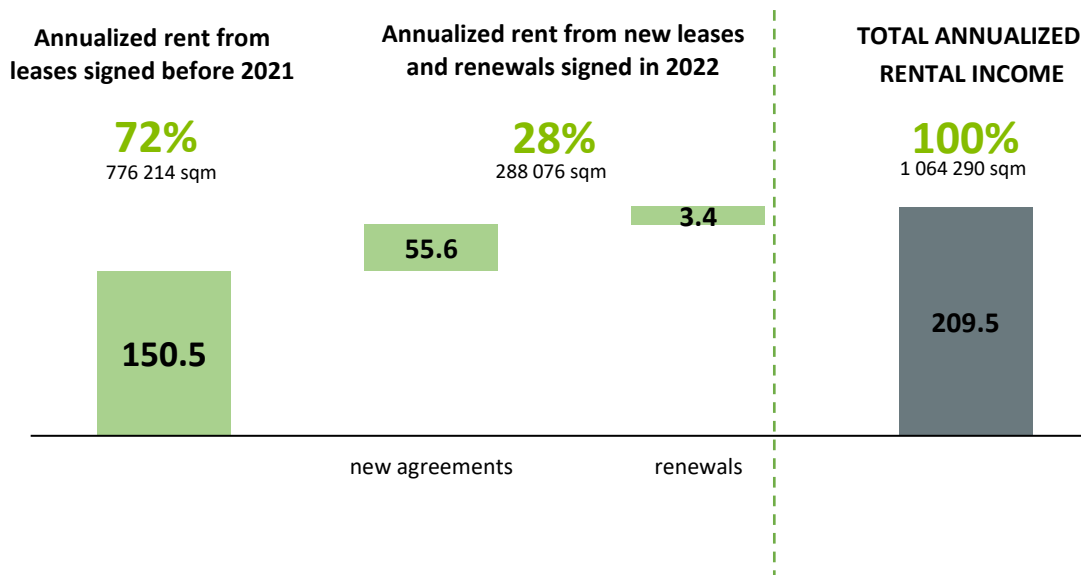
Strong tenants' portfolio – none of MLPG's tenants run into insolvency nor significant liquidity problems - very restrictive and conservative tenants acceptance policy brings sufficient level of comfort for economic slowdown. In addition, based on the tenant stress test we conducted, we do not expect any tenants to have any problems with paying rent on time - which only further confirms our very conservative customer acceptance policy brings expected results.

Break-down of the rental income of 2022 (in mn PLN)



At 31 December 2022, our portfolio generated passing rent of PLN 152.9 million. During the year, we contracted PLN 36.1 million of new headline rent. We increased the rent from our existing space significantly by capturing reversionary potential and due to the impact of indexation. Strong occupier demand for new space also helped us sign a high number of pre-let agreements for delivery over the next two years.

Annualized future rental income based on all signed contracts (in mn PLN)



- PLN 150.5 million of rent from existing assets from contracts signed by 2021.
- Rental growth from new lease reviews and renewals generated PLN 59 million. We observed continued strong demand from customers for pre-let agreements. We contracted PLN 59 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (2021: PLN 46 million). The substantial growth vs. previous year was a result of the market rental growth.
- **Customer retention rate stayed at 100%**

Financial standing of MLP Group

In line with our conservative financial approach, MLP Group benefits from a solid liquidity position to fund its growth ambitions, with a fixed cost of debt and conservative repayment profile. Considering the current geopolitical situation and high volatility in the economy, we are very well prepared for the current challenges.

- Issue of shares PLN 183.5 million (issue of 2 621 343 shares at PLN 70 at par)
- **100% lease agreements indexed with CPI for EUR without any cap (indexed once a year in February).**
- All rentals are denominated in EUR or are directly expressed in EUR, which significantly reduces our exposure to the currency risk.
- Almost 80% of loans are hedged with IRS for the next 5 years, resulting in limited interest rates' exposure.
- Diversification of energy sources and implementation of solutions having a positive impact on the protection of the natural environment.
- The greatest value is the potential of the secured plots, which enables rapid development in the coming years on European markets, and thus the achievement of the assumed strategic goals
- **98% timely rent collection across our portfolio**
- Strong cash flow position
 - LTV at 33.1%, the highest interest coverage ratio at 3.3 x ICR
 - Long debt maturity ratio of 5.1 years
 - FFO amounted to PLN 86.8 million (EUR 18.5 million), + 59% yoy

MLP Group has a very good financial standing and a safe capital structure enabling the implementation of long-term strategic goals. With the modest leverage, long-average debt maturity of 5.1 years, no near-term refinancing requirements and virtually entire debt at fixed or capped rates, we have significant financial flexibility to continue to invest capital in the development and acquisition opportunities that offer the most attractive risk-adjusted returns.

MLP Group plans for 2023

Let me start with this adage - all of our knowledge is about the past and all our decisions are about the future, which is unknown by definition.

Occupier demand for warehouse space across all markets where we operate, is unbroken and the combination of near-shoring, continuing e-commerce demand and restructuring of supply chains are expected to further drive the demand. Our space is flexible and can be adapted to suit businesses from many different industries which, when coupled with our relentless focus on customer service through our market-leading operating platform, is reflected in high customer satisfaction and retention rates, as well as our asset management and leasing performance.

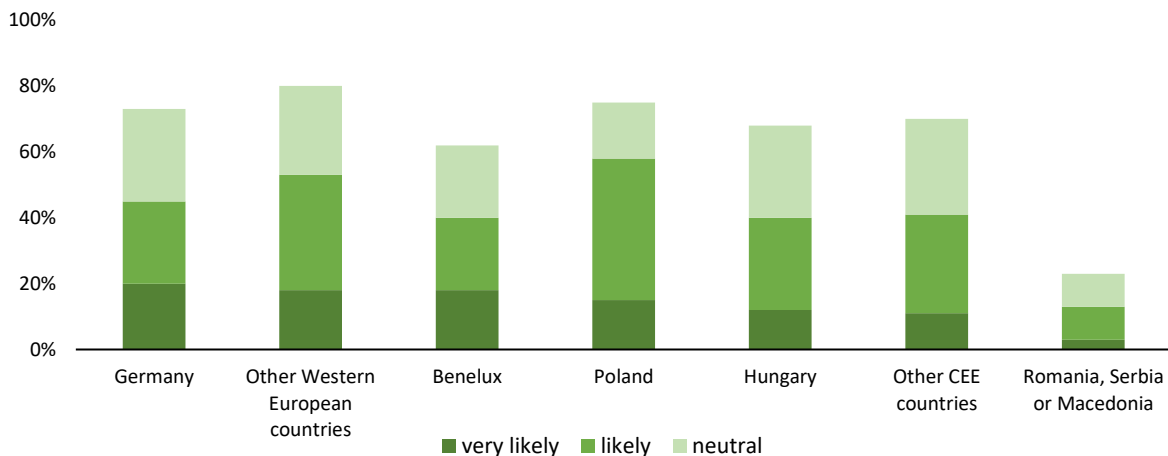
We expect this contrast between positive demand and limited supply to drive further growth in rental levels.

Main drivers of the demand for logistic space are:

- Low availability of vacant space will remain critical, high rate of pre-lets for new projects
- No signs that supply and demand will come into equilibrium in the short term
- Rents are likely to continue the growth course with demand expected to remain high, it is expected that prime rents will tend to rise over the next quarters
- Increased activity from 3PL
- Near-shoring (partial moving of manufacturing activity from Asia to Europe) and production occupier demand remaining strong across Europe.
- Energy costs, ESG and carbon neutrality will become more important

The main trigger affecting the demand for industrial space in 2023 and in the following years will be near-shoring. MLP Group is very well poised to respond to the market demand with very high technical competence of our team in Europe and a portfolio of plots located near major urban agglomerations with access to workforce.

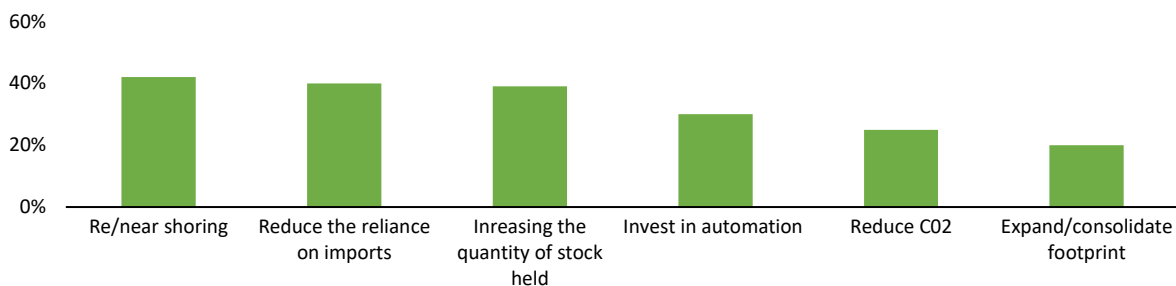
Geographical locations considered for near-shoring



Source: BCI Global 2022

Demand in 2023 will be conditioned by a number of factors - apart from near-shoring, the second important trend will be the security and resilience of supply chains.

Occupiers strategy to manage supply chain over next 3 years



Source: Savills, European Real Estate Logistics Consensus

Valuation: what to expect in 2023 - forecasting yields over any period is unquestionably difficult given the multitude of economic and financial drivers (particularly interest rates and credit spreads), most of which are outside our direct control. Nevertheless, the operating prospects for our portfolio are strong, supported by structural drivers of occupational demand and limited supply (vacancy rate at the lowest level ever) and **substantial growth in rental rates and ERV (estimated rental values)**. Therefore, we are optimistic about the potential for further rental value growth, particularly in our urban warehouse portfolio.

MLP development plan in 2023

Our strategic goal is to constantly expand the warehouse portfolio. In 2023, capital expenditure (CAPEX) will amount to approximately EUR 150-200 million, of which approximately 30% will be allocated to plots' purchases. We plan to lease 250 thousand sqm of the new warehouse space.

Most importantly, we will continue our development in Germany, where we are systematically increasing our portfolio of projects. We intend to lease MLP Idstein (Frankfurt am Main area), MLP Business Park Schalke and MLP Business Park Niederrhein. We plan to strengthen and expand our presence in the regions where we are already present i.e. Ruhr area, Brandenburg and Hessen land. Further development on the German market is a key point of our strategy.

Austria is also among the most important markets for us. This year will mark the start of construction of our first project - MLP Business Park Wien. The success of this project is already spectacular - before the start of construction, we see a huge interest in leasing space in this project (demand exceeds 150% of lease area). Bearing in mind the potential of the Viennese market, we are planning to acquire additional 2 plots in Vienna, which are now under analysis and due diligence process.



Last but not least, the Polish market remains crucial for MLP Group, and we will continuously increase our offer in key logistics regions. In 2023, we start the development of MLP Business Park Łódź, MLP Business Park Poznań and possibly MLP Business Park Wrocław. In parallel, we will start several big-box logistic project such as MLP Poznań West extension, MLP Pruszków extension (the biggest logistic park in Warsaw area), MLP Łódź, MLP Gorzów and MLP Zgorzelec (wester border of Poland) and new project on eastern border of Poland close to Ukraine. All that area shall increase our existing portfolio by 250,000 sqm of newly built logistic area.

Urban/city logistics projects (MLP Business Park) as will be of our focused in 2023 a high growth potential, high profitability and resilient to economical downturns products – addressing the retail evolution (e-commerce) with: smaller units, less than 2500 sqm, located within or close to city boundaries with easy access to labour and public transportation. City Logistics products are better accepted by municipalities in comparison to Big-Box as it is served with less heavy trucks and provide more employments opportunities for white and blue collar personnel. Additionally, we will be continuing the development of big-box projects primary addressing ecommerce development and light industry requirements following the increased demand generated by moving manufacturing from Asia to Europe.

MLP Group replenishes its landbank on a continual basis. We focus on acquiring development sites that are adjacent to existing parks, or in sought-after locations with proximity to strong logistics hubs and transport corridors and large, densely populated cities. In 2022, MLP Group acquired approx. 377,000 thousand sqm (excl. options), focusing particularly on sites within core markets across Europe.

MLP Group activities are particularly focused on environmental protection and achieving zero CO₂ emissions by 2024. As part of the existing and emerging facilities, a project to build photovoltaic farms on the roofs of logistics parks is being implemented, **which should allow us to generate between 9 to 10,5 GWh of green energy in 2024.**

In 2023, 85% of our Polish projects will obtain BREEAM certificate at the Excellent or Very good level and DGNB Gold or Platinum certificate on the German and Austrian market. Remaining 20% of Polish projects with lower notes will be improved to min. **VERY good level in 2024.**

In closing

I would like to express my deep gratitude and appreciation to all employees. From this letter, I hope shareholders and all readers gain an appreciation for the tremendous character and capabilities of MLP Group's team and I hope you are as proud of them as I am.

Finally, I sincerely hope that all the European Union citizens see an end to terrible COVID-19 pandemic, see an end to the war in Ukraine, and see a renaissance of a world on the path to peace and democracy.

2022 might not have been the year that we all expected, but our business has shown its quality and resilience and has continued to deliver value. I am proud of how everyone at MLP Group has come together and worked hard to make this happen.

Radosław T. Krochta

President & CEO of MLP Group