



**REPORT ON THE ACTIVITIES  
OF THE SUPERVISORY BOARD  
OF MLP GROUP S.A.  
IN THE FINANCIAL YEAR 2022**

Pruszków, June 2023

The Supervisory Board of MLP GROUP S.A. hereby presents a report on its activities in the financial year 2022. This includes, among other aspects, the report on findings and results of the assessment referred to in Article 382 § 3 of the Commercial Companies Code, specifically: the assessment of the Financial Statements of MLP GROUP S.A. for 2022, the Consolidated Financial Statements of MLP GROUP S.A. for 2022, the Management Board's Report on the activities of MLP GROUP S.A. in 2022, and the Management Board's proposed distribution of net profit earned in 2022.

This report covers the following matters:

1. Composition of the Supervisory Board of MLP GROUP S.A. in 2022
2. Activities of the Supervisory Board of MLP GROUP S.A. in the period from 1 January 2022 to 31 December 2022, including information on the matters addressed and discussed at meetings of the Supervisory Board
3. Activities of the Audit Committee of the Supervisory Board of MLP GROUP S.A. in 2022
4. Assessment of MLP GROUP Management Board's performance in fulfilling its obligations towards the Supervisory Board
5. Information mandated by separate regulations for listed companies
6. Assessment of the financial statements of MLP GROUP S.A. for the financial year 2022, as well as the consolidated financial statements of the MLP GROUP S.A. Group for the same period, with regards to their conformity and alignment with the accounting records, supporting documents, and facts.
7. Assessment of the Management Board's report on the activities of the MLP GROUP S.A. Group and MLP GROUP S.A. in 2022, in terms of its conformity with the Company's books, supporting documents, and facts. Additionally, evaluation of the proposal put forth by the Management Board of MLP GROUP S.A. regarding the distribution of MLP GROUP S.A.'s net profit earned in the financial year 2022.
8. Assessment of the standing of MLP GROUP S.A. in 2022, including assessment of internal control and the system for managing risks relevant to the Company.
9. Recommendations for the Annual General Meeting of MLP GROUP S.A.

## 1. COMPOSITION OF THE SUPERVISORY BOARD OF MLP GROUP S.A. IN 2022

In the period from 1 January 2022 to 31 December 2022, i.e. in the 2nd year of the three-year term, the Supervisory Board of MLP GROUP S.A. was composed of:

1. Shimshon Marfogel – Chairman of the Supervisory Board,
2. Eytan Levy – Deputy Chairman of the Supervisory Board,
3. Oded Setter – Member of the Supervisory Board,
4. Guy Shapira – Member of the Supervisory Board,
5. Maciej Matusiak - Member of the Supervisory Board,
6. Piotr Adam Chajderowski – Member of the Supervisory Board.

In 2022, an Audit Committee functioned as part of the Supervisory Board. Information on the activities of the Committee is presented later in this report.

## 2. ACTIVITIES OF THE SUPERVISORY BOARD OF MLP GROUP S.A. IN 2022

In 2022, the Supervisory Board of MLP GROUP S.A. carried out continuous oversight of the Company's activities, as stipulated by Article 21(1) of the Company's Articles of Association and § 7(1) of the Rules of Procedure for the Supervisory Board of MLP GROUP S.A. In 2022, the Supervisory Board held two meetings and passed 13 resolutions by written ballot. Resolutions were passed both at meetings and using means of remote communication – outside in-person meetings. All members of the Supervisory Board were present at all meetings.

In 2022, the Supervisory Board addressed several important matters, including granting approvals for real estate acquisitions in Moszna and Gorzów Wielkopolski, the execution of credit facility agreements by MLP GROUP companies, the issuance of shares and capital increase, as well as the issuance of bonds by MLP GROUP S.A. The Supervisory Board also appointed new members to the Management Board of MLP GROUP S.A.

### IMPLEMENTATION OF MLP GROUP'S BUDGET FOR 2022

The implementation of the MLP GROUP's budget was approved at the Supervisory Board meeting held on 1 February 2023.

The Supervisory Board first summarized the implementation of the 2022 budget, including the execution of property development projects.

The Company delivered very good operational and financial results, attributed to the successful leasing of space in European markets. There was a strong demand for modern, strategically located, and environmentally sustainable warehouses, attracting a diverse range of tenants.

In 2022:

- Value of investment properties increased to PLN 4.4 billion (EUR 945 million), or by +31% y/y,
- Net asset value (NAV) increased to PLN 2,498.0 million (EUR 532.6 million), or by + 37% y/y,
- NAV per share was PLN 104.1 (EUR 22.2), having increased by +22% y/y,
- EBITDA adjusted for revaluation of properties was PLN 135.1 million (EUR 28.8 million), having increased by + 47% y/y,
- Funds from operations (FFO) were PLN 86.8 million (EUR 18.5 million), having increased by +59% y/y,
- Net profit was PLN 422.4 million (EUR 90.1 million), a decrease of -12% y/y,
- New lease contracts in 2022 for about 235 thousand sqm.

In 2022, the Group companies leased 235 thousand sqm of space. MLP GROUP's real estate portfolio comprised a total leasable area of 1.064 million sqm, with an occupancy rate of 98%. The area under construction was 119 thousand sqm. Throughout 2022, MLP GROUP made successful strides in diversifying its asset base (big-box and urban logistics properties), tenants, and geographic regions.

In 2022, MLP GROUP delivered strong like-for-like rental growth of 10%, with a total of 235 thousand sqm of space contracted, with new contract rents averaging 16% above Estimated Rental Value (ERV) rates. The persistently limited supply of available spaces led to a robust demand from tenants, resulting in some of the lowest vacancy levels on record.

In 2022, MLP Group successfully completed and delivered approximately 226 thousand sqm of Gross Leasable Area (GLA). This led to an increase in rental income from projects completed in the previous year, with newly contracted rents amounting to PLN 36.1 million.

As of 31 December 2022, the portfolio of MLP GROUP companies generated current rental income of PLN 152.9 million. During the year, the Group contracted base rents of PLN 36.1 million. Rental income from the existing space was increased significantly by capturing reversionary potential and due to the impact of indexation. Strong demand from tenants for new space also helped the Group sign a high number of let contracts for delivery over the next two years.

In the face of the prevailing geopolitical situation and the high volatility in the economy, the MLP GROUP S.A. Group demonstrated exceptional preparedness to navigate the challenges, as reflected by the following data:

- PLN 183.5 million issue of shares (issue of 2,621,343 shares at PLN 70.00 at par),
- 100% of lease contracts 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 MLP GROUP S.A. Group's our exposure to the currency risk,
- Almost 80% of the existing credit facilities are hedged with IRS for the next five 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 of the MLP GROUP S.A. Group in the coming years on European markets, and thus the achievement of the assumed strategic goals,
- 98% timely rent collection across the 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 at PLN 86.8 million (EUR 18.5 million), +59% y/y.

The Supervisory Board concluded that the assumptions set forth in the 2022 budget had been fulfilled, and the anticipated targets were successfully accomplished.

## PREPARATIONS FOR THE ANNUAL GENERAL MEETING OF MLP GROUP S.A. FOR THE FINANCIAL YEAR 2021

On 6 May 2022, the Supervisory Board of MLP GROUP S.A. provided its opinion on the agenda items to be discussed at the Annual General Meeting. This included a thorough review of the reports presented by the Company for approval during the Annual General Meeting, i.e.:

- the financial statements of MLP GROUP S.A. for the financial year 2021, which the Board found to have been prepared in accordance with the accounting books, documents, as well as facts, and concluded that they presented a true and fair view of the Company's asset and financial position and met the requirements set forth in the Accounting Act of 29 September 1994 (Dz. U. of 2019, item 351, as amended),

- the consolidated financial statements of the MLP GROUP S.A. Group for the financial year 2021, which the Board found to have been prepared in accordance with the accounting books, documents, as well as facts, and concluded that they met the requirements set forth in the Accounting Act of 29 September 1994 (Dz. U. of 2019, item 351, as amended),
- the Management Board's report on the activities of the MLP GROUP S.A. Group and MLP GROUP S.A., which the Board assessed as a comprehensive presentation of the Group's and the Company's operations in 2021, consistent with the financial data contained in the separate and consolidated financial statements for 2021, and concluded that the report met the requirements set forth in Article 49 of the Accounting Act of 29 September 1994 (Dz. U. of 2019, item 351, as amended).

Based on the review and assessments, the Supervisory Board recommended that the statements and the report referred to above be received by the Annual General Meeting of MLP GROUP S.A.

The Supervisory Board also deliberated on additional agenda items to be addressed at the Annual General Meeting of MLP GROUP S.A., and:

- Gave a positive assessment of the collaboration with the Management Board of MLP GROUP S.A. during the financial year 2021. Taking into account the Company's performance in that year, the Supervisory Board decided to recommend to the Annual General Meeting of MLP GROUP S.A. to grant a discharge to the members of the Management Board who served in the 2021 financial year. i.e.:
  - Mr. Radoslaw T. Krochta for the performance of his duties as President of the Management Board of MLP GROUP S.A. in the period from 1 January 2021 to 31 December 2021,
  - Mr. Michael Shapiro for the performance of his duties as Vice President of the Management Board of MLP GROUP S.A. in the period from 1 January 2021 to 31 December 2021,
  - Mr. Tomas Zabost for the performance of his duties as a Member of the Management Board of MLP GROUP S.A. in the period from 1 January 2021 to 31 December 2021;
- Received the Management Board's reports for 2021, including reports on the results of the assessment of the Management Board's report on the activities of the MLP GROUP S.A. Group and MLP GROUP S.A. for 2021, and the financial statements of MLP GROUP S.A. Group and MLP GROUP S.A. for 2021.

## ONGOING OVERSIGHT OF THE FINANCIAL STANDING AND OPERATIONS. HEDGING OF MARKET RISKS

As part of its oversight of the Company's operations, the Supervisory Board conducted regular analyses of the financial situation and operating results. The Supervisory Board's analyses were based on the implementation of the MLP GROUP S.A. Group's Budget for 2022, as well as the adoption of the Group's Budget for 2023.

In 2022, the Supervisory Board, in addition to the topics discussed in other sections of this report, also addressed various other matters, including:

- currency risk analysis,
- interest rate analysis in the context of interest rate hikes by central banks,
- the impact of the armed conflict in Ukraine on the Group's tenants,
- the liquidity risk associated with the MLP GROUP S.A. Group's financial liabilities,
- the risk of the MLP GROUP S.A. Group's dependence on the macroeconomic situation in Poland and Europe.

## MLP GROUP S.A. GROUP'S DEVELOPMENT PROJECTS

The Supervisory Board conducted a comprehensive analysis and engaged in discussions with the Management Board regarding the status of development and modernisation projects across the Group companies. This involved a detailed examination of project budgets, the current stage of implementation, incurred costs, and their impact on the Group's cash flows, revenue, margins, and EBITDA. The Supervisory Board also discussed new projects undertaken by the Group companies in 2022.

The Supervisory Board's analysis also covered projects conducted on plots of land acquired in 2022, such as MLP Pruszków II, MLP Zgorzelec, and MLP Gorzów Wielkopolski. Furthermore, the Board considered future projects planned on properties to be acquired, including SAPA, Łódź, MLP Business Park Niederrhein, Dąbrówka, Rzeszów/Katowice, Frankfurt/Trebur, Stuttgart/Schwabisch Gmund, SBU Warsaw, NRW Plot, and Vienna.

## EVALUATION OF RELATED-PARTY TRANSACTIONS

After a thorough analysis of a list of all material related-party transactions conducted on an arm's length basis within the Company's ordinary course of business in the period from 1 January 2021 to 31 December 2021, as well as transactions involving related parties and subsidiaries, the Supervisory Board approved the list of the transactions on 31 March 2022. The conclusion drawn from the analysis was that all material transactions and related-party transactions entered into by subsidiaries with related parties were conducted at arm's length and in the ordinary course of business of the Company and its relevant subsidiaries.

### 3. ACTIVITIES OF THE AUDIT COMMITTEE IN 2022

During the period from 1 January 2022 to 31 December 2022, the composition of the Audit Committee of the Supervisory Board of MLP GROUP S.A. ("**Audit Committee**") was as follows:

- Maciej Matusiak, Chairman of the Audit Committee,
- Eytan Levy, Deputy Chairman of the Audit Committee,
- Piotr Chajderowski, Member of the Audit Committee.

Maciej Matusiak and Piotr Chajderowski meet the criteria of independence. All members of the Audit Committee possess expertise and skills in accounting or auditing, as well as a comprehensive understanding of the industry in which the Company operates.

The responsibilities and duties of the Audit Committee are outlined in the Rules of Procedure for the Audit Committee, as established and adopted by Resolution No. 2/08/2021 of the Supervisory Board of MLP GROUP S.A. on 18 August 2021.

As per the Rule of Procedure for the Audit Committee, the Committee's responsibilities include, in particular: monitoring the financial reporting process and the effectiveness of internal control and risk management systems and internal audit; overseeing the performance of auditing activities; monitoring and maintaining the independence of the auditor and the audit firm providing services to the Company; reporting the results of the audit of the Company's financial statements to the Supervisory Board; assessing the auditor's independence and approving the provision of permitted non-audit services by the auditor; establishing policies and detailed procedures for the selection of the audit firm to conduct the audit; establishing policies regarding the provision of permitted non-audit services by the audit firm; offering recommendations to safeguard the integrity of the financial reporting process; and preparing opinions within the scope of the Audit Committee's authority.

## DISCUSSION OF ACTIVITIES OF THE AUDIT COMMITTEE IN 2022

In 2022, the Audit Committee held four meetings, which were duly minuted: on 27 January, 11 March, 22 August, and 21 December 2022. The Audit Committee expressed its opinions and recommendations through the adoption of resolutions. These resolutions were made both during official meetings and through direct remote communication, outside in-person meetings.

The Audit Committee primarily focused on evaluating and analysing the annual and interim financial statements of both MLP GROUP S.A. and the MLP GROUP S.A. Group.

The Audit Committee invited the auditor to its meetings, where they engaged in discussions regarding interim reports and findings from the audit of the annual financial statements. This included comprehensive deliberations on key aspects of the audit process. Depending on the specific topics being addressed, the Audit Committee also invited other employees of the Company to attend its meetings.

Furthermore, members of the Audit Committee maintained regular communication with both the Management Board of the Company and the auditor, PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyty sp.k.

## SIGNIFICANT MATTERS ADDRESSED BY THE AUDIT COMMITTEE IN 2022

- COLLABORATION WITH THE AUDITOR, AND COMMISSIONING ADDITIONAL SERVICES WHEN NECESSARY

In 2022, the Audit Committee held meetings with the auditor of MLP GROUP S.A., namely representatives from PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyty sp.k. These meetings served as a platform for discussing the scope of the audit of the financial statements for the financial year 2021, including:

- the separate financial statements of MLP GROUP S.A. for the financial year 2021 and the consolidated financial statements of the MLP GROUP S.A. Group for the financial year 2021, with special attention given to issues that could have a significant impact on the results achieved during

the reporting period, including but not limited to: COVID-19 as well as the war in Ukraine and its impact on financial, fiscal and economic risks.

The Audit Committee also made decisions regarding the approval of permitted non-audit services to be provided by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k., the Company's auditor, and its affiliates to MLP GROUP companies.

Furthermore, the Audit Committee held meetings with t MLP GROUP S.A.'s internal auditor, BDO Spółka z ograniczoną odpowiedzialnością sp.k., to review and discuss the results of the internal audit conducted at the request of the Supervisory Board. The internal audit findings did not reveal any significant irregularities.

The Audit Committee also provided assistance to the Company's Management Board in the search for an individual to assume the role of internal auditor within the Company. This process was completed in April 2023, with the successful selection of a qualified candidate for the position.

- **MLP GROUP'S RISK HEDGING STRATEGY**

The Audit Committee thoroughly analysed and discussed the periodic reports submitted by the Company, taking into consideration the management of financial risks. To facilitate these efforts, the members of the Audit Committee held meetings with the Company's CEO and CFO.

- **FINANCING OF THE MLP GROUP S.A. GROUP**

During the analysis and discussion of the periodic reports of MLP GROUP S.A. and the MLP GROUP S.A. Group, the Audit Committee thoroughly examined the financing sources utilized by the Group. This encompassed a comprehensive assessment of external borrowings, as well as the debt resulting from the utilization of funds under the intra-group loan programme. The Committee also explored alternative financing avenues, including the issuance of bonds, and evaluated their respective parameters.

- **FINANCIAL PLAN OF THE MLP GROUP S.A. GROUP FOR 2022**

The Audit Committee conducted a thorough examination of the Company's financial performance, focusing on the MLP GROUP Financial Plan for 2022. The Committee actively engaged in discussions with the Management Board regarding various forecasts, including MLP GROUP S.A.'s results, gross margin, fixed costs, planned capital expenditures (CAPEX), ongoing development projects, external factors such as the war in Ukraine, personnel costs, and other significant considerations.

- **OTHER INFORMATION**

The Audit Committee also addressed the approved 2022 audit plan, discussing and reviewing its various aspects. The Committee presented the findings of the 2022 audits through detailed reports, which were thoroughly discussed during the meetings of the Audit Committee.



## ASSESSMENT OF THE FINANCIAL STATEMENTS OF MLP GROUP S.A. AND THE MLP GROUP S.A. GROUP FOR THE FINANCIAL YEAR 2022

The Audit Committee, at its meeting on 15 March 2023, discussed the financial statements of MLP GROUP S.A. and the MLP GROUP S.A. Group for the financial year 2022 presented by the Management Board, i.e.:

- Financial Statements of MLP GROUP S.A. for 2022,
- Consolidated Financial Statements of the MLP GROUP S.A. Group for 2022,
- Management Board's Report on the activities of the MLP GROUP S.A. Group and MLP GROUP S.A. for 2022.

After meeting with MLP GROUP's auditor and conducting a comprehensive review of the reports, including the auditor's opinion on the audit of the separate and consolidated financial statements for 2022, as well as the discussions held with the Management Board of MLP GROUP S.A. during the audit process, the Audit Committee found no issues or reservations to raise regarding the reports. The reports, along with the auditor's opinion, were subsequently presented to the Supervisory Board of MLP GROUP S.A. for review.

### 4. ASSESSMENT OF MLP GROUP MANAGEMENT BOARD'S PERFORMANCE IN FULFILLING ITS OBLIGATIONS TOWARDS THE SUPERVISORY BOARD

#### ASSESSMENT OF THE MANAGEMENT BOARD'S PERFORMANCE IN FULFILLING ITS DISCLOSURE OBLIGATIONS TO THE SUPERVISORY BOARD OF MLP GROUP S.A.

The Supervisory Board of MLP GROUP S.A. provides a positive assessment of the Management Board's fulfillment of its information obligations regarding MLP GROUP S.A. and the MLP GROUP S.A. Group companies. They provided timely information on Management Board resolutions and their subject matter, updated the Supervisory Board on the overall situation of MLP GROUP S.A. and the MLP GROUP S.A. Group companies, and made progress in implementing the established development strategies. The Management Board also communicated significant transactions and events that impacted the Company's financial position and promptly provided any updates or changes to previously communicated information.

#### ASSESSMENT OF THE MANAGEMENT BOARD'S PERFORMANCE IN FULFILLING ITS OBLIGATIONS TO PREPARE, PRESENT, AND PROVIDE DOCUMENTS, REPORTS, AND EXPLANATIONS TO THE SUPERVISORY BOARD

The Supervisory Board of MLP GROUP S.A. gives a positive assessment of the Management Board's fulfillment of its obligation to provide the Supervisory Board with all necessary information, documents, reports, and explanations related to the Company. The Management Board provided the required data in a timely manner, and there were no restrictions on the Supervisory Board's access to the information.

The Supervisory Board finds the information, documents, and data provided during the ongoing cooperation with the Company sufficient for a comprehensive assessment of the Company's standing.

The Supervisory Board has not yet made any requests for specific information, documents, or explanations as outlined in Article 382 paragraph 4 of the Commercial Companies Code. Consequently, no studies or analyses have been commissioned under Article 382<sup>1</sup> of the Commercial Companies Code.

It is worth noting that members of the Supervisory Board maintained regular communication with the Company's Management Board, even outside of formal meetings.

## **5. INFORMATION MANDATED BY SEPARATE REGULATIONS FOR LISTED COMPANIES.**

### STATEMENT BY THE SUPERVISORY BOARD ON THE SELECTION OF AN AUDIT FIRM TO AUDIT FULL-YEAR FINANCIAL STATEMENTS IN COMPLIANCE WITH APPLICABLE LAW

The Supervisory Board affirms that the selection of the audit firm, PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k., to audit MLP GROUP S.A.'s full-year financial statements was conducted in compliance with the applicable regulations, including the prescribed selection process and procedures.

PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. and its auditors met the necessary conditions to provide an objective and independent audit report in accordance with the applicable laws, professional standards, and professional ethics. The laws governing rotation of audit firms and lead auditors and mandatory cooling-off periods were observed.

The Company has in place a policy for appointment of an audit firm and a policy governing the provision to the Company of additional non-audit services (including services conditionally exempt from the prohibition of being provided by the audit firm) by the audit firm, a related party of the audit firm or a member of the audit firm's network.

### STATEMENT OF THE SUPERVISORY BOARD ON COMPLIANCE WITH THE REGULATIONS ON THE APPOINTMENT AND FUNCTIONING OF THE AUDIT COMMITTEE

The Supervisory Board affirms that the Company complies with the laws and regulations regarding the appointment, composition, and functioning of audit committees. This includes compliance with criteria for independence of audit committee members and requirements regarding their knowledge and skills relevant to the industry in which MLP GROUP S.A. operates, as well as their knowledge and skills in accounting or auditing of financial statements.

## 6. ASSESSMENT OF THE FINANCIAL STATEMENTS OF MLP GROUP S.A. FOR 2022 AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2022, THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE MLP GROUP S.A. GROUP AND MLP GROUP S.A. IN 2022 IN TERMS OF THEIR CONSISTENCY WITH THE ACCOUNTING RECORDS, DOCUMENTS AND FACTS. ASSESSMENT OF THE MANAGEMENT BOARD'S PROPOSAL REGARDING THE DISTRIBUTION OF THE COMPANY'S NET PROFIT FOR 2022

Pursuant to Article 382 § 3 of the Commercial Companies Code and Article 21 (2) (f) of the Articles of Association of MLP GROUP S.A., the Supervisory Board of MLP GROUP S.A. has assessed the Financial Statements of MLP GROUP S.A. for 2022 and the Consolidated Financial Statements for 2022, the Management Board's Report on the activities of the MLP GROUP S.A. Group and MLP GROUP S.A. for 2022 in terms of their consistency with the accounting books, documents, and facts, and the proposal of the Management Board of MLP GROUP S.A. regarding the distribution of net profit for 2022.

### ASSESSMENT OF THE COMPANY'S FINANCIAL STATEMENTS FOR 2022

Pursuant to Article 382 § 3 of the Commercial Companies Code and Article 21 (2) (f) of the Articles of Association of MLP GROUP S.A., the Supervisory Board of MLP GROUP S.A. has assessed the Financial Statements of MLP GROUP S.A. for 2022 in terms of their consistency with the accounting books, documents, and facts.

The audit of MLP GROUP S.A.'s Financial Statements for the year 2022 was carried out by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k.

The Supervisory Board reviewed the Financial Statements of MLP GROUP S.A. for 2022 (the "Financial Statements") and the independent auditor's report on the audit of the Full-Year Financial Statements, according to which the Financial Statements:

- give a true and fair view of the Company's assets and financial position as at 31 December 2022, as well as its financial results and cash flows for the financial year then ended, in accordance with the applicable International Financial Reporting Standards as endorsed by the European Union and the adopted accounting policies;
- comply with the form and content requirements laid down in the laws and regulations applicable to the Company and its Articles of Association,
- were prepared on the basis of properly maintained accounting records, in accordance with Chapter 2 of the Accounting Act of September 29th 1994 (the "Accounting Act" – consolidated text: Dz.U. of 2019, item 351, as amended).

The Audit Committee of the Supervisory Board of MLP GROUP S.A., upon reviewing the Financial Statements and the auditor's report on the audit of the full-year financial statements of MLP GROUP S.A., did not raise any comments on or reservations to the Financial Statements for the financial year 2022.

The Supervisory Board of MLP GROUP S.A., after careful review of the Financial Statements of MLP GROUP S.A. for 2022 and the auditor's opinion, has reached the conclusion that the Financial Statements have been prepared in accordance with the accounting books, documents, and facts, and confirms that the Financial Statements provide a true and fair view of the Company's assets and financial position and comply with the requirements set forth in the Accounting Act.

The Supervisory Board of MLP GROUP S.A., after evaluating the Financial Statements of MLP GROUP S.A. for the financial year 2022, recommended that the Annual General Meeting receive the Financial Statements.

## ASSESSMENT OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS FOR 2022

Pursuant to Article 382 § 3, in conjunction with Article 395 § 5 of the Commercial Companies Code and Article 21 (2) (f) of the Articles of Association of MLP GROUP S.A., the Supervisory Board of MLP GROUP S.A. has assessed the Consolidated Financial Statements of MLP GROUP S.A. for 2022 in terms of their consistency with the accounting books, documents, and facts.

The audit of the Consolidated Financial Statements of the MLP GROUP for 2022 was carried out by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k.

The Supervisory Board reviewed the Consolidated Financial Statements of the MLP GROUP S.A. Group for 2022 (the "**Consolidated Financial Statements**") and the independent auditor's report on the audit of the Consolidated Financial Statements, according to which the Consolidated Financial Statements for 2022 of the MLP GROUP S.A. Group, of which MLP GROUP S.A. is the parent:

- give a true and fair view of the MLP GROUP S.A. Group's assets and financial position as at 31 December 2022, as well as its financial results and cash flows for the financial year then ended, in accordance with the applicable International Financial Reporting Standards as endorsed by the European Union and the adopted accounting policies;
- comply with the form and content requirements laid down in the laws and regulations applicable to the MLP GROUP S.A. Group and its parent's Articles of Association.

The Audit Committee of the Supervisory Board of MLP GROUP S.A., upon reviewing the Consolidated Financial Statements and the auditor's report on the audit of the Consolidated Financial Statements did not raise any comments on or reservations to the Consolidated Financial Statements for the financial year 2022.

The Supervisory Board of MLP GROUP S.A., after careful review of the Consolidated Financial Statements and the auditor's opinion, has reached the conclusion that the Financial Statements have been prepared in accordance with the accounting books, documents, and facts, and comply with the requirements set forth in the Accounting Act.

The Supervisory Board of MLP GROUP S.A., after evaluating the Consolidated Financial Statements of the MLP GROUP S.A. Group for the financial year 2022, recommended that the Annual General Meeting receive the Financial Statements.

## **7. ASSESSMENT OF THE STANDING OF MLP GROUP S.A. IN 2022, INCLUDING ASSESSMENT OF INTERNAL CONTROL AND THE SYSTEM FOR MANAGING RISKS RELEVANT TO THE COMPANY**

The Supervisory Board of MLP GROUP S.A. submits to the Annual General Meeting a concise assessment of the Company's situation in 2022, including an assessment of the internal control system and the system for managing risks relevant to the Company.

### **ASSESSMENT OF THE COMPANY'S STANDING IN 2022**

In 2022, MLP GROUP S.A. achieved revenue of PLN 16,311 thousand (2021: PLN 20,949 thousand), operating loss of PLN -6,119 thousand (2021: operating profit of PLN +268 thousand) and net profit of PLN 23,022 thousand (2021: PLN 17,978 thousand), with total assets of PLN 1,272,028 thousand (2021: PLN 1,044,123 thousand), and the cash balance higher year on year, at PLN 200,042 thousand.

The operating result was mainly affected by a decline in revenue from the provision of consulting services to the Group companies. The net profit was significantly influenced by the excess of interest earned on loans and deposits compared with interest paid on borrowings.

In 2022, profit before tax was PLN 26,652 thousand (2021: PLN 19,840 thousand).

Net profit from continuing operations was PLN 23,022 thousand (2021: PLN 17,978 thousand). The change was attributable to lower operating profit (PLN -6,119 thousand) and higher net finance income (PLN 32,771 thousand vs. PLN 19,572 thousand in 2021).

Equity as of 31 December 2022 was PLN 618,326 thousand (2021: PLN 413,326 thousand). As of 31 December 2022, MLP GROUP S.A.'s liabilities (both current and non-current) were PLN 653,702 thousand, having increased by PLN 22,905 thousand year on year. The increase was primarily driven by the borrowings obtained from related parties.

MLP GROUP S.A.'s net debt, calculated as the sum of current and non-current liabilities on account of bank and non-bank borrowings and other debt instruments, less cash and cash equivalents, was PLN 443,753 thousand as at 31 December 2022, which represented a decrease of PLN 85,908 thousand on year-end 2021.

Operating cash flows were PLN -5,592 thousand, having decreased by PLN 8,991 thousand on 2021. The cash flows were primarily impacted by a decrease in operating profit (PLN -6,119 thousand) and a relatively smaller change in receivables (PLN -2,333 thousand). The negative effect of the above factors was partially offset by a higher change in current liabilities (PLN 179 thousand) and a higher amount of other adjustments (PLN 3,455 thousand).

In 2022, cash flows from investing activities were PLN -63,469 thousand, having decreased by PLN 61,144 thousand year on year. The most significant factor impacting the change in cash flows from investing activities was the redemption of investment fund units acquired in the previous year (an outflow of PLN 49,059 thousand vs. expenditure on the purchase in 2021, net balance of PLN 29,319 thousand). Additionally, the excess balance of intra-group loans paid on loans repaid by related companies was PLN 127,197 thousand in 2022 (2021: PLN 117,962 thousand).

In 2022, cash flows from financing activities were PLN 172,856 thousand, having decreased by PLN 35,297 thousand year on year due to redemption of Series A bonds (partially offset by the share capital increase in 2022 being higher than in 2021).

## ASSESSMENT OF EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

The control system at MLP GROUP consists of:

- Institutional control – overseen by the Internal Auditor, BDO Spółka z ograniczoną odpowiedzialnością sp.k. In 2023, the Company successfully filled the position of Internal Auditor by hiring a qualified individual to assume the role.
- Operational and functional control – conducted on an ongoing basis by employees across all organizational units. This control is exercised by ensuring compliance with established procedures, rules, regulations, and other internal policies throughout various phases of the Company's operations. These control measures encompass initial checks, ongoing monitoring, and follow-up assessments

MLP GROUP S.A. has in place an internal control system that encompasses key areas of activity across the entire MLP GROUP S.A. Group, including subsidiaries, and is designed to align with the organizational structure of the Group. It requires continuous improvement and adaptation due to the changing environment and business requirements. To ensure the effectiveness of the internal control system, MLP GROUP S.A. conducts periodic audits and inspections of areas that have been identified as particularly susceptible to various types of irregularities.

The internal control system of the MLP GROUP S.A. Group effectively fulfils its role.

## ASSESSMENT OF EFFECTIVENESS OF THE RISK-MANAGEMENT SYSTEM

The MLP GROUP S.A. Group demonstrates awareness of the risks it encounters in its business operations. The key risks are:

- credit risk,
- liquidity risk,
- market risk (including currency risk, interest rate risk, and risk related to the Company's dependence on macroeconomic conditions),
- risk of tenants' insolvency.

The Management Board of MLP GROUP S.A. continuously identifies and monitors existing risks. Simultaneously, risk management policies and procedures are periodically reviewed to ensure they align with evolving market conditions and changes in the operations of MLP GROUP companies.

### Credit risk

Credit risk represents the potential financial loss that MLP GROUP S.A. and the MLP GROUP S.A. Group companies may incur in the event that a counterparty of a financial instrument fails to fulfill its contractual obligations. Credit risk arises principally from debt instruments. The objective of risk management is to establish and maintain a stable and sustainable portfolio of loans and other investments in debt instruments in terms of both quality and value. This is achieved by implementing an appropriate credit limit policy.

**Liquidity risk**

Liquidity risk refers to the possibility of the MLP GROUP S.A. being unable to fulfill its obligations that require cash or other financial assets to be delivered within a reasonable time frame. The MLP GROUP S.A. Group's approach to liquidity management involves ensuring that it has adequate liquidity to fulfill its obligations promptly, even under adverse circumstances, while avoiding unacceptable losses or harm to its reputation. The Company monitors its cash flows and ensures that it has enough cash to cover its expected operating expenses and current financial liabilities, and maintains the required liquidity ratios to achieve this goal.

**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 its exposures, keeping them within assumed limits, and seeking to optimize the rate of return on investments. The risk mitigation measures involve using hedge accounting to reduce the influence of market price volatility on financial results.

**Currency risk**

The financial statements of the Company are prepared in PLN, the functional currency of MLP GROUP S.A. The majority of rental income generated by the Company's subsidiaries is denominated in EUR, with occasional rental income also received 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.

**Risk related to the Company's and the Group companies' 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 macroeconomic conditions and economic and monetary policies in Poland and other countries have the potential to significantly impact the financial results of the Company and its subsidiaries, as well as their ability to execute their business plans.

In addition to the risks mentioned earlier, the Company's business is exposed to various risks specific to the real estate sector. These risks, associated with the development, acquisition, ownership, and management of properties in the commercial real estate market, have been identified as follows:

- the risk of a downturn in the real estate market and a general deterioration in the economic situation,
- the insurance risk,
- risk related to the nature of the Company's business,
- the risk of failure to execute profitable projects,
- the risk related to general contractors,
- the risk related to obtaining administrative decisions,
- the risk related to land acquisition,
- the risk of a negative impact on the development of demand for warehouse space,
- the risk of operating in multiple jurisdictions,
- the risk of dependence on management personnel and key employees,
- the risks related to the Group's ability to actively manage assets,
- the risks related to environmental liability,
- the risk of legislative changes affecting the Group's market,
- the risk of changes in and unfavourable interpretation of tax laws,
- the risk of loss of anchor tenants,
- the risk of deterioration of tenants' financial condition,
- the risks associated with tenants' operations in logistics parks,
- the risk related to the supply of utilities to properties leased by Group companies.

The Supervisory Board gives a positive assessment of MLP GROUP S.A.'s efforts in risk management, considering the continuous monitoring of the business environment and its potential impact on the Group companies. The Board also acknowledges the proactive measures taken by MLP GROUP S.A. to mitigate identified risks and minimise their potential effects.

## ASSESSMENT OF EFFECTIVENESS OF THE COMPLIANCE SYSTEM

The MLP GROUP S.A. Group companies have established a set of policies, processes, and procedures, along with formal and organizational measures, to mitigate the risk of failure to observe the compliance obligations pertaining to the MLP GROUP S.A. Group.

The measures have been implemented to mitigate the risks of non-compliance with both external and internal requirements. This is achieved through regular assessments of the Group's compliance with obligations pertaining to laws, internal regulations, and ethical standards that apply to the Group's business processes.



The procedures outline the business areas and provide guidance on how employees and associates of the Group companies should act to ensure compliance with various requirements with respect to capital markets laws and regulations, occupational health and safety, anti-fraud and corruption measures, conflict of interest prevention, energy law, information protection, protection of Group assets, prevention of violations or circumvention of accounting and financial reporting regulations, as well as prevention and deterrence of discriminatory practices, bullying, harassment, etc.

The following tools are used to ensure the effectiveness of the compliance system at the MLP GROUP S.A. Group:

- policies and procedures outlining how to operate in accordance with applicable regulations and indicating the proper course of action to avoid violations,
- training tailored to the risk profile of individual areas of operation and functions,
- a system for reporting questions and violations.

The Supervisory Board gives a positive assessment of the functioning of the compliance system at the MLP GROUP S.A. Group.

## ASSESSMENT OF EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION

In the financial year 2022, internal audit activities were conducted by the Internal Auditor, BDO Spółka z ograniczoną odpowiedzialnością sp.k. The Supervisory Board positively assesses the performance and activities of the Internal Auditor. The auditor conducts regular and ongoing audits of MLP GROUP S.A. and MLP GROUP Group companies. They provide conclusions and recommendations based on the audit activities performed. Findings of the internal audits are summarised and presented during meetings with the Audit Committee. Subsequently, the Audit Committee presents these findings to the Supervisory Board in the form of recommendations.

In April 2023, a recruitment process was conducted, resulting in the identification of a candidate with the necessary qualifications for the role of internal auditor.

The MLP GROUP S.A. Group actively engages in charitable activities, including volunteering. In addition, the Group participates in the Szlachetna Paczka program, provides support to the Poland Business Run Foundation and Run4Kids, and participates in various charitable events. The Company does not have a dedicated policy specifically addressing this matter.

From 1 January to 31 December 2022, the Company was subject to the set of corporate governance principles known as 'Code of Best Practice for WSE Listed Companies 2021'.

According to the current status of compliance with the Best Practice, the Company does not apply nine principles, i.e.: 1.4.2, 1.5., 2.2, 2.11.1, 2.11.2, 2.11.3, 2.11.4, 2.11.5, 2.11.6

The principle indicated in item. 1.4.2 of the Good Practices is not complied with. The participation of men and women depends on the competencies, skills and effectiveness of each individual. Hiring decisions do not depend on the gender of the candidate. Therefore, the Company cannot ensure a balanced participation of women and men in the total number of employees. Consequently, the equal pay index for remuneration paid to employees would not be reliable.

The principle indicated in item. 1.5 of the Good Practices is not complied with. The Group supports charitable institutions but does not publish detailed information regarding that support.

The principle indicated in item. 2.2 of the Good Practices is not complied with. The effectiveness of management and supervisory functions within the Company's structures depends on the competence and skills of its personnel. Appointments of key managers and members of the management and supervisory bodies are made without regard to gender or age.

The principles indicated in items 2.11.1–2.11.6 of the Good Practices are not complied with. The Company will ensure that they are complied with in the future.

Pursuant to § 29(3) of the Rules of the Warsaw Stock Exchange, the Company complies with the other principles of corporate governance set forth in the 'Code of Best Practice for WSE Listed Companies 2021'. The Supervisory Board is satisfied that the Company properly performs its disclosure obligations regarding corporate governance, while ensuring compliance with CSR (*Corporate Social Responsibility*) principles.

## 8. RECOMMENDATIONS OF THE SUPERVISORY BOARD FOR THE ANNUAL GENERAL MEETING OF MLP GROUP S.A.

Upon evaluating the Financial Statements of MLP GROUP S.A. for 2022 and the Consolidated Financial Statements of the MLP GROUP S.A. Group for 2022, along with the Management Board's Report on the activities of MLP GROUP S.A. and the MLP GROUP S.A. Group for 2022, the Supervisory Board has concluded that the information presented in these documents aligns with the accounting books and documents, reflects the actual circumstances, and demonstrates overall consistency across the documents.

Based on this assessment, the Supervisory Board of MLP GROUP S.A. recommends that the Annual General Meeting of MLP GROUP S.A. approves the following:

Financial Statements of MLP GROUP S.A. for 2022,

- Consolidated Financial Statements of the MLP GROUP S.A. Group for 2022,
- Management Board's Report on the activities of the MLP GROUP S.A. Group and MLP GROUP S.A. for 2022,
- Allocation of the entire net profit earned in 2022 to retained earnings.

Additionally, the Supervisory Board of MLP GROUP S.A. recommends that the Annual General Meeting of MLP GROUP S.A. grants discharge to the following members of the Management Board of MLP GROUP S.A. for their performance of duties during the financial year 2022:

1. Mr Radoslaw T. Krochta for the performance of his duties as President of the Management Board of MLP GROUP S.A. in the financial year 2022,
2. Mr Michael Shapiro for the performance of his duties as Vice President of the Management Board of MLP GROUP S.A. in the financial year 2022,
3. Mr Tomasz Zabost for the performance of his duties as Member of the Management Board of MLP GROUP S.A. in the financial year 2022,



4. Ms Monika Dobosz for the performance of her duties as Member of the Management Board of MLP GROUP S.A. in the financial year 2022,
5. Ms Agnieszka Góźdz for the performance of her duties as Member of the Management Board of MLP GROUP S.A. in the financial year 2022.

*Signatures of the Supervisory Board Members:*

1. *Shimshon Marfogel – Chairman of the Supervisory Board* \_\_\_\_\_
2. *Eytan Levy – Deputy Chairman of the Supervisory Board* \_\_\_\_\_
3. *Oded Setter – Member of the Supervisory Board* \_\_\_\_\_
4. *Guy Shapira – Member of the Supervisory Board* \_\_\_\_\_
5. *Maciej Matusiak – Member of the Supervisory Board* \_\_\_\_\_
6. *Piotr Adam Chajderowski – Member of the Supervisory Board* \_\_\_\_\_

