MLP
GROUP



MANAGEMENT BOARD'S REPORT

ON THE ACTIVITIES OF MLP GROUP S.A. GROUP FOR THE 12 MONTHS ENDED 31 DECEMBER 2023

This document is a translation. Polish version prevails.

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Authorisation for issue of the Directors' Report on the operations of the MLP Group S.A. Group in the 12 months ended 31 December 2023

This Management Board's Report on the activities of the MLP Group S.A. Group in the 12 months ended 31 December 2023 was prepared and authorised for issue by the Company's Management Board on 18 March 2024.

Signed with qualified electronic signature.

Pruszków, 18 March 2024

Introduction

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

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

The Parent and its subsidiaries are engaged in business activities that include the development, purchase, and sale of their own real estate, lease of own real estate, managing both residential and non-residential real estate, and offering general building construction services. The NACE code of the principal business activity is: 7032Z, i.e. property management services.

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

The Group's ultimate parent is Israel Land Development Company Ltd. (of Tel Aviv, Israel), whose shares are listed on the Tel Aviv Stock Exchange.

(all data in PLN thousand, unless stated otherwise)

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

1. 1 Structure of the Group

As at 31 December 2023, the Group comprised the following entities:

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

(all data in PLN thousand, unless stated otherwise)

No.	Entity	Country of registration	Parent's direct and indirect interest in equity	Parent's direct and indirect interest in voting rights
35	MLP Łódź II Sp. z o.o.	Polska	100%	100%
36	MLP Zgorzelec Sp. z o.o.[1)]	Polska	100%	100%
37	MLP Schwalmtal LP Sp. z o.o.	Polska	100%	100%
38	MLP Schwalmtal GP Sp. z o.o.	Polska	100%	100%
39	MLP Pruszków VI Sp. z o.o.	Polska	100%	100%
40	MLP Business Park Berlin I Sp. z o.o. & Co. KG	Niemcy	100%	100%
41	MLP Schwalmtal Sp. z o.o. & Co. KG	Niemcy	100%	100%
42	MLP Business Park Wien GmbH	Austria	100%	100%
43	MLP Wrocław West I Sp. z o.o.	Polska	100%	100%
44	MLP Gelsenkirchen GP Sp. z o.o.	Polska	100%	100%
45	MLP Gelsenkirchen LP Sp. z o.o.	Polska	100%	100%
46	MLP Gelsenkirchen Sp. z o.o. & Co. KG	Niemcy	100%	100%
47	MLP Gorzów Sp. z o.o.	Polska	100%	100%
48	MLP Idstein LP Sp. z o.o.	Polska	100%	100%
49	MLP Idstein GP Sp. z o.o.	Polska	100%	100%
50	MLP Idstein Sp. z o.o. & Co. KG	Niemcy	100%	100%
51	MLP Business Park Trebur GP Sp. z o.o.	Polska	100%	100%
52	MLP Business Park Trebur LP Sp. z o.o.	Polska	100%	100%
53	MLP Business Park Trebur Sp. z o.o. &Co. KG	Niemcy	100%	100%
54	MLP Poznań West III Sp. z o.o.[2)]	Polska	100%	100%
55	MLP Łódź III sp. z o.o.[3)]	Polska	100%	100%
56	Feniks PV Sp. z o.o.[4)]	Polska	100%	100%
57	MLP Bieruń West Sp. z o.o.[5)]	Polska	100%	100%

Changes in the Group

[1)] On 16 January 2023, the change of the name of MLP Poznań East sp. z o.o. to MLP Zgorzelec Sp. z o.o. was registered.

[2)] MLP Ponzań West III Sp. z o.o. was incorporated pursuant to a notarial deed of 14 December 2022. All shares in the 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 4 January 2023.

[3)] On 23 May 2023, MLP Łódź III Sp. z o.o. was incorporated pursuant to a notarial deed. All shares in the 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 5 June 2023.

[4)] On 20 June 2023, Feniks PV Sp. z o.o. was incorporated pursuant to a notarial deed. All shares in the 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 22 August 2023.

[5)] On 27 September 2023, MLP Bieruń West sp. z o.o. was incorporated pursuant to a notarial deed. All shares in the 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 20 October 2023.

1. 2 Principal business of the Company and the Group

MLP Group S.A. is a leading European logistics platform, delivering a comprehensive range of services from site selection and land acquisition to property management. Its innovative "Build & Hold" strategy underpins a business model that emphasises the development of direct, lasting relationships with its clients. This approach has proven effective in ensuring high levels of tenant satisfaction, thereby maintaining exceptional occupancy rates.

The Group excels in the construction and management of contemporary warehouse centres, All facilities are strategically located near large urban areas and major road junctions. The Group offers modern spaces to companies investing in new or expanded projects. The Group operates across the Polish, German, Austrian and Romanian markets.

MLP Group is a member of key industry initiatives, such as the European Public Real Estate Association (EPRA).

Its property portfolio, which includes finished buildings, buildings under construction, or those with building permits, amounts to over 1.4 million m^2 of total leasable area. The Group's net asset value at year-end 2023 was PLN 2.4bn.

The total area of new land acquired by the Group in Poland in 2023 is approximately 42 ha. The Group companies also signed several reservation agreements to acquire new land for planned logistics parks in Poland, Germany, and Austria, with a total area of approximately 200 hectares.

Currently, the Group operates 23 logistics parks located in four European countries. In Poland, the Group has 16 logistic parks in strategic locations. The Group operates 5 logistics parks in Germany, and 1 in each of Romania and Austria.

The Group operates two types of warehouse space formats:
(1) large-scale warehouse facilities, commonly referred to as big-box facilities, primarily constructed to meet the growing demand from e-commerce and light industry customers, driven by factors such as the 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 m^2 to 2.5 thousand m^2). MLP Business Parks are urban logistics projects that are gaining popularity due to their high standard of finish combined with excellent locations. They cater to the evolution of retail commerce (e-commerce) and are located within or close to city boundaries, with easy access to labour and public transport. The first such projects are MLP Business Park Berlin, MLP Business Park Schalke, MLP Business Park Vienna, MLP Business Park Poznań, and MLP Business Park Łódź.

The Group's key customers include logistics, production and e-commerce companies. The structure of tenants is distributed proportionally across the business segments.

The Group's strategic objectives until 2024 include:

• Building economic scale in the existing strategic markets – Poland, Germany, Austria, and Romania through the execution of urban logistics projects and big-box facilities.;

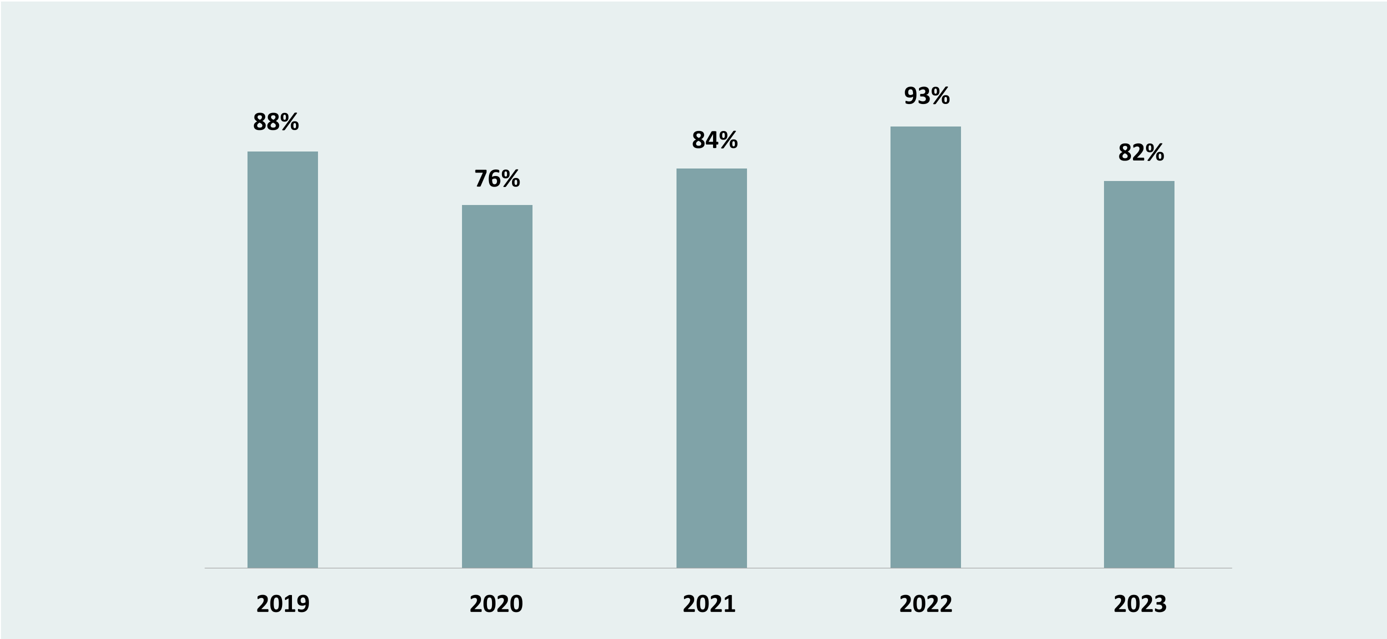
• Maintaining stable occupancy rate averaging ~ 95% of total current portfolio;

• Increasing the amount of space leased under new contracts to 250 thousand m^2 per year;

• Developing new properties through pre-let agreements as well as on a speculative basis, aiming to achieve full occupancy of these spaces upon construction completion; As of 31 December 2023, the occupancy rate for spaces under construction, covered by pre-let agreements, was 42%.

Over the past five years, the Group has demonstrated an occupancy rate of between 76% and 93% at the time of construction completion.

Construction based on pre-let agreements



A pre-let agreement refers to a lease contract signed before the commencement of construction or during the construction phase (before the building is handed over for use).

• Securing new plots for future development in existing and new markets;

• Continuing the development of big-box projects primary addressing ecommerce development and light industry requirements following the increase demands as from moving manufacturing from Asia to Europe;

• Focusing on city logistics projects as a high growth potential product – addressing the retail evolution (e-commerce) with: smaller units, less than 5 thousand m^2, located within or close to city boundaries with easy access to labour and public transport;

Rising rents upon extension of current lease agreements – leveraging the potential for increased revenue through contract renewals.

• Creating value through re-development of brown plots;

• Disposal of BTS projects as a source of additional equity;

• Constructing high-quality Class A assets with a strong focus on sustainable development: the Group plans to obtain BREEAM Excellent or Very Good / DGNB Gold or Platinum certificates for 80% of its leasable space (for the German and Austrian markets), and achieve zero carbon emissions by 2026.

The short- and long-term strategy of MLP Group is increasingly focused on sustainable development. This strategy, grounded in environmental and social considerations, aligns with the United Nations 2030 Agenda for Sustainable Development Goals.

- **Natural environment**

MLP Group's foremost objective is to lessen its environmental footprint and achieve environmental neutrality. The carbon footprint of the Group has been assessed for scopes 1 and 2, with total emissions estimated at 38.5 tCO_2e.

We are dedicated to maximising the energy efficiency of our warehouses by cutting down on the use of electricity and heating and gradually increasing the adoption of renewable energy sources within MLP Group properties. This initiative is aimed at reducing the emissions of CO_2 and other greenhouse gases.

In 2023, we ensured that our tenants in Poland received 100% of their electricity from renewable sources. Starting from 2022, all the electricity procured for our logistics parks in Poland has been sourced from renewables, as certified by guarantees of origin. We intend to continue this green energy procurement policy in the coming years. Furthermore, MLP Group has initiated its own energy production programme (solar PVs). In 2023, this programme generated 400 MWh, leading to a reduction in CO_2 emissions by approximately 325 tonnes.

- **We are advancing our sustainability initiatives by:**

- Securing BREEAM or DGNB certification for new constructions;
- Implementing smart metering and monitoring systems in both new and existing parks, aiming for the optimal control of energy use within buildings;
- Using devices of the highest energy efficiency ratings, including the adoption of heat pumps and both indoor and outdoor LED lighting for new buildings;
- Gradually replacing inefficient heating and lighting systems in existing buildings;
- Systematically upgrading and insulating the external structures of buildings;
- Installing charging stations for electric vehicles within our logistics parks;
- Providing cycling infrastructure and public bike-sharing options across our logistics sites;
- Assessing emissions over the buildings' entire lifecycle;
- Incorporating green clauses into tenant agreements;
- Transitioning our vehicle fleet to hybrid and electric models;
- Setting up utility consumption monitoring systems in our properties to streamline utility usage;
- Practicing effective energy management.

- **Society**

MLP Group's social initiatives, aligned with its ESG Strategy, are divided into internal and external activities.

For internal actions, the Company is dedicated to fostering the professional development, health, and safety of its employees. It is committed to further enhancing equality, diversity, inclusion, and open communication among its workforce.

All employees are provided with private healthcare, financial support for sports programs, and language courses in English and German, as well as training and opportunities for career advancement.

Additionally, we conduct tenant surveys and actively engage in dialogue with local communities.

- **Corporate governance**

As a company listed on the Warsaw Stock Exchange, MLP Group is committed to adhering to and fully complying with the principles outlined in the 'Best Practice for GPW Listed Companies' document.

Employees are required to follow a code of ethics that addresses issues such as equality, human rights, cybersecurity, privacy policy, conflict of interest, and the prevention of fraud and embezzlement. A mechanism for reporting irregularities has also been implemented.

We are members of the Chamber of Commerce for Energy and Energy Consumers, and we pursue our goals by: working to reduce costs associated with acquiring and using energy; removing administrative barriers and excessive fiscal burdens; engaging in public consultations on projects that have a substantial impact on the business environment in Poland; and providing education in the field of industrial energy and energy-intensive industries.

1. 3 The Group's property portfolio

The Group classifies its portfolio properties into the following main categories:

- properties generating rental income;
- projects under construction or in the pipeline;
- land bank (area).

Structure of the Group's property portfolio by property category and segment as at 31 December 2023:

Property portfolio by segment	Total land area (m^2)	Development potential for the total land area (m^2)	Existing leasable space (m^2)*	Space under construction and in the pipeline (m^2)	Planned buildings (m^2)
POLAND	3 567 003	1 525 979	976 868	182 652	366 459
GERMANY	412 888	185 777	79 493	55 304	50 980
AUSTRIA	98 249	54 520	-	54 520	-
ROMANIA	188 045	99 000	22 677	16 153	60 170
TOTAL	**4 266 185**	**1 865 276**	**1 079 038**	**308 629**	**477 609**

As at 31 December 2023, the Company had reservation agreements for the purchase of approximately 200 hectares of land, which will enable the construction of approximately 1 million m^2 of space.

Summary of leasable area owned by the Group in Poland as at 31 December 2023 (m^2):

	Space completed (m^2)*	Space completed and leased out (m^2)	Space completed but not leased out (m^2)	Space under construction and in the pipeline (m^2)	Pre-leased space under construction and in the pipeline (m^2)	Existing space, space under construction and in the pipeline
POLAND	976 868	925 430	51 438	182 652	85 365	1 159 520
GERMANY	79 493	77 347	2 146	55 304	-	134 797
AUSTRIA	-	-	-	54 520	3 289	54 520
ROMANIA	22 677	22 677	-	16 153	5 763	38 830
TOTAL	**1 079 038**	**1 025 454**	**53 584**	**308 629**	**94 417**	**1 387 667**

* The existing lease space does not include the space of buildings designated for demolition to make way for new warehouse developments.

As of this report's issue date, the Group has secured lease agreements covering approximately 20 thousand sqm which were under construction as at 31 December 2023 and is engaged in advanced negotiations with clients for approximately 63 thousand m^2. The planned timeline for concluding the negotiations is the first half of 2024.

Types of rental space offered:

The Group offers two types of space to its tenants:

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

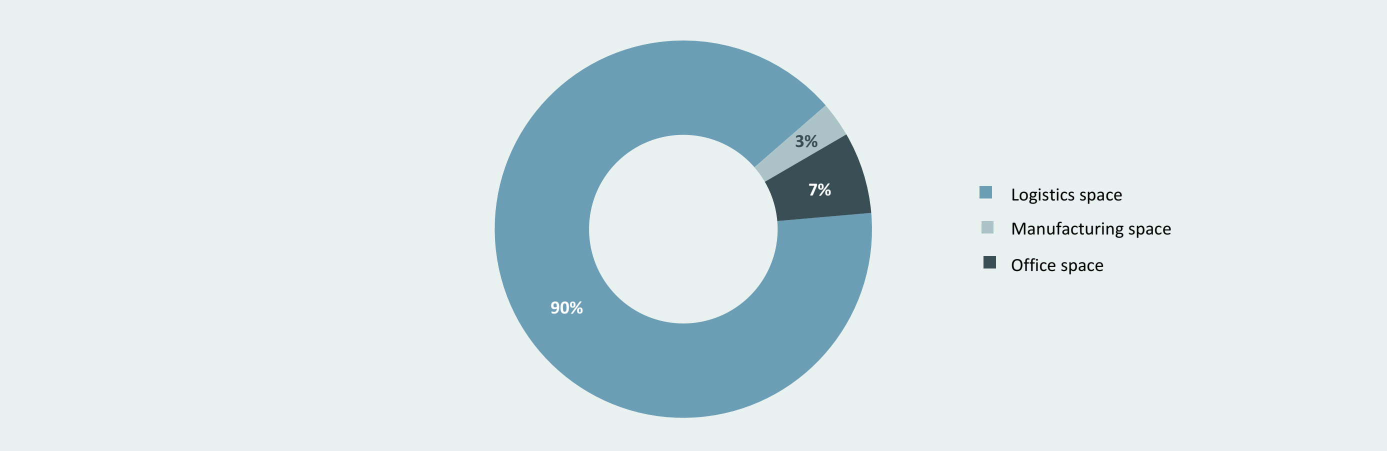
The Group also provides its tenants with support office space. The final division of leased space depends on tenants' requirements.

The space is available in two formats:

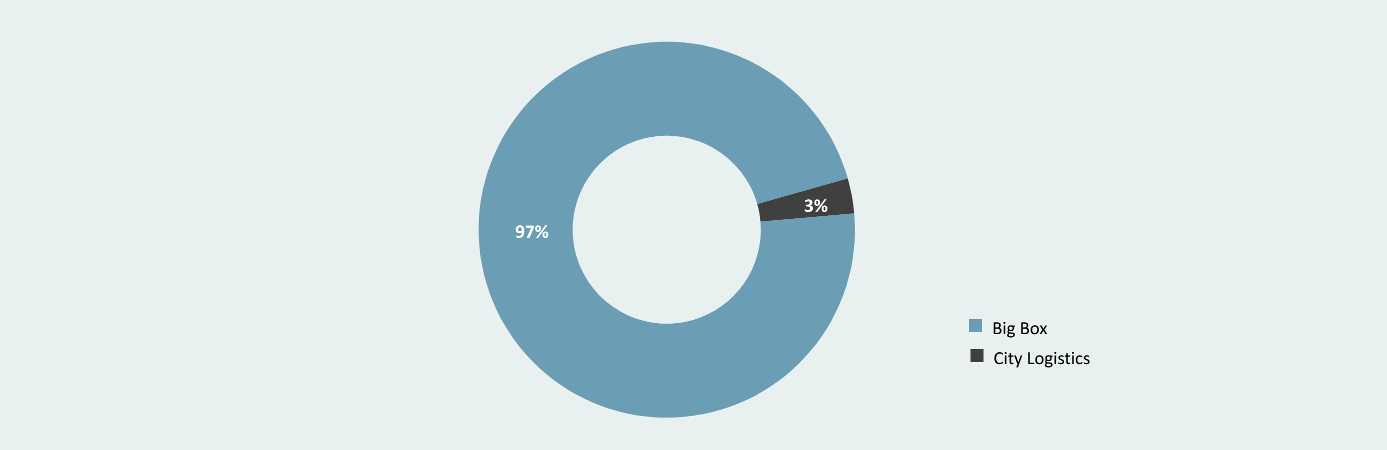
- city logistics projects;
- big box projects.

Space completed at the Group's parks as at 31 December 2023:

Space completed at the Group by type of facility as at 31 December 2023

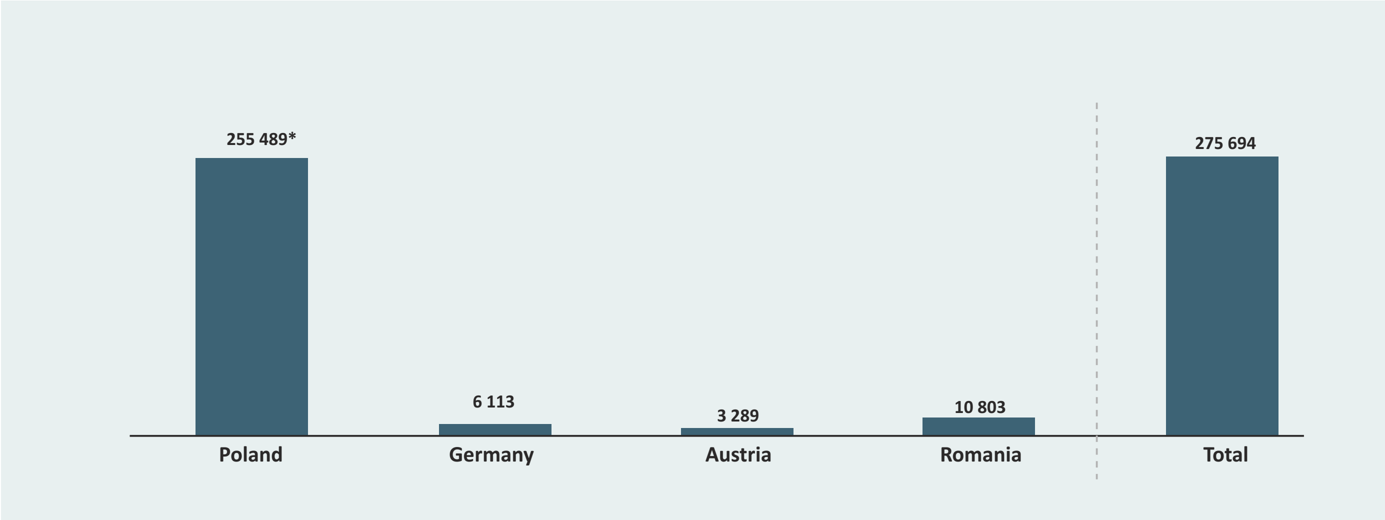


Space completed at the Group by format as at 31 December 2023



One of the primary drivers of the Group's growth is the advancement of the share of the city logistics project portfolio in the Group's total business. The format is currently being implemented by developing the MLP Business Park Berlin I and MLP Business Park Poznań projects. In the near future, the Group plans to develop city logistics projects also in other locations, including: MLP Business Park Łódź, MLP Business Park Vienna and MLP Business Park Schalke.

New lease contracts in 2023 [sqm]



**including binding LOI for 13 340 sqm*

The value of investment property portfolio disclosed in the consolidated financial statements as at 31 December 2023 included: (i) market value of investment property of PLN 4,482,842 thousand, (ii) perpetual usufruct right to land of PLN 58,384 thousand, and (iii) the value of Feniks Obrót Sp. z o.o.'s apartments of PLN 281 thousand.

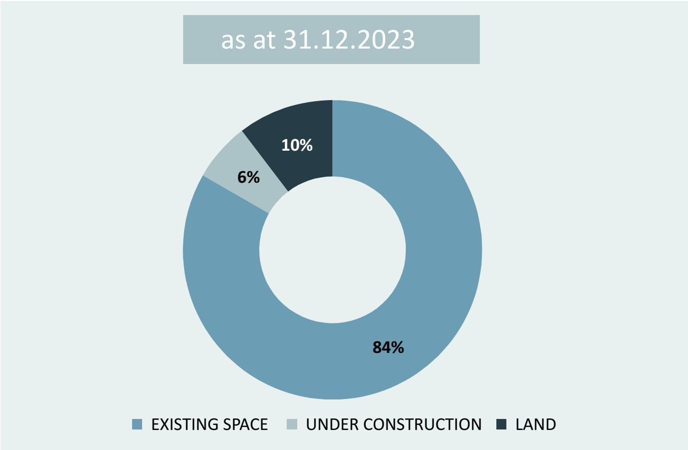
Fair value of the Group's property portfolio* by segment and property category as at 31 December 2023:

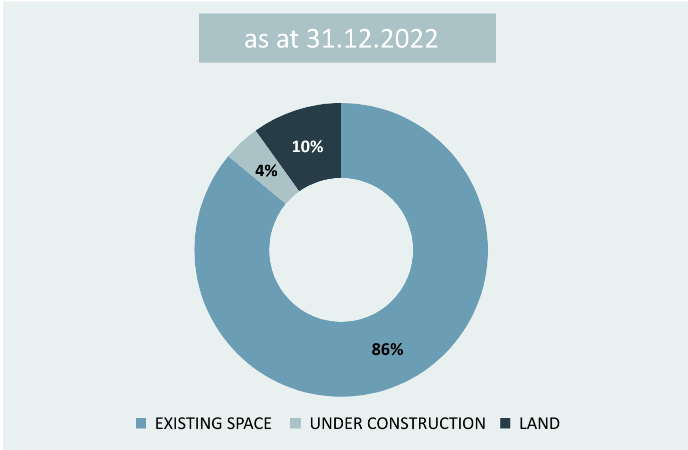
Segment	Currency	Fair value of developed properties	Fair value of properties under construction	Fair value of projects in the pipeline	Fair value of land reserve	Total fair value
Poland	EUR thousand	736 920	57 110	21 155	29 474	844 659
	PLN thousand	3 204 126	248 314	91 982	128 153	3 672 575
Germany	EUR thousand	109 300	-	-	28 040	137 340
	PLN thousand	475 236	-	-	121 918	597 154
Austria	EUR thousand	-	-	-	23 300	23 300
	PLN thousand	-	-	-	101 308	101 308
Romania	EUR thousand	12 477	8 292	-	4 945	25 714
	PLN thousand	54 250	36 054	-	21 501	111 805
Total	**EUR thousand**	**858 697**	**65 402**	**21 155**	**85 759**	**1 031 013**
Total	**PLN thousand**	**3 733 612**	**284 368**	**91 982**	**372 880**	**4 482 842**

* Property value net of land usufruct and residential real estate.

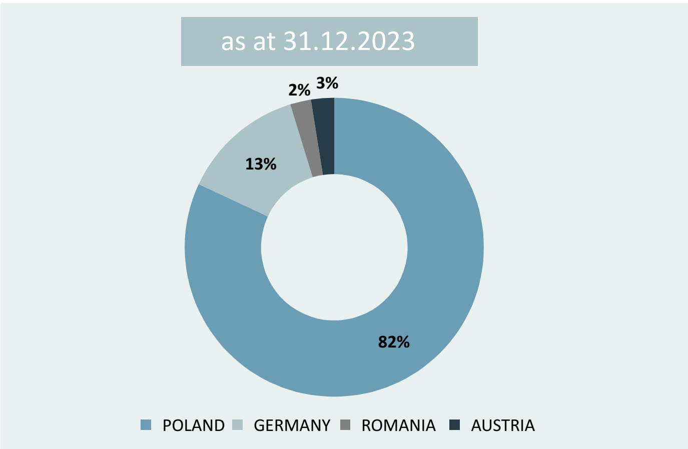
Fair value of the Group's properties

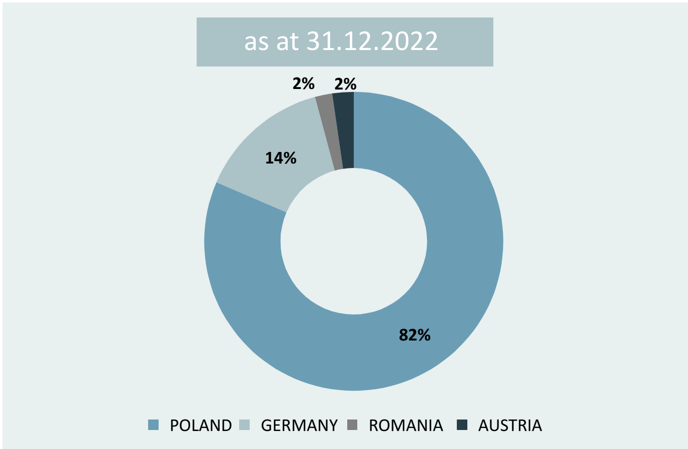
a) by type





b) by country





Fair value of three most valuable investment properties in MLP portfolio	Fair value EUR thousand	Fair value PLN thousand
MLP Poznań West II	123 650	537 630
MLP Pruszków I	94 320	410 103
MLP Unna	76 400	332 187
Total of TOP 3 investment properties in MLP portfolio	**294 370**	**1 279 920**

(all data in PLN thousand, unless stated otherwise)

1. 4 Market, customers and suppliers

The Group specialises in constructing and managing modern warehouse centres. All facilities are strategically located near large urban areas and major road junctions. The Group offers modern spaces to companies investing in new or expanded projects. MLP Group operates on the Polish, German, Austrian and Romanian markets.

Currently, the Group operates 23 logistics parks located in four European countries. In Poland, the Group has 16 logistic parks in strategic locations. The Group operates 5 logistics parks in Germany, and 1 in each of Romania and Austria.

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

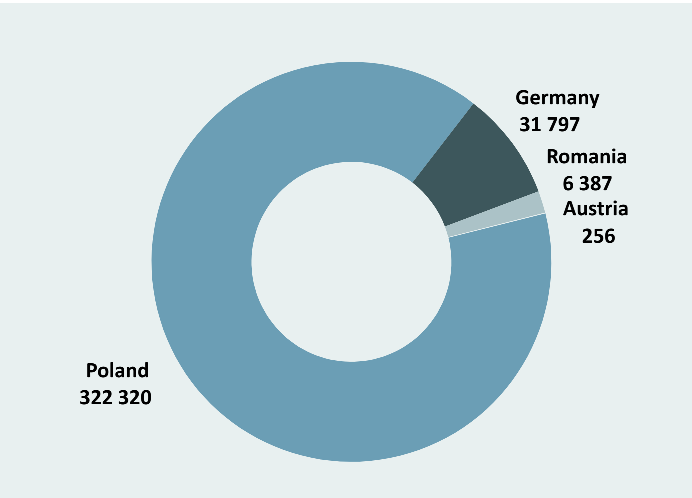
1. 4.1 Structure of the Group's sales

The Group earns rental income from investment property in logistics parks in Poland, Germany, and Romania. The table below presents the types of revenue derived from lease of the properties.

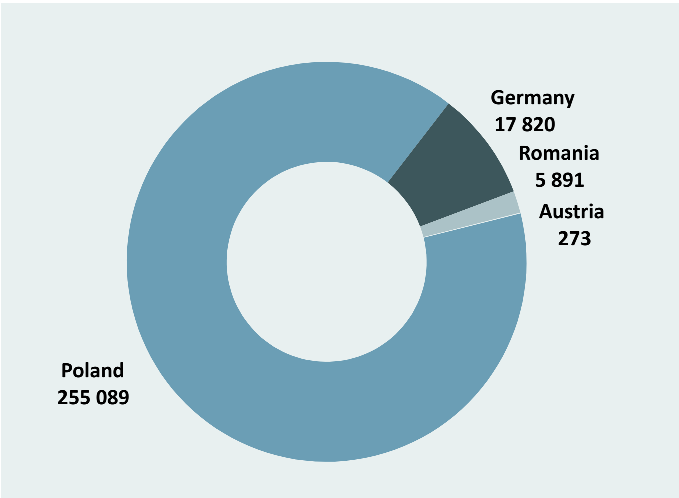
Revenue

for the 12 months ended 31 December	2023	2022	*change (%)*
Revenue from external customers:			
Rental income from investment property	200 874	152 886	*31,4%*
Recharge of service charges	67 687	51 890	*30,4%*
Recharge of utility costs	88 598	71 338	*24,2%*
Other revenue	3 601	2 959	*21,7%*
Total revenue	**360 760**	**279 073**	***29,3%***

Rental income in 2023



Rental income in 2022



In 2023, the Group reported rental income of PLN 360,760 thousand, a 29% increase yoy. Rental income was the primary source of revenue. It rose by 31% relative to 2022.

Of the rise in rental income, 55% originated from existing buildings already under lease, with the remaining 45% coming from new buildings leased to new tenants in 2023.
Like-for-like growth was 7.7%, having fallen by 3.1pp year on year. The decline was primarily attributable to a decrease in the EUR/PLN exchange rate at which revenues are recognised in the financial statements.

Poland was the Group's main business segment and accounted for 89% of its rental income. The share decreased by 2pp relative to 2022 as a result of the Group's expansion on the German market.

Rental income on the Romanian market came in at PLN 6.4 million, similar to the previous year.

As at 31 December 2023, the 10 largest tenants occupied about 39% of the total leased space in all of the Group's parks (31 December 2022: 37%).

1. 4.2 Key trading partners

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

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

For construction services, general contractors are selected in internally organised tender procedures. In 2023, the Group cooperated with PEKABEX BET SPÓŁKA AKCYJNA, Wielkopolskie Przedsiębiorstwo Inżynierii Przemysłowiej Spółka Komandytowa, and Eastwave Building Company Sp. z o.o. under the general contractor system, and the Group's turnover with these companies exceeded 10% of its revenue in 2023.

The other services are procured from a broad base of suppliers, and therefore the Group is not dependent on any single supplier. In 2023, none of the Group's other suppliers accounted for more than 10% of the Group's revenue.

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

2. 1 Activities of the MLP Group S.A. Group in 2023

In 2023, the Group continued its principal business activity consisting in the construction and lease of warehouse and manufacturing and business parks. Construction work was mainly outsourced to specialist third-party service providers on a general contractor basis.

During the reporting period, the Group was simultaneously engaged in more than a dozen development projects. As at the end of December 2023, the Group's portfolio comprised more than 1,079 thousand m^2 of completed space and 309 thousand m^2 of space under construction. 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 2023, the Group was engaged in construction of projects with a total area of 288 thousand m^2, with a further 126 thousand m^2 in preparation as at 31 December 2023, i.e. the total area of projects under development was 414 thousand m^2.
Of the total area of 414 thousand m^2 of projects under construction or in the pipeline in 2023, 66 thousand m^2 was attributable to projects commenced in 2022 and completed in 2023 (including MLP Pruszków II: 37 thousand m^2, MLP Wrocław: 19 thousand m^2, and MLP Czeladź: 9 thousand m^2 and MLP Poznań West II - 1 thousand m^2). In 2023, the Group commenced projects with a total area of 198 thousand m^2, of which 16 thousand m^2 will be completed in 2023.

2. 1.2 Projects under construction or in the pipeline

Of the 288 thousand m^2 of projects under construction in 2023, a total of 106 thousand m^2 were completed. All these projects were located in Poland, including 50 thousand m^2 in MLP Pruszków II, 20 thousand m^2 in MLP Wrocław, 20 thousand m^2 in MLP Poznań West II, 8 thousand m^2 in MLP Łódź, and 8 thousand m^2 in MLP Czeladź.

As at 31 December 2023, 182 thousand m^2 of space was under construction.

As at the date of issue of this report, the Group has begun construction on a new logistics park in Vienna (Austria), spanning 54.5 thousand m^2.
Additionally, the Group has a portfolio of projects, all with construction permits, with a total area of 126 thousand m^2. The Group is progressively obtaining the necessary approvals and permits to start the construction of new warehouse spaces on land that it either owns or has reserved.
The Group companies have also entered into several reservation agreements to acquire new land with a total area of 200 hectares.

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. Throughout 2023, the Group advanced with speculative big-box projects at specific locations, which, when combined with pre-lease projects, make up significant investment initiatives designed to address the current market dynamics.

2. 1.3 Material agreements

Material suppliers with whom agreements with a total value exceeding 10% of the MLP GROUP S.A.'s equity were concluded in 2023

In December 2023, MLP Zgorzelec Sp. z o.o., a subsidiary, concluded an agreement with Bremer Sp. z o.o. of Kraków to construct at the MLP Zgorzelec West logistics park a new warehouse and office building with a floor area of approximately 50 thousand m^2, which has already been partly preleased.

2. 1.4 Shareholder agreements

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

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

2. 1.5 Partnership or cooperation agreements

In 2023, the Group did not enter into any significant cooperation or partnership agreements with other entities.

2. 1.6 Related-party transactions

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

For description of related-party transactions, see Note 29 to the Group's full-year Consolidated financial statements for the 12 months ended 31 December 2023.

2. 1.7 Litigation

Proceedings pending before courts, arbitration bodies or public administration bodies

On 12 January 2012 the Regional Court in Warsaw issued a judgment awarding the then MLP Tychy Sp. z o.o. (currently MLP Sp. z o.o. S.K.A.) the amount of PLN 2,005 thousand with contractual interest from CreditForce Holding B.V. with its registered office in Houten (the Netherlands) jointly and severally with European Bakeries Sp. z o.o., in respect of which a default judgment was issued on 16 March 2011.

The amount includes receivables due as payment for capital expenditure incurred by the lessor on the leased property, including construction work to improve the technical standard of the property.

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

In 2012-2014, MLP Pruszków I Sp. z o.o., MLP Pruszków II Sp. z o.o. and MLP Pruszków III received decisions concerning change of perpetual usufruct charge. As per these decision, the total potential amount to be paid, calculated as of 31 December 2023, is PLN 34,442 thousand. The management board of the companies does not accept the amount of the fees, and the matter has been referred to court. The District Governor did not take into account the expenses incurred by the companies.

In previous years and in the current year, the Group recognised a provision for a portion of potential claims by the Pruszków governor due to changes in the perpetual usufruct fee, in the total amount of PLN 10,450 thousand.

2. 2 Development of the Group and risk factors

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

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

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

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

Credit risk

Credit risk is defined as the risk of financial loss to the Group if a trading partner or a counterparty in a transaction fails to meet its contractual obligations. Credit risk arises principally from the Group's receivables from customers, loans and cash and cash equivalents.
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 is the risk of the Group not being able to meet in a timely manner its liabilities that are to be settled by delivery of cash or other financial assets. The Group's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without risking unacceptable losses or damage to the Group's reputation. To this end, the Group monitors its cash flows and secures access to sufficient cash to cover anticipated operating expenses and expected cash outflows for current financial liabilities, and maintains anticipated liquidity ratios.

Market risk

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

Currency risk

Currency risk arises in connection with sale, purchase, credit and loan transactions which are denominated in currencies (chiefly the euro) other than the functional currency of the Group companies.

The Group's consolidated financial statements are prepared in the Polish złoty, which is the Group's functional currency. In order to make estimates as to the level of capital required to achieve its strategic goals, the Group uses the euro as a reference currency. Most of the investments executed and planned by the Group in its business strategy are expressed in the euro. Across all countries where the Group operates, debt financing is denominated in the euro, contracts with general contractors are also concluded in the euro or denominated in this currency, and the Group earns rental income in the euro or rents are denominated in the euro. Hence, the Group uses natural hedging to hedge currency risk (currency hedging). This practice of aligning financing with sources of revenue serves to minimise or completely eliminate foreign exchange risk. Only a specific segment of the Group's expenses, including certain construction costs, service fees, materials, utilities, and employee salaries, are incurred in the currencies of the geographic markets where the Group is active, namely the Polish złoty, Romanian leu, or the euro. For reporting purposes, the Group translates amounts denominated in the euro into its functional currency. Considering the fluctuations in the PLN/EUR exchange rates, any significant appreciation of the Group's functional currency could notably decrease the Group's revenue due to the conversion of rents denominated in the euro into PLN.

Interest rate risk

The main objective of the interest rate risk management is to protect the Company from variable market conditions and to enable precise planning of costs in individual periods. Accordingly, the effect of hedging activities should be recognised in a manner that does not affect profit or loss as hedging effects are not of operating nature.

Corporate notes issued on the Polish capital market bear interest at variable rates.

Credit facilities used by the Group largely bear interest at variable rates. The Group companies also enter into fixed-rate credit facility agreements. 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 outside the Group's control. Changes in interest rates may increase the Group's borrowing costs under the financial liabilities and thus affect the Group's profitability. Any need to hedge interest rate risk is considered by the Group on a case-by-case basis. In order to mitigate the interest rate risk, the Group companies enter into Interest Rate Swap transactions with their financing banks. Changes in interest rates may have a material adverse effect on the financial position and results of the Group.

The purpose is to hedge interest cash flows exposed to interest rate risk.

To meet this goal, the Group companies strive to enter into credit facility agreements with fixed interest rates, whenever feasible.

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

Risk related to the Group's dependence on macroeconomic conditions

The growth of the commercial real estate market, where the Group is active, is influenced by fluctuations in the construction and real estate sectors, trends within manufacturing, commerce, industry, services, and transportation, as well as the overall economic development. This development is shaped by various macroeconomic factors, including the impact of Russia's military aggression in Ukraine, the associated sanctions against Russia and Belarus (along with their retaliatory measures), the rate of economic growth, inflation, interest rates, labour market conditions, and the volume of direct foreign investments. Also, the Group's business depends indirectly on changes in the global economy. The Group's activities are affected by a range of factors: the military aggression of Russia towards Ukraine and the subsequent sanctions levied against Russia and Belarus (including their reciprocal responses), the dynamics of GDP growth, inflation rates, the level of interest rates and the expectations for their future adjustments, which sway the behaviors of both consumers and businesses, exchange rates, the rate of unemployment, the average wage levels, and the medians of salaries and incomes. Furthermore, the fiscal and monetary policies within the European Union, especially in the nations where the Group's subsidiaries operate, are also significant influencing factors. The rate of growth of the domestic economy, and thus the Group's business and results, may be affected by slowdown of the global economy. Adverse changes in the macroeconomic conditions and economic and monetary policies in Poland, Romania, the European Central Bank and other countries may have a material adverse effect on the Group's financial results and its ability to implement its plans.

Risks related with factors specific to the real estate sector

The Group is also exposed to risks inherent to the real estate sector that arise from the acquisition, ownership, and management of properties.

The revenue and value of properties can be affected by a variety of factors, including changes in legal and administrative regulations, such as those concerning the acquisition of permits or licenses, land use determinations, and taxation; cyclical variations in the real estate markets where the Group is active; and the capability to obtain suitable construction, management, maintenance, and property security services. The Group takes steps to safeguard its operations from the adverse impacts of these factors.

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

A downturn in the real estate market could adversely affect the Group's financial performance, particularly in terms of income derived from warehouse space rentals. If tenants default on their obligations or if there are vacancies, the Group would be unable to generate rental revenue, yet would continue to bear property-related expenses such as legal and appraisal fees, maintenance costs, insurance, and local property taxes. As a rule, lease rents and market prices of property depend on economic conditions. A decrease in market prices may result in lease rents being set at levels lower than those originally planned, may lead to losses on individual projects, or may result in a need to find an alternative use of the purchased land. The occurrence of such events may have a material adverse effect on the Group's business, financial position and results.

Insurance risk

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

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

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

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

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

The Group's projects may be carried out only if the land has appropriate technical infrastructure required by law (e.g. access to internal roads, access to utilities, certain procedures for fire protection and adequate facilities to ensure this protection). Competent authorities may oblige the Group to create additional infrastructure required by law as part of the construction works before relevant administrative decisions are issued. Such additional work may significantly affect the cost of construction.
Further, certain projects may become unprofitable or impracticable for reasons beyond the Group's control, such as slowdown in the real estate market. The Group may not be able to complete these projects on time, within budget or at all, due to any of the above or other factors, which may increase the costs, delay the implementation of the project or cause the project to be abandoned.

Risk relating to general contractors

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

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

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

Risk related to obtaining administrative decisions

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

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

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

Risk related to land acquisition

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

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

An increase in future land prices may also adversely affect the competitiveness and profitability of the Group's new projects. This is because the cost of land is a major factor determining the viability of a given project. On the other hand, increase in land prices may improve the competitiveness of the Group's projects on land which had already been purchased at lower prices. In order to minimise the impact of the risk of land price increases, the Group has a land bank for prospective projects with a total area of approximately 114.33 ha.Decline in the value of land may result in lower valuations of the investment properties, and may adversely affect the competitiveness and profitability of some of the Group's projects on land owned by the Group.

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

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.

There is a risk that the demand for warehouse space may decrease due to potential negative effects of the full-scale military aggression launched by Russia in Ukraine, such as changes in the nature of economic activity and disruptions in supply chains

Due to the amount of trade with Russia and the reliance of EU countries on natural resources such as gas, crude oil, and food exports from Russia and Ukraine, the sanctions imposed and Russia's response have had a significant impact on the global economy. These actions have caused changes in the direction of the flow of raw materials and products, particularly by limiting the exchange of goods with Russia and Belarus and restricting transit between Europe and Asia via Russia, Belarus, and Ukraine. The logistics industry is also affected by these changes. The war in Ukraine indirectly affects GDP dynamics, including in Poland, the inflation rate, interest rates, and expectations regarding their changes, which influence consumer and business behaviours, currency exchange rates, the unemployment rate, average and median wages and incomes, as well as the fiscal and monetary policy of the European Union, including the countries where the Group's companies operate.
Retrospectively, the assessment of the impact of the war in Ukraine on the Group's operations does not indicate that it has had, or will have, a significant negative effect. Nevertheless, any adverse military developments in Ukraine could alter logistics routes and adversely impact the investment sentiment of clients, particularly in Poland and Romania, where the Group operates.

Risks related to operating in multiple jurisdictions

The Group has been present in the warehouse markets of Germany and Romania (Bucharest area) since 2017, and in Austria since 2021. Having expanded its business into those countries, it operates in four jurisdictions – Polish, German, Romanian and Austrian. Therefore, it needs to appropriately adjust its internal regulations, including those related to monitoring and reporting. Improper handling of foreign projects, or inadequate adjustment of internal regulations.

Risk of dependence on management personnel and key employees

The success of the Group's business depends to a large extent on its management staff, who have the knowledge and experience in running the business of developing, leasing and operating warehouse and manufacturing centres. Given that the people in management positions have the expertise necessary to run and develop the Group's business, with respect to search for and acquisition of new development sites and tenants with established standing on the market, as well as the development, marketing and management of logistics parks, the departure of any member of the Management Board or any key employee of the Group may have a negative impact on the Group's business and financial results. These factors may adversely affect the Group's ability to further develop its business or even complete projects already under way.

Risks related to the Group's dependence on its ability to actively manage assets

An important part of the Group's business is active asset management, which includes managing the vacancy rates and rent levels and the terms and conditions of lease contracts for all properties, as well as ensuring the desired tenant mix. Beside legal restrictions, the Group's ability to lease vacant space, renegotiate rents and achieve a desired tenant mix depends on market factors. Some of these factors, such as the general economic environment, consumer confidence, inflation and interest rates, are beyond the Group's control. During recessions or economic downturns, competition among investors and developers makes it more difficult to retain existing tenants and attract new ones. If the Group is unable to generate or capitalise on demand for its properties, it may be impossible for it to reduce vacancy rates or renegotiate rents to preferred levels.

If the vacancy rates are persistently high for a longer period of time, this could result in an overall reduction of rents paid by tenants, making it much more difficult to increase the average rents planned by the Group. Vacant space also increases the Group's overall operating expenses due to the need to cover costs generated by unoccupied properties or space. Any such decrease in rental income or increase in operating expenses may have a material adverse effect on the Group's financial position and results of operations.

Risks related to environmental liability

Under the applicable laws, an entity using the natural environment is obliged to take preventive and remedial measures to avoid or eliminate environmental damage. In addition, if an imminent threat of environmental damage or actual environmental damage were caused with the consent or knowledge of the landowner, the landowner is obliged to take preventive and remedial measures bearing joint and several liability with the entity using the environment that caused the damage. Failure to take appropriate action may result in an obligation to reimburse the cost that administrative bodies have incurred for preventive or remedial measures, and pay administrative fines. Furthermore, in order to carry out its projects, the Group must obtain a number of environmental permits and authorisations, waste management permits and water permits, and is required to pay charges for use of the environment.

The Company may be exposed to damage resulting from sudden and unforeseen environmental pollution caused by events related to civilisational progress (primarily technical disasters) or caused by forces of nature (natural disasters).

So far, the Company and the Group companies have complied with all environmental protection requirements stipulated in applicable laws, and tenants of their warehouse and manufacturing space have not conducted any activities harmful to the environment within the meaning of the environmental protection regulations. However, one cannot rule out the risk that in the future the Group companies may be required to pay damages, administrative fines or remediation costs as a result of environmental pollution on any land they own or have acquired. This could have a negative impact on the Group's business, financial position or results of operations.

Risk of legislative changes affecting the Group's market that may adversely affect the Company's business and financial position

The Group's business is subject to numerous laws and regulations, such as spatial planning and land development requirements (including local laws on zoning plans), construction codes, requirements for real property trade, seller's liability and land use restrictions. Changes in the legal system and frequency with which they are introduced may significantly affect the manner in which businesses operate and their financial results. This also applies to the Group's business, as investment projects in the property development industry depend on the fulfilment of numerous requirements under civil and administrative law (construction law, planning regulations, consumer law, local laws on zoning plans, etc.). The entry into force of any new regulation with a significant impact on business activity may cause direct and significant changes on the real property market through a substantial rise in project costs (e.g. a change in technical standards applicable to buildings) or a change in contracts with property buyers or tenants. Furthermore, the enactment of any new laws that are open to conflicting interpretations may give rise to uncertainty as to the actual legal situation, which may in turn entail temporary suspension of many projects prompted by concerns about the possible adverse consequences of applying such ambiguous regulations (such as financial losses or even criminal sanctions for actions or omissions made under the applicable laws which are then construed by courts or public administration authorities to the disadvantage of the business). These factors may have a material adverse effect on the Company's and the Group's business, financial position and results of operations, and consequently on the Company's ability to perform its obligations under the Notes.

Risk of changes in and unfavourable interpretation of tax laws

The Polish tax regime is highly unstable. The interpretation of those regulations by tax authorities and administrative courts is also subject to significant changes, which may have negative consequences for businesses which follow their previous known interpretations. The Group also operates in Romania, Germany, and Austria. Especially in Romania, the tax laws have undergone significant changes in recent years. They have been frequently changed, often to the disadvantage of taxpayers. The interpretation of tax regulations may be subject to similar changes. Such changes may not only involve increasing the applicable tax rates, but also introducing new specific legal instruments, expanding the scope of taxation, or even imposing new tax burdens, or limiting the ability to reduce the tax base. The changeable character of tax laws is also due to the need for countries in which the Group operates to implement new measures provided for in the EU law or obligations assumed by OECD countries. Frequent changes in the laws governing business taxation, as well as their divergent and changing interpretations by tax authorities, may prove unfavourable to Noteholders and the Company.

Risk related to loss of anchor tenants

Attracting solid tenants, especially anchor tenants, for the Group's logistics parks is critical to achieving its commercial success. Anchor tenants are vitally important for further growth of its logistics parks. The Group may have difficulty attracting tenants during economic downturns or when competing with other parks. Moreover, the termination of a lease contract by any of the anchor tenants may diminish a park's attractiveness. If a tenant defaults on the lease contract, is declared bankrupt or placed under restructuring, there may be (temporary or long-term) delays in rent payments or a decline in rental income, which the Group may be unable to offset due to difficulty in finding a suitable replacement tenant. If the Group is unable to renew the existing lease contracts with anchor tenants or quickly replace them with new tenants of a comparable quality, it may incur significant additional costs or lose some of its income, which in turn could have an adverse effect on the Group's business, financial position and results of operations.

Risk of deterioration of tenants' financial position due to external factors

The financial position of tenants may deteriorate due to a negative change in their economic situation regardless of the quality of their own operations. This may result from an overall deterioration in the economic climate on the market where they operate, a decline in demand, as well as their deteriorated payment position or insolvency, including due to revaluation of assets or remeasurement of liabilities or an increase in cost burden resulting from a depreciation of the currency in which they settle accounts with their customers, an increase in interest rates or other events beyond their control which affect the entire group of tenants given the type of their business, the market where they operate, or the manner in which their assets are financed. This may render them unable to meet their obligations under the lease contracts with Group companies. The materialisation of this risk may lead to a significant deterioration of the Group's financial position and the Company's ability to make payments under the Notes.

Risks associated with tenants' operations in logistics parks

The Group companies lease warehouse and manufacturing space to tenants engaged in various businesses. In their lease contracts, tenants agree to hold business liability insurance policies. However, it cannot be ruled out that aggrieved parties may experience problems in pursuing claims for damages against tenants for damage caused in connection with their business, in particular any business activities that may cause environmental damage, or damage resulting from defective workmanship of warehouse units. Such a situation may give rise to civil claims against Group companies as the owners of land and facilities where business activities giving rise to third-party damage claims are conducted, and may have an adverse effect on the Group's business, financial position or results of operations. As at the date of signing these risk factors, none of the tenants of real property located on the premises of active logistics parks is engaged in business activities which are considered dangerous.

Risk related to the supply of utilities to properties leased by Group companies

All the logistics parks have access to utilities adequate to meet the tenants' current demand. Also properties purchased by the Company or Group companies can be connected to utilities of a similar type. However, it cannot be ruled out that in the future, due to an increase in demand for utilities, the current volumes will prove insufficient, while the volumes planned for new projects may turn out to be underestimated. This could have a negative impact on the Group's business, financial position or results of operations.

2. 2.2 Business development prospects

MLP Group's strategic goal is to continuously expand its warehouse space portfolio in the European market, specifically in Poland, Germany, Austria, and Romania, and to enter new markets, i.e. the Benelux countries.

The Group aims to achieve its strategic objectives by constructing the following types of buildings:

(1) big-box 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 projects as assets with a high potential for growth driven by rapid growth of the e-commerce business; The Group responds to this demand by offering: smaller warehouse units (ranging from 700 m^2 to 2,500 m^2), located within or close to city boundaries with easy access to labour and public transport.

The strategic objectives of MLP Group were announced in Current Reports No. 35/2021 and 36/2021 of 18 November 2021.

Preliminary figures from Statistics Poland (GUS) indicate that in 2023, Poland's Gross Domestic Product (GDP) experienced a year-on-year growth of 0.2%, compared with the 5.3% growth observed in the preceding year. The average annual inflation rate in 2023 was 11.4%. In 2022, the average annual inflation rate was 14.4%.

MLP Group has taken measures to mitigate various risks, including the current high prices. The Group's commercial rents are automatically adjusted based on the HICP inflation index, as stipulated in the contracts with tenants. MLP Group is also resilient to currency risk thanks to a natural hedging strategy, as rents are expressed or denominated in the euro, which is also the currency of contracts with general contractors and financial liabilities. Moreover, the property portfolio is also valued in the euro. With respect to its interest rate risk exposure, the Group has in place an IRS or fixed interest rate locked in for five years to hedge cash flows related to repayment of its credit facilities. The hedging covers 80% of liabilities under the Group's credit facility agreements.

MLP Group is optimistic about the future of the warehouse market in all the countries where it operates. Demand for state-of-the-art warehouse and manufacturing space remains high. Russia's aggression in Ukraine is leading to shorter supply chains, higher levels of warehouse stocks, and relocation of production from conflict zones. Ukrainian businesses and international companies operating in Ukraine will relocate warehouses to other countries, including Poland. Also, foreign companies are withdrawing from the Russian market. This will increase demand for warehouse and logistics space in Poland and other markets served by MLP Group.

Warehouse space market in 2023

- **Poland**

  Strong activity in Poland's rental market during the second half of the year helped the full-year results exceed the strong performance seen in 2020. Total gross demand in 2023 reached 5.1 million m^2 and also slightly exceeded the five-year average.

  Despite the upward trend seen across Poland in 2023, the vacancy rate stayed below 8%, at 7.7%. The decrease in speculative construction activity and the increase in demand further bolster cautious optimism about the vacancy rate in Poland in the coming quarters.

  The results observed in 2023 confirmed a cooling, albeit gradual, of the construction market in Poland. The volume of new supply last year reached 3.95 million m^2, merely 13% below the record-setting 2022. By the end of December 2023, the total inventory of warehouse space in Poland exceeded 32.87 million m^2, with 76% concentrated in the top five regions. In December 2023, the volume of under-construction inventory still hovered close to the 3 million m^2 mark (2.78 million m^2).

  While the average annual growth of rental rates in Poland exceeded 20% in 2022, the year 2023, with the average increase of 5%, saw much more stable conditions. In December 2023, rents in the Big Five markets were in the range EUR 3.5–5.5 per square metre per month for suburban logistics parks. Urban locations maintained relatively stable values, with maximum rates reaching EUR 8.5 per square metre per month.

  Source: Rynek magazynowy w Polsce, I - IV kwartał 2023 r., JLL

- **Germany**

  On the German industrial and logistics real estate market in 2023, demand amounted to 5.35 million m^2, representing a decline of approximately 35% compared with the very strong performance of the previous year (8.21 million m^2). Compared with the ten-year average, this also shows a decrease of about 20%.

  In 2023, rents for prime logistics properties surged by 13% in the top five markets, indicating a significant real increase despite high inflation.

  Although the outlook for the first six months of 2024 remains modest, momentum is likely to accelerate from mid-year, especially into the following year, along with the demand for industrial and logistics facilities. Moreover, efforts aimed at outsourcing and restructuring supply chains, ongoing since the pandemic, including nearshoring strategies, have intensified in the wake of the latent conflict in Taiwan and Houthi rebel attacks on ships passing through the Red Sea. This will lead to an increased demand for logistics space.

  Source: Germany Real Estate Market Outlook 2024, CBRE Research

- **Romania**

In 2023, the modern industrial and logistics space inventory on the Romanian market reached 7.2 million m^2 after adding 492 thousand m^2 over the year. All five of the country's main industrial development regions benefited from new spaces, but the Bucharest region attracted the largest share, nearly half of the annual supply.

It is expected that in 2024, the inventory of modern warehouse space in the country will increase by an additional 476 thousand m^2 of rental space, as this amount was under construction at the end of 2023.

The overall vacancy rate in modern warehouse space remained at 5.0%, and at the end of the fourth quarter it stood at 4.9%.

By the end of the fourth quarter, the asking rent reached EUR 4.5 per square metre per month for a standard facility of 5,000 m^2. Rent changes are mainly related to the evolution of construction and financing costs and the macroeconomic context, including inflation and price fluctuations.

Source: Market Outlook 2024 Romania Real Estate, CBRE Research

- **Austria**

The Austrian logistics real estate market is performing very well. Last year was record-breaking for the Vienna logistics market, with total space turnover reaching approximately 270 thousand m^2, which corresponds to a 41% increase compared to the previous year. This stands in contrast to the trend observed in other European countries, where there were declines in similar markets.
At the end of the year, the vacancy rate for Class A and B properties was 0.8%, and this number is expected to rise. However, the rate is still quite low, leaving little room for alternative choices.

The rent for prime Big Box real estate spaces outside the urban area is around EUR 6.95 per square metre per month, which corresponds to a 7% year-on-year increase. This year, there is potential for further rent increases, though to a much lesser extent than in the previous year.

Source: Austria Real Estate Market Outloog 2024, CBRE Research

(all data in PLN thousand, unless stated otherwise)

3. Financial position of the Group; management of financial resources

3. 1 Key economic and financial data disclosed in the Group's full-year consolidated financial statements for 2023

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

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

as at	31 December 2023	% share	31 December 2022	% share	Change (%)
ASSETS	**5 089 628**	**100%**	**4 990 138**	**100%**	**2%**
Non-current assets	**4 667 657**	**92%**	**4 575 262**	**92%**	**2%**
Including:					
Investment property	4 541 505	89%	4 432 975	89%	2%
Other long-term investments	87 481	2%	127 873	3%	-32%
Current assets	**421 971**	**8%**	**414 876**	**8%**	2%
Including:					
Short-term investments	1 722	0%	-	0%	-
Trade and other receivables	64 315	1%	91 810	2%	-30%
Other short-term investments	8 610	0%	7 058	0%	22%
Cash and cash equivalents	344 247	6%	315 200	6%	9%

as at	31 December 2023	% share	31 December 2022	% share	Change (%)
EQUITY AND LIABILITIES	**5 089 628**	**100%**	**4 990 138**	**100%**	**2%**
Total equity	**2 395 628**	**47%**	**2 497 951**	**50%**	**-4%**
Non-current liabilities	**2 351 692**	**46%**	**2 219 946**	**44%**	**6%**
Including:					
Borrowings and other debt instruments, and other non-current liabilities	1 986 579	39%	1 819 379	36%	9%
Current liabilities	**342 308**	**7%**	**272 241**	**5%**	**26%**
Including:					
Borrowings and other debt instruments	205 891	4%	92 165	2%	124%
Trade and other payables	127 464	3%	167 991	3%	-24%

As at 31 December 2023, the Group's investment property, comprising logistics parks, continued as the key item of the Group's assets, accounting for 89% of total assets, while non-current liabilities under borrowings and other debt instruments and equity were the largest items of total equity and liabilities, representing 47% and 43% of the total, respectively. Operating income grew faster (up 29%) than operating expenses (up 25%), driving up operating profit (loss) excluding the effect of revaluation by PLN 43,362 thousand, to PLN 178,013 thousand for 2023. Despite robust operating performance, equity went down by approximately 4%, mainly as a result of the appreciation of the złoty, which led to a PLN 258 decrease in property revaluation. The loss on revaluation of investment property was partly offset by foreign exchange gains on measurement of liabilities under borrowings and other financial instruments.

The increase in non-current liabilities under borrowings and other debt instruments was mainly attributable to the issue of new Series F notes worth EUR 29,000 thousand. At the same time, the Group redeemed EUR 10,000 thousand worth of Series B notes on maturity, made an early redemption of EUR 2,000 thousand worth of Series E notes, contracted new credit facilities and made further drawdowns under existing credit facility agreements:

- a new credit facility agreement executed in December 2022 by MLP Łódź II Sp. z o.o., a subsidiary, with Santander Bank Polska; in 2023, tranches totalling EUR 16,410 thousand were disbursed under this agreement;
- a new credit facility agreement executed in March 2023 by MLP Czeladź Sp. z o.o., a subsidiary, with BNP Paribas S.A. In 2023, drawdowns totalling EUR 11,020 thousand were made, and the proceeds were used to repay existing liabilities to PKO BP S.A. in the amount of EUR 5,391 thousand;
- a new credit facility agreement executed in April 2023 by MLP Poznań West II Sp. z o.o., a subsidiary, with Areal Bank A. G. In the first half of 2023, drawdowns under the facility totalled EUR 60,800 thousand. The proceeds were used to repay existing liabilities to PKO BP S.A. in the amount of EUR 40,958 thousand;
- another tranche of the facility, of EUR 7,126 thousand, was disbursed by BNP Paribas S.A. in September 2023 to MLP Wrocław Sp. z o.o.;
- a new credit facility agreement executed in September 2023 by MLP Pruszków VI Sp. z o.o., a subsidiary, with mBank S.A. In October 2023, a EUR 11,565 thousand tranche was disbursed;
– the last tranche was disbursed to MLP Logistic Park Germany I Sp. z o.o. & Co. in 2023, for a total amount of EUR 13,306 thousand.

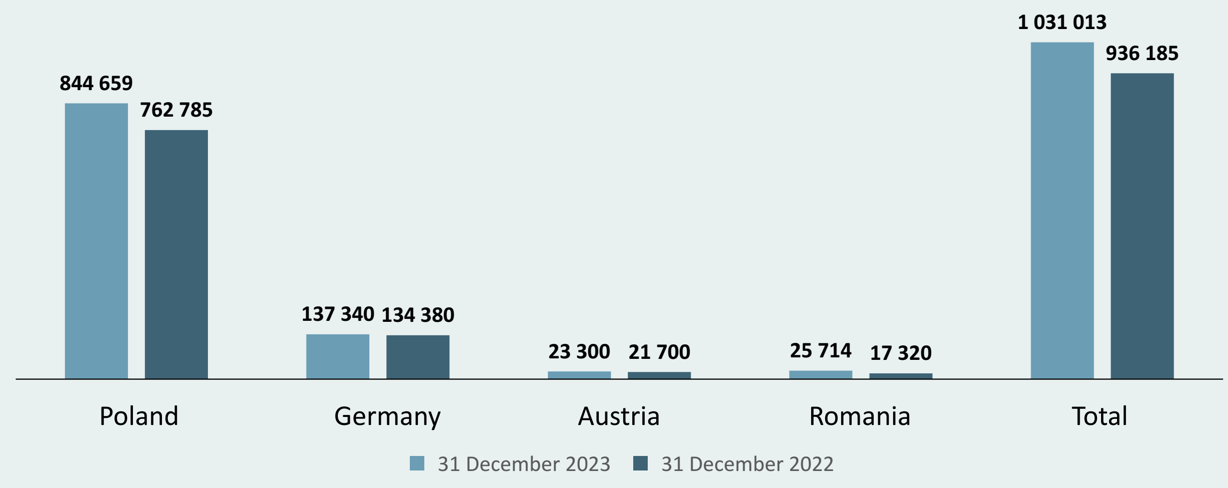


Logistics park	31 December 2023 [EUR thousand]	31 December 2023 [PLN thousand]	31 December 2022 [EUR thousand]	31 December 2022 [PLN thousand]	Change [EUR thousand]
POLAND	844 659	3 672 575	762 785	3 577 384	81 874
GERMANY	137 340	597 154	134 380	630 230	2 960
AUSTRIA	23 300	101 308	21 700	101 771	1 600
ROMANIA	25 714	111 805	17 320	81 190	8 394
Total	1 031 013	4 482 842	936 185	4 390 575	94 828

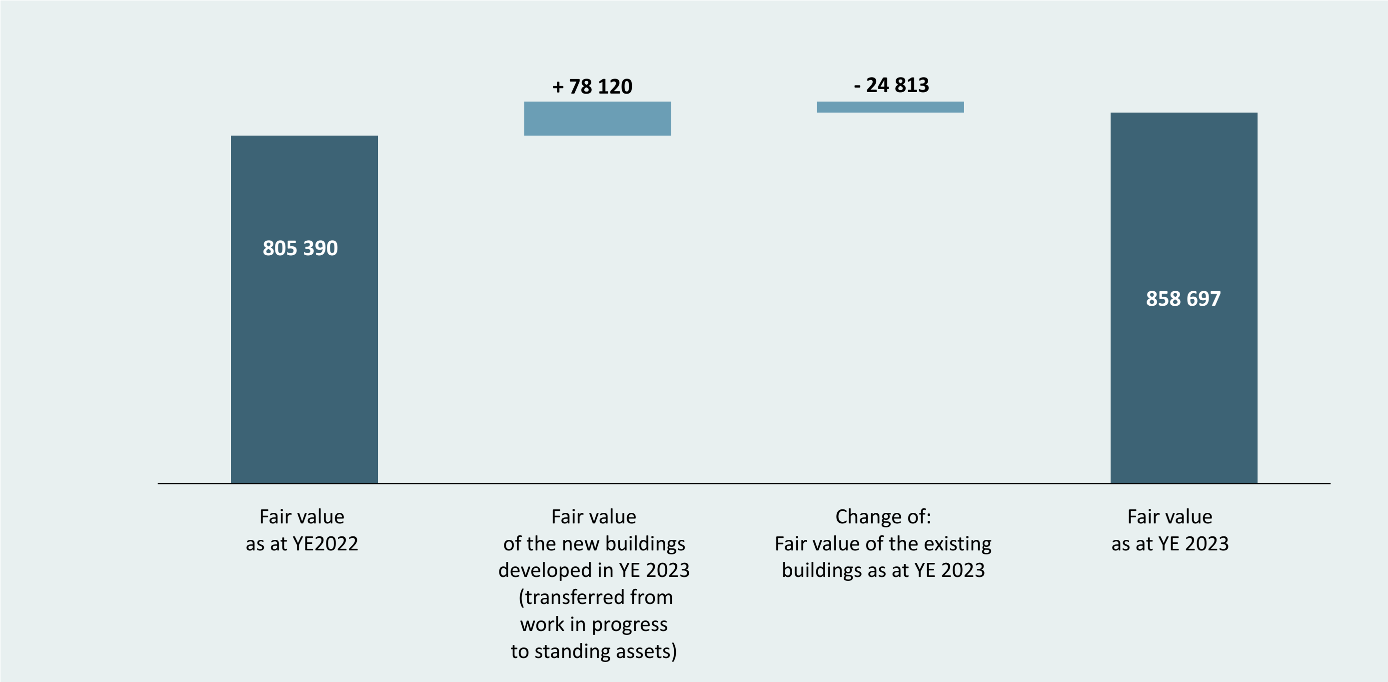
* Property value net of land usufruct and residential real estate.

According to the valuations prepared as at 31 December 2023, the total value of the Group's property portfolio was EUR 1,031,013 thousand (PLN 4,482,842 thousand), having increased by EUR 94,828 thousand on 31 December 2022. The change was primarily driven by (i) the completion and delivery of 106 thousand m^2 of new space in Poland and Germany, (ii) the construction of new buildings with a total area of 198 thousand m^2 in Poland and Germany, and (iii) the acquisition of new land for the construction of new logistics parks in Poland. In 2023, the yield rate for the Group's appraised portfolio increased by 24 p.p. on average relative to 2022. This increase was partially offset by an increase in rental rates, which rose by approximately 6.1% across the entire portfolio.

Investment property in EUR ths

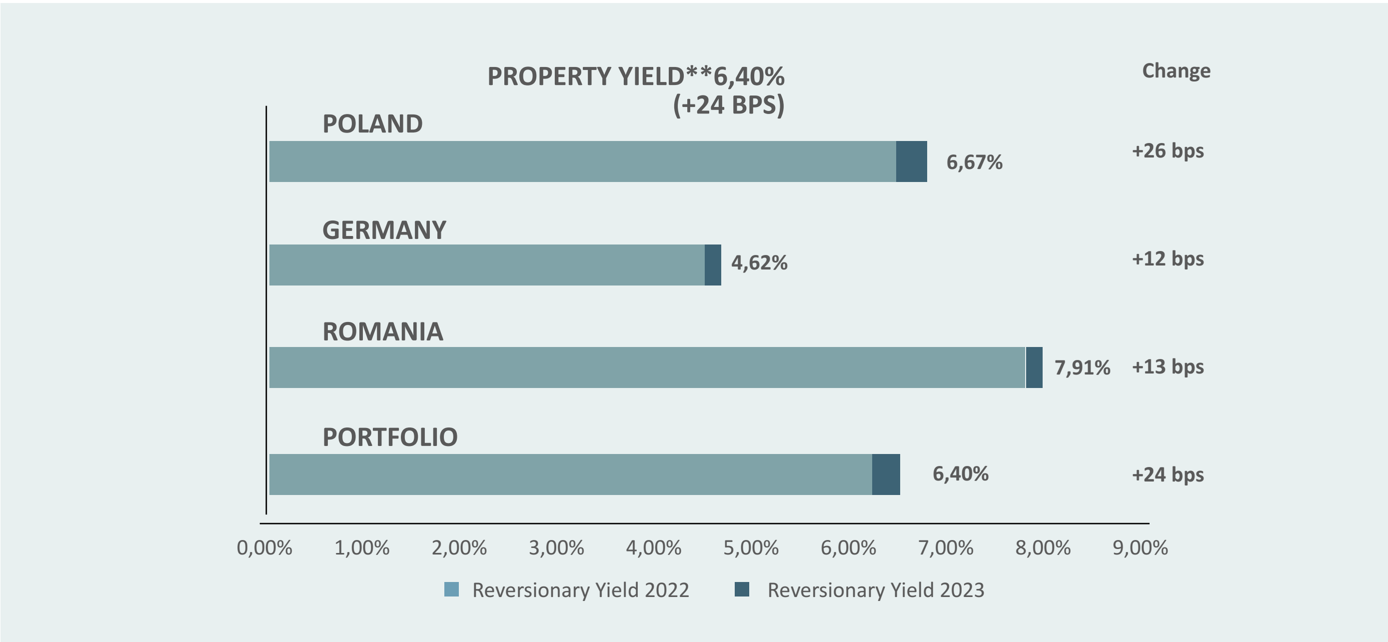


Change in fair value (EUR thousand) – existing buildings

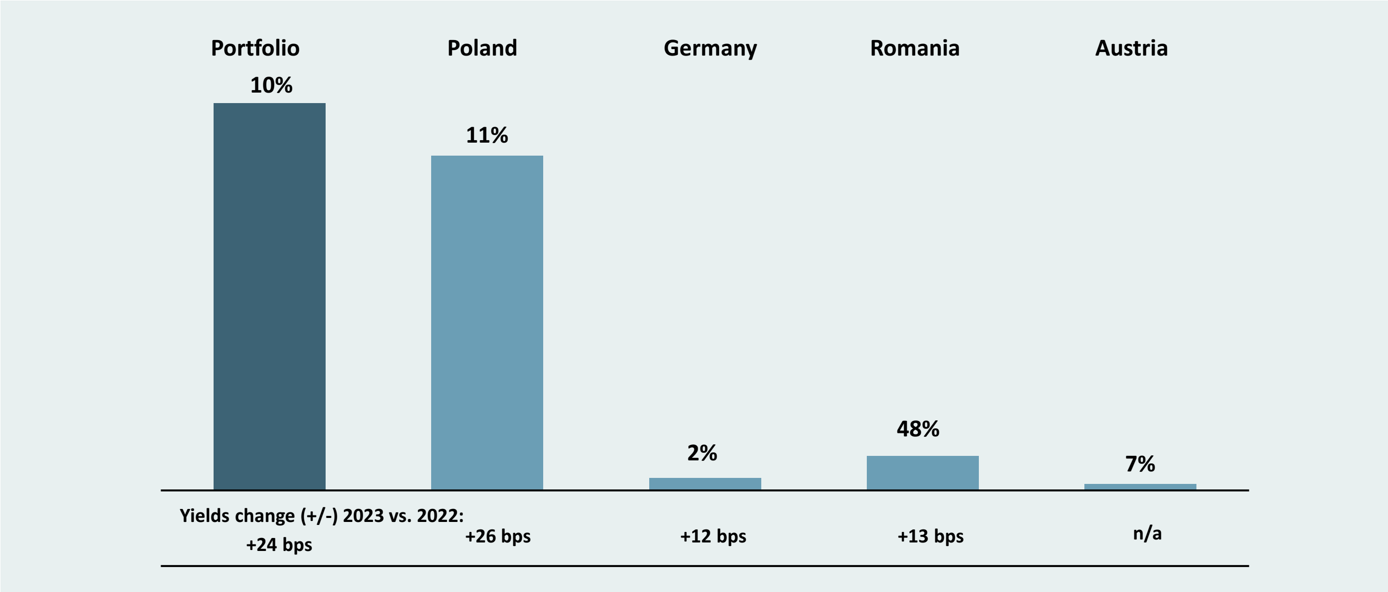


The higher valuation of existing buildings in 2023 was driven by: (i) valuation of properties that were transferred from properties under construction in 2022 to existing properties (EUR 78,120 thousand), and (ii) an EUR 24,813 thousand decrease in the valuation of existing buildings.

Growth in yields significantly mitigated by increase in market rents (ERV)

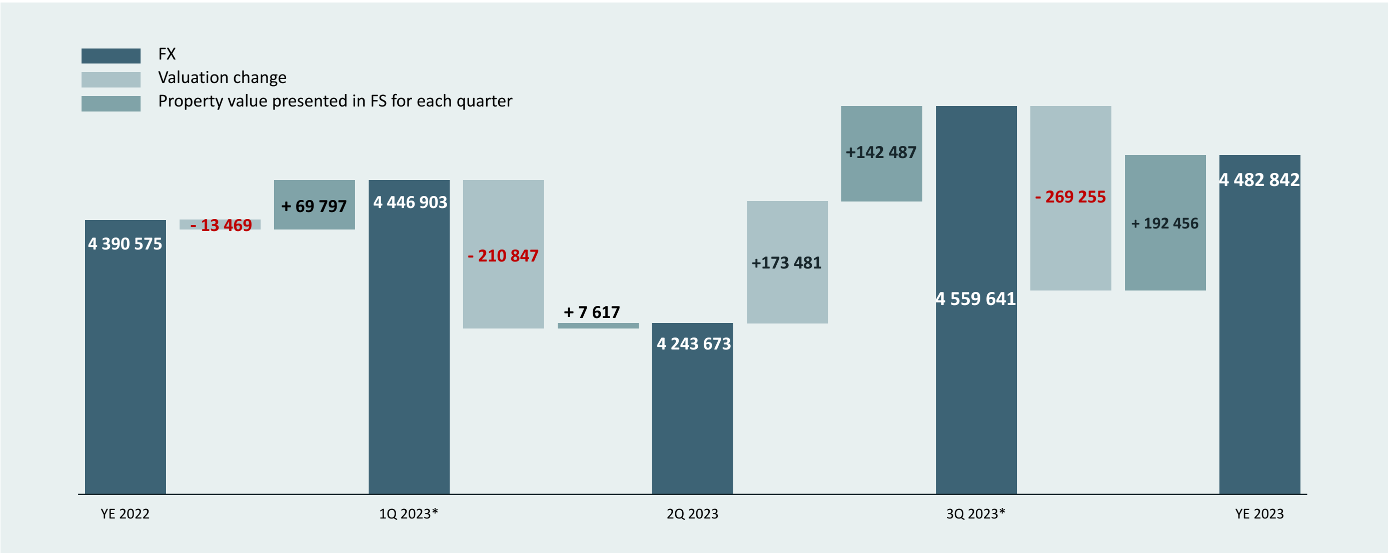


Change in valuation of investment property by country in 2023



The chart above does not include the value of perpetual usufruct and residencial real estate.

Change in property valuation in 2023 - per quarter in PLN ths



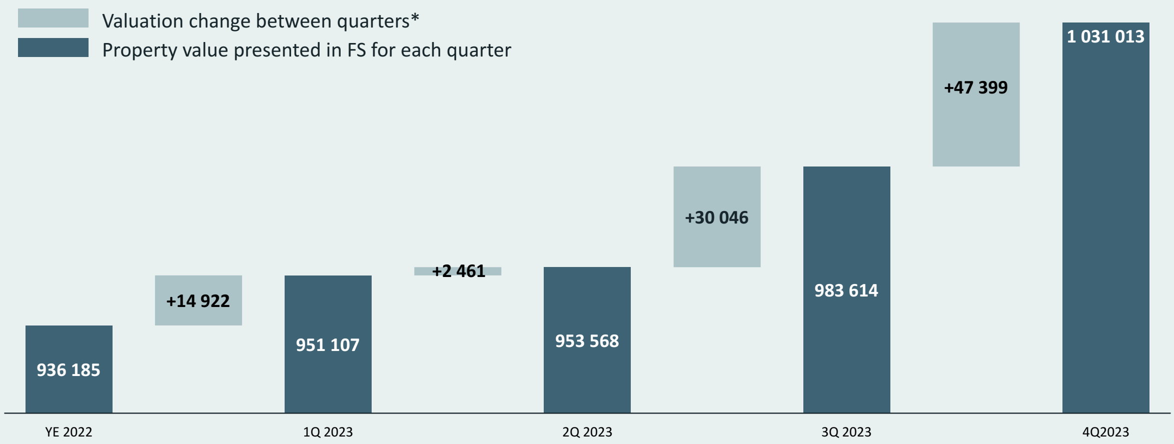
The chart above does not include the value of perpetual usufruct and flats.

MLP Group appraises its real estate portfolio twice a year, on 30 June and 31 December. The 2023 valuation adjustment of PLN 412,490 thousand reflects an increase based on the independent appraiser's valuation.

A negative effect of currency translation differences of PLN 320,090 thousand was reflected:

- directly in equity, in the amount of PLN 57,952 thousand (exchange differences on foreign operations);
- in the statement of profit or loss, in the amount of PLN 262,138 thousand (exchange differences on the Polish portfolio).

Change in property valuation in 2023 (EUR thousand) - quarterly



The chart above does not include usufruct rights and residencial real estates.

The entire MLP portfolio is valued in the euro. For the purposes of the financial statements, fair value is translated into the złoty at the EUR/PLN exchange rate effective as at the reporting date.
In both the first and third quarters of 2023, the Group did not make any revisions to valuations, maintaining the figures from the end of 2022 and mid-year 2023. Furthermore, capital expenditure was reported at cost. As at 30 June 2023 and 31 December 2023, the Group revised the valuations.

Investments and other investments

as at	**31 December 2023**	**31 December 2022**
Other long-term investments	37 803	34 632
Long-term loans	16 922	16 626
Receivables from measurement of Swap transactions	34 478	76 615
Other short-term investments	8 610	7 058
Total investments and other investments	**97 813**	**134 931**

Other long-term investments comprised non-current portion of restricted cash of PLN 37,803 thousand, including: (i) cash of PLN 25,690 thousand set aside pursuant to the terms of credit facility agreements to secure payment of principal and interest, (ii) PLN 8,015 thousand, a deposit created from a security deposit retained from a tenant, (iii) cash of PLN 214 thousand set aside on the CAPEX account, (iv) other retained security deposits of PLN 3,748 thousand, and (v) a PLN 136 thousand bank guarantee.

Other short-term investments comprise the current portion of restricted cash of PLN 8,610 thousand, including: (i) a short-term portion of retained security deposit of PLN 5,881 thousand, (ii) a short-term portion of funds set aside pursuant to the terms of credit facility agreements of PLN 2,432 thousand, and (iii) a bank guarantee of PLN 297 thousand.

Cash

as at	**31 December 2023**	**31 December 2022**
Cash in hand	117	118
Cash at banks	225 321	145 789
Short-term deposits	118 809	169 000
Cash in transit	-	293
Cash and cash equivalents in the consolidated statement of financial position	**344 247**	**315 200**
Cash and cash equivalents in the consolidated statement of cash flows	**344 247**	**315 200**

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

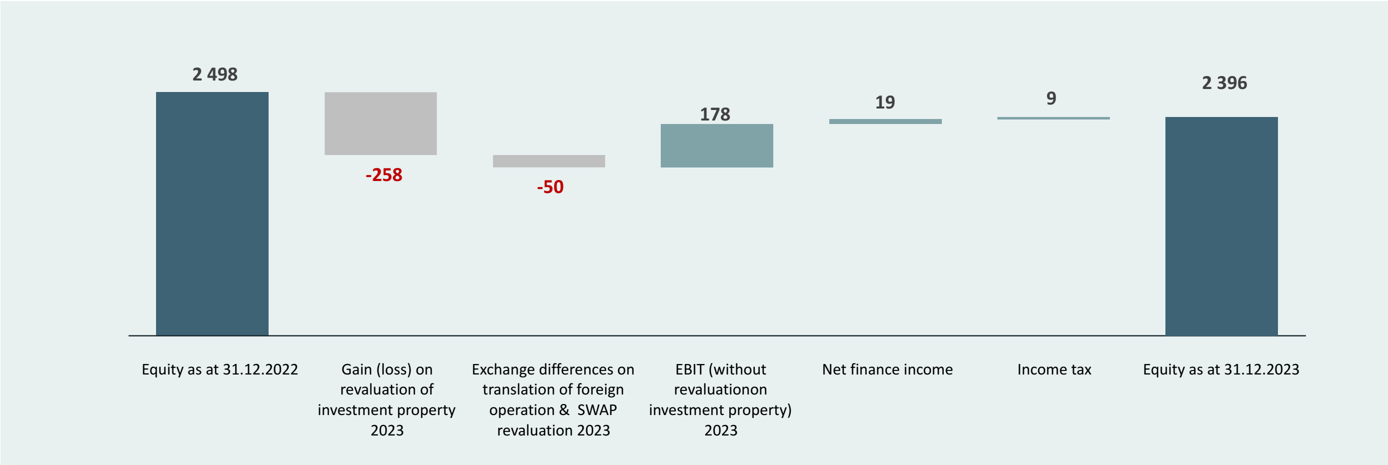
As at 31 December 2023, the balance of cash was PLN 344,247 thousand, having increased by PLN 29,047 thousand on 31 December 2022.

Equity

- **Net assets (NAV)**

Net asset value (PLN thousand)

NAV contribution in PLN mn



As at 31 December 2023, the net asset value was PLN 2,395,628 thousand, having increased by PLN 102,323 thousand (or 0.04%).

EBIT excluding the effect of revaluation as at 31 December 2023 was PLN 178,013 thousand, up 32% year on year (2022: PLN 134,651 thousand). Despite strong operating performance and a gain on financing activities, equity decreased by approximately 4%, mainly on the back of appreciation of the złoty, which adversely affected the results of investment property revaluation.

	EPRA NRV		**EPRA NTA**		**EPRA NDV**	
	2023	**2022***	**2023**	**2022***	**2023**	**2022***
PLN mn	1 747	2 469	1 746	2 469	2 138	2 954
PLN/share	72,8	115,1	72,8	115,1	89,1	137,7

**weighted average number of shares was used*

EPRA NRV	The EPRA Net Reinstatement Value is a measure of net asset value aimed at reflecting the cost required to rebuild an entity, assuming the entity does not sell its assets.
EPRA NTA	EPRA Net Tangible Assets is a measure of net asset value, assuming entities buy and sell assets, thereby crystallising certain levels of provisions related to deferred income tax. It is calculated as the total equity minus non-controlling interests, excluding derivatives valued at fair value, as well as deferred taxation on properties (unless such an item is related to assets held for sale).
EPRA NDV	EPRA Net Disposal Value is a measure of net asset value under the assumption that the entity will sell its assets.

(all data in PLN thousand, unless stated otherwise)

- **Share capital**

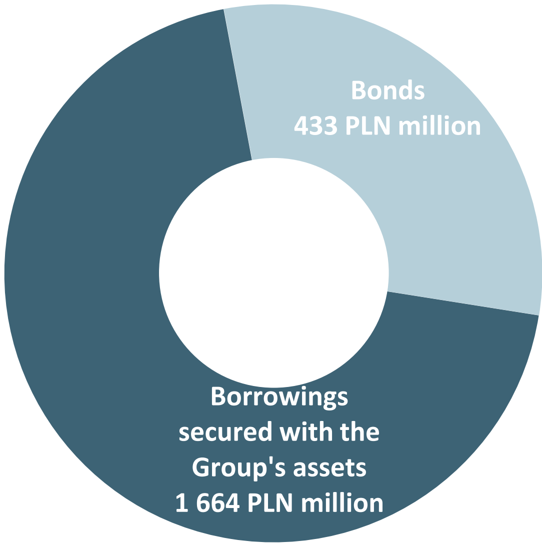
as at	**31 December 2023**	**31 December 2022**
Series A shares	11 440 000	11 440 000
Series B shares	3 654 379	3 654 379
Series C shares	3 018 876	3 018 876
Series D shares	1 607 000	1 607 000
Series E shares	1 653 384	1 653 384
Series F shares	2 621 343	2 621 343
Total	**23 994 982**	**23 994 982**
Par value per share	0,25 PLN	0,25 PLN

As at 31 December 2023, the Parent's share capital amounted to PLN 5,998,745.50 and was divided into 23,994,982 shares conferring 23,994,982 voting rights in the Company. The par value per share is PLN 0.25 and the entire capital has been paid up.

Liabilities under borrowings and other debt instruments, and other liabilities

as at	**31 December 2023**	**31 December 2022**
Borrowings secured with the Group's assets	1 568 901	1 414 683
Notes	321 752	332 983
Non-bank borrowings	16 952	16 654
Total non-current liabilities under borrowings and other debt instruments	**1 907 605**	**1 764 320**
Finance lease liabilities (perpetual usufruct of land)	58 382	42 280
Liabilities from measurement of interest rate hedges	3 959	-
Performance notes, security deposits from tenants and other deposits	16 272	12 779
Total other non-current liabilities	**78 613**	**55 059**
Short-term bank borrowings and short-term portion of bank borrowings secured with the Group's assets	94 643	41 269
Notes	111 248	50 896
Total current liabilities under borrowings and other debt instruments, and other current liabilities	**205 891**	**92 165**
Liabilities under borrowings and other debt instruments, and other liabilities	**2 192 109**	**1 911 544**

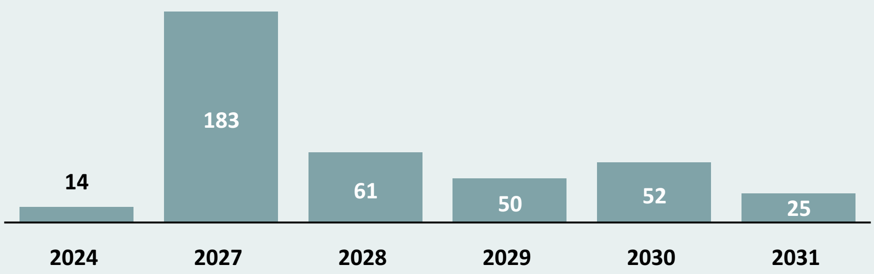
Liabilities under borrowings and other debt instruments represent a significant portion of the Group's total equity and liabilities. The Group uses bank credit mainly to finance construction of new facilities in the existing logistics parks. Proceeds from the issue of corporate notes are invested in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



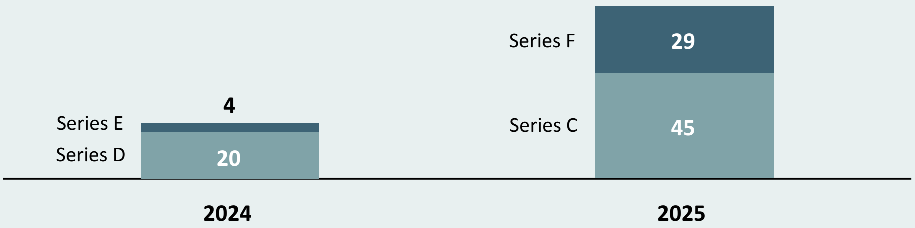
The primary factors driving the amount of liabilities under borrowings and other debt instruments, and other liabilities were:

- EUR 29,000 thousand issue of new Series F notes, partly offset by redemption of Series E notes in the amount of EUR 2,000 thousand and Series B notes in the amount of EUR 10,000 thousand, as well as the incurrence of new credit facilities and disbursement of subsequent tranches from the existing facilities:
- a new credit facility agreement executed in December 2022 by MLP Łódź Sp. z o.o., a subsidiary, with Santander Bank Polska; in 2023, tranches totalling EUR 16,410 thousand were disbursed under this agreement;
- a new credit facility agreement executed in March 2023 by MLP Czeladź Sp. z o.o., a subsidiary, with BNP Paribas S.A. In the first half of 2023, drawdowns totalling EUR 11,020 thousand were made, and the proceeds were used to repay existing liabilities to PKO BP S.A. in the amount of EUR 5,391 thousand;
- another tranche of the facility, of EUR 7,126 thousand, was disbursed by BNP Paribas S.A. in September 2023 to MLP Wrocław Sp. z o.o.;
- a new credit facility agreement executed in September 2023 by MLP Pruszków VI Sp. z o.o., a subsidiary, with mBank S.A. In October 2023, a EUR 11,565 thousand tranche was disbursed;
– a new credit facility agreement executed in April 2023 by MLP Poznań West II Sp. z o.o., a subsidiary, with Areal Bank A. G. In 2023, drawdowns under the facility totalled EUR 60,800 thousand. The proceeds were used to repay existing liabilities to PKO BP S.A. in the amount of EUR 40,958 thousand;
– the last credit facility tranche disbursed to MLP Logistic Park Germany I Sp. z o.o. & Co. in 2023 for a total amount of EUR 13,306 thousand.

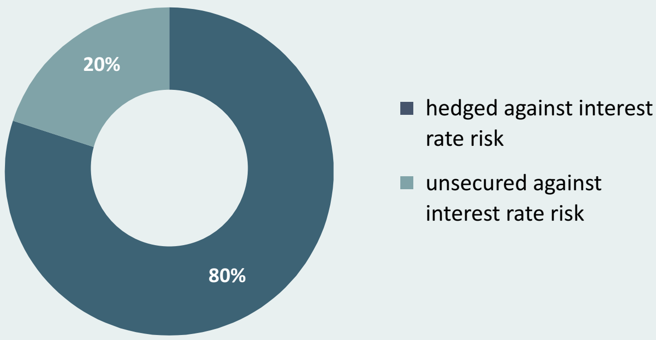
Existing bank loans by maturity in EUR mn



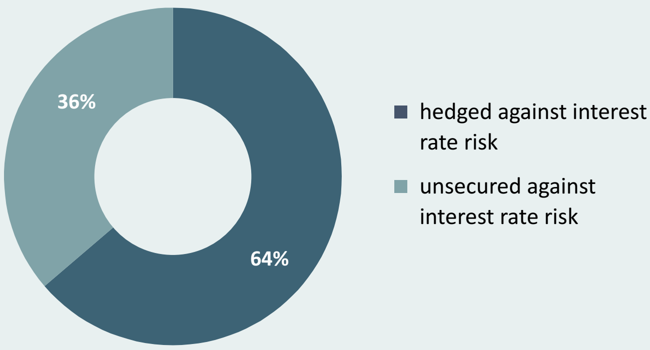
Bonds by maturity in EUR mn



Bank Loans



Bank Loans & Bonds



– Almost 80% of credit facilities are hedged with IRS for the next 4 years, resulting in limited exposure to interest rates.

(all data in PLN thousand, unless stated otherwise)

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

Condensed consolidated statement of profit or loss for the 12 months ended 31 December 2023 and the corresponding period of 2022

for the 12 months ended 31 December	2023	*% sales*	2022	*% sales*	*Change (%)*
Rental income	200 874	*100%*	152 886	*100%*	*31%*
Revenue from property management services	159 886	*80%*	126 187	*83%*	*27%*
Costs of self-provided property management services	*(136 254)*	*-68%*	*(102 107)*	*-67%*	*33%*
Gross operating profit/(loss)	**224 506**	**112%**	**176 966**	**116%**	**27%**
Selling, general and administrative expenses	(35 233)	*-18%*	(34 538)	*-23%*	*2%*
Gain/(loss) on revaluation of investment property	(257 680)	*-128%*	455 565	*298%*	*-157%*
Other income	*2 140*	*1%*	*3 041*	*2%*	*-30%*
Other expenses	(13 400)	*-7%*	(10 818)	*-7%*	*24%*
Operating profit before gain/(loss) on valuation of investment property	**(79 667)**	**-40%**	**590 216**	***386%***	***-113%***
Net finance income/(costs)	18 841	*9%*	(61 124)	*-40%*	*-131%*
Profit (loss) before tax	**(60 826)**	**-30%**	**529 092**	***346%***	***-111%***
Income tax	8 768	*4%*	(106 702)	*-70%*	*-108%*
Net profit (loss)	**(52 058)**	***-26%***	**422 390**	***276%***	***-112%***
EBITDA excluding effect of revaluation	**178 691**		**135** 076		
EPRA Earnings	**156 781**		**54 307**		
Company spacific adjustments (FX and depracation with related deferred tax)	**(73 297)**		**14 575**		
Company adjusted EPRA earnings	**83 484**		**68 882**		
EPRA Earnings per share	**3,48 zł**		**2,87 zł**		
FFO*	**93 309**		**86 755**		

for the 12 months ended 31 December	2023	2022
Earnings per share:		
- Basic earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent	-2,17	19,69
Diluted earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent	-2,17	19,69

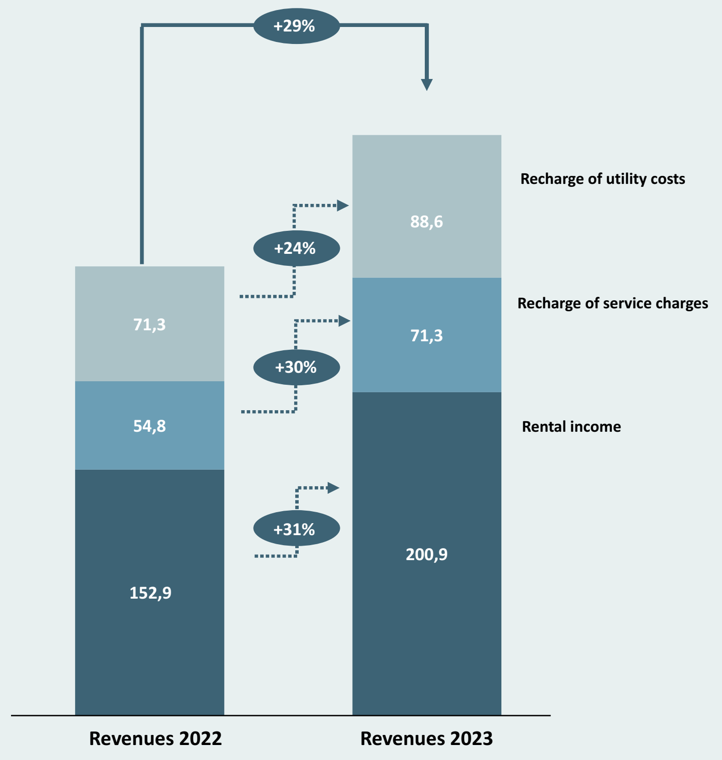
** FFO = Revenue – Operating expenses - other expenses related to settlement of the Fund to manufacturers and trading companies + Depreciation and amortisation + Net gain/(loss) on financing activities (excluding exchange differences and interest on loans) – current tax*
FFO does not include other income and expenses other than those mentioned above.

for the 12 months ended 31 December	2023	2022	change (%)
Rental income from investment property	200 874	152 886	*31,4%*
Recharge of service charges	67 687	51 890	*30,4%*
Recharge of utility costs	88 598	71 338	*24,2%*
Other revenue	3 601	2 959	*21,7%*
Rental income	**360 760**	**279 073**	**29,3%**

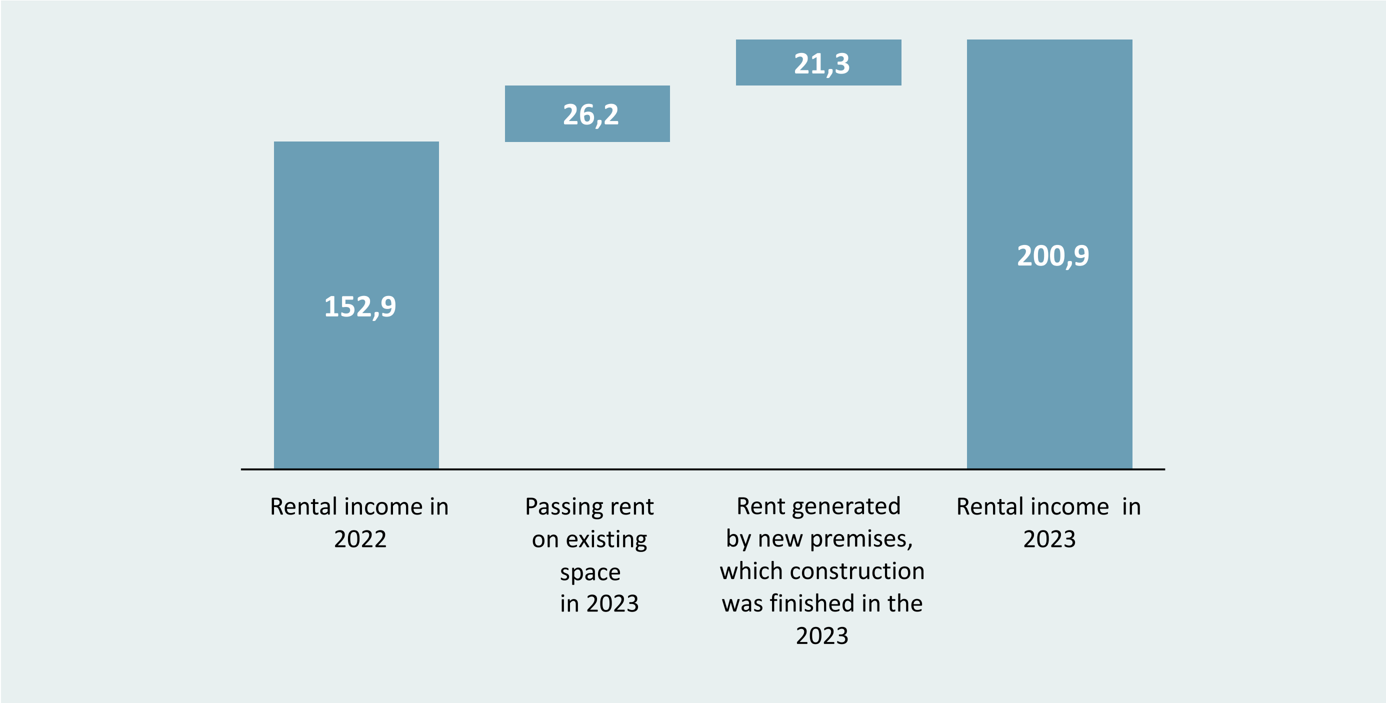
Rental income from investment properties is the main source of the Group's revenue. In 2023, rental income was PLN 200,874 thousand, having increased by 31.4% year on year. The rise in rental income (up PLN 47,988 thousand) was primarily due to: (i) the delivery of a total of 106 thousand m^2 of leased space between 1 December 2023 and 31 December 2023, (ii) the renewal of lease agreements expiring in 2023, and (iii) the indexation of rents (8.4%).

The like-for-like growth in 2023 was 7.7%. The revenue generated from recharging costs of utilities and operating expenses is consistent with the costs of procuring utilities and property maintenance costs. The revenue increased by 24% and 30% year on year, respectively.

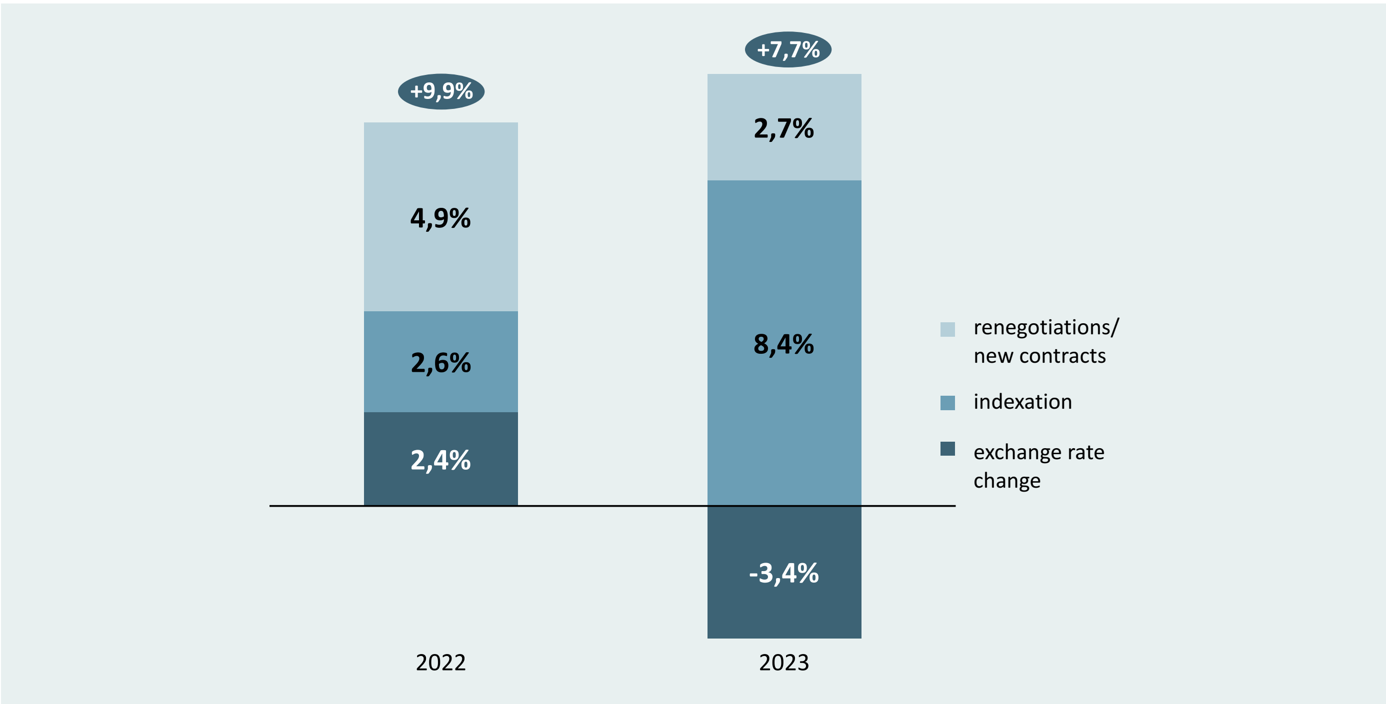
Change in key items of revenue in 2022 and 2023 (PLN million)



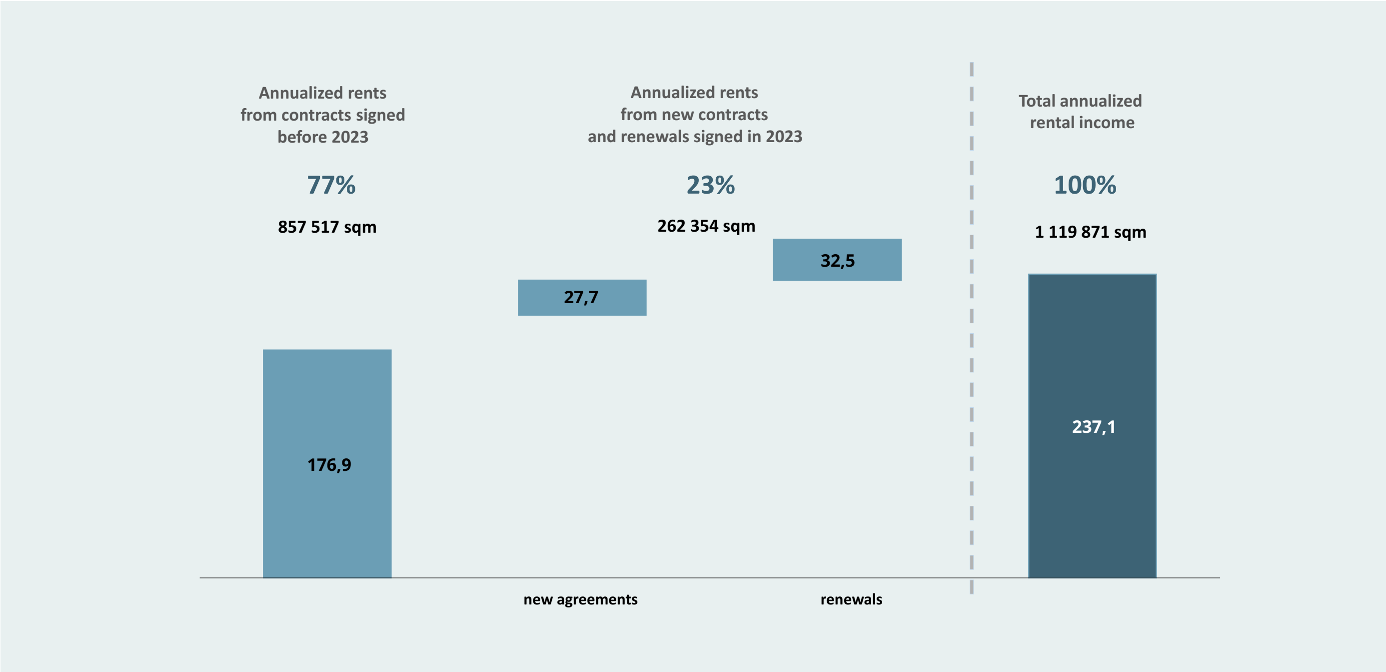
Rental incone in PLN mn



LIKE-FOR-LIKE rental growth. Main drivers



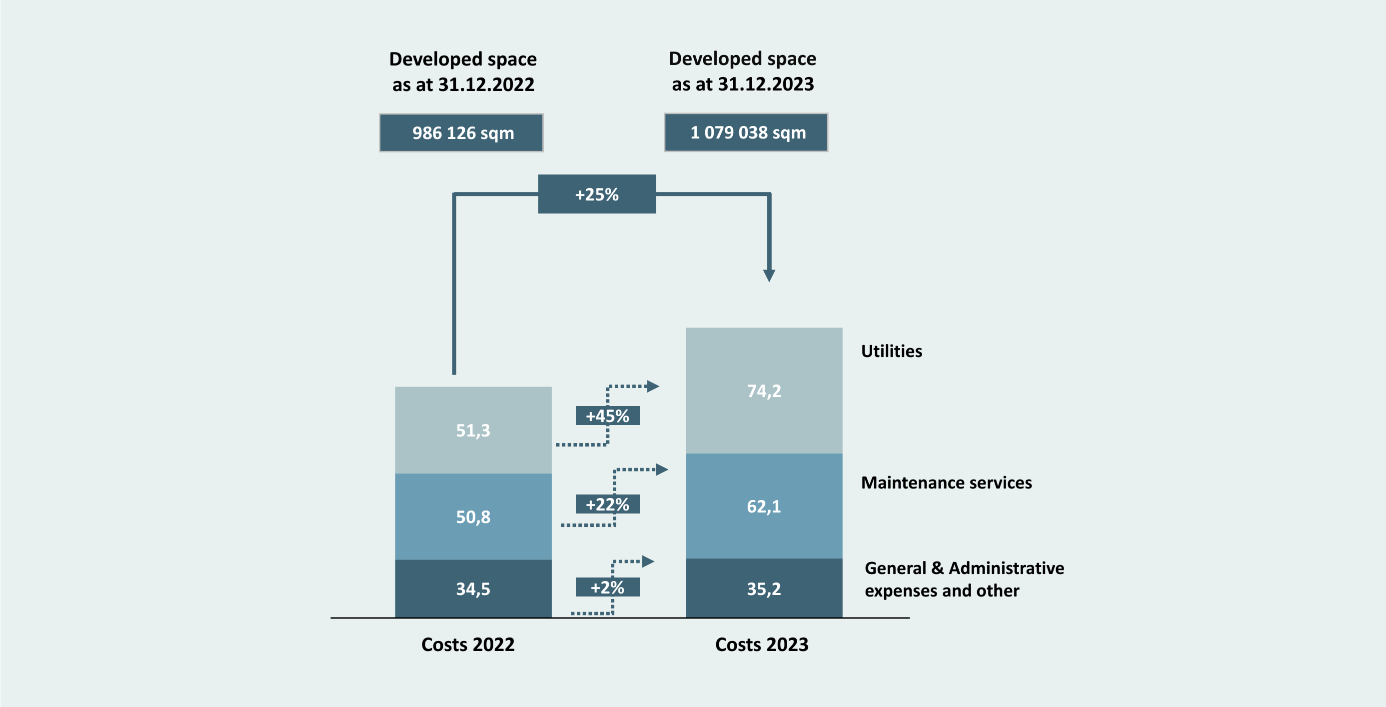
Annualized future rental in the next 12 months income based on all signed contracts in EUR mln



for the 12 months ended 31 December	2023	2022	change (%)
Depreciation and amortisation	(678)	(425)	*63,5%*
Property maintenance services	(61 874)	(48 542)	*27,5%*
Utilities	(74 161)	(51 279)	*44,6%*
Administrative expenses and development costs	(34 555)	(34 113)	*1,2%*
Other recharged costs	(219)	(2 286)	*-90,4%*
Distribution costs and administrative expenses	**(171 487)**	**(136 645)**	25.5%

In 2023, the distribution costs and administrative expenses amounted to PLN 171,486 thousand, representing a year-on-year increase of 25%. These costs include (i) costs of consumables and energy used, (ii) services, (iii) taxes and charges. The costs of consumables and energy used include the cost of utilities that are recharged to tenants. The main components of taxes and charges are property tax and usufruct charges, which are also recharged to tenants. Services include two cost groups: (i) property maintenance services, recharged to tenants, (ii) and services recognised as part of administrative expenses.

Change in key items of distribution costs and administrative expenses in 2023 and 2022 (PLN million):



* Developed space does not include the space of buildings designated for demolition to make way for new warehouse developments.

The 22% (PLN 11,264 thousand) increase in property maintenance costs was primarily due to a rise in property tax expenses by PLN 6,000 thousand, of which 60% was a result of the increase in space delivered from in 2022 (taxable from 2023), and the remaining 40% was due to higher property tax rates. The increase in property maintenance costs can be attributed to a rise in technical maintenance costs of PLN 2,000 thousand and a rise in security and cleaning costs of PLN 2,200 thousand. These increases reflect the rise in the volume of completed space and the rise of the minimum statutory wage in 2023.

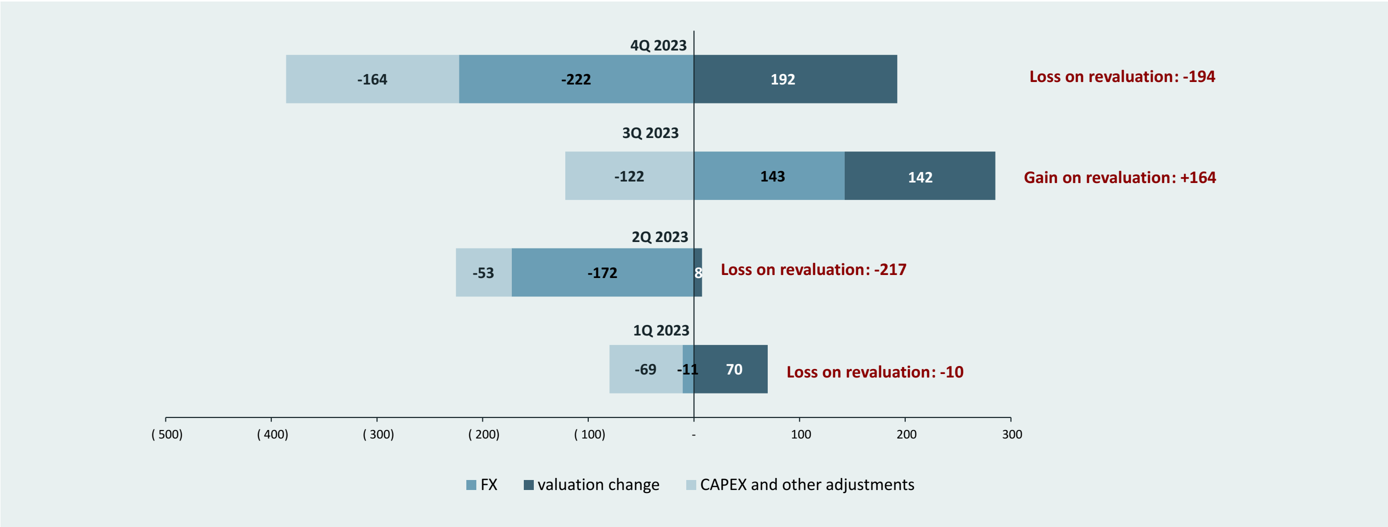
Additionally, the Group incurs administrative expenses and business development costs associated with its development activities. This item amounted to PLN 35,233 thousand in 2023, relatively flat on 2022. In 2023, the administrative and business development costs included advisory fees, banking services, consultancy services, audit costs, valuations, marketing, IT, and salaries

In 2023, the Group reported net finance income of PLN 18,841 thousand, being chiefly the effect of foreign exchange gains (PLN 91,167 thousand), interest on borrowings (PLN 49,139 thousand), and interest on notes (PLN 25,699 thousand). The most significant factor contributing to the amount of this item in comparison to 2022 was currency translation differences (foreign exchange losses were reported in the comparative period).

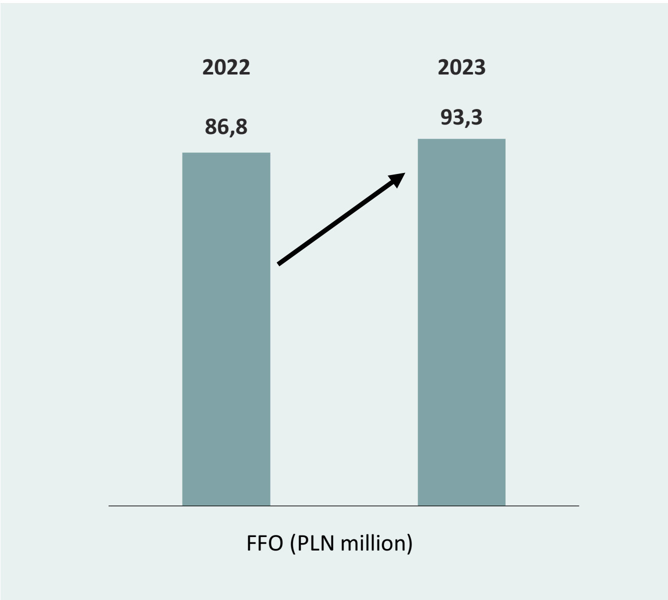
The loss on revaluation of investment property in 2023 was due to foreign exchange losses of PLN 262,138 thousand.

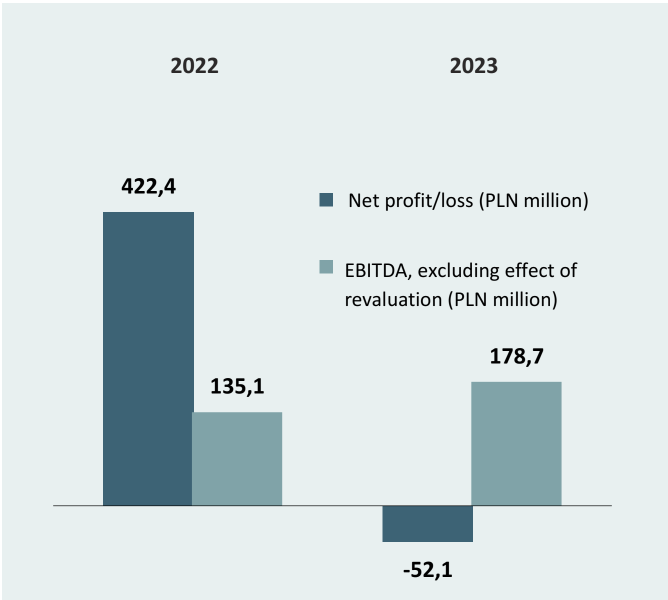
The chart below presents changes in gain/loss from revaluation of investment properties by quarter in 2023.

Revaluation contributors (PLN million)



The total negative effect of exchange differences on the valuation of investment property was PLN 320,090 thousand, and was reflected:
- directly in equity, in the amount of PLN 57,952 thousand (exchange differences on foreign operations);
- in the statement of profit or loss, in the amount of PLN 262,138 thousand (exchange differences on the Polish portfolio).





(all data in PLN thousand, unless stated otherwise)

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

for the 12 months ended 31 December	**2023**	**2022**
Net cash from operating activities	176 906	164 653
Net cash from investing activities	(486 866)	(508 612)
Net cash from financing activities	335 722	477 282
Total net cash flows	**25 762**	**133 323**
Cash at beginning of period	**315 200**	**177 234**
Effect of exchange differences on cash and cash equivalents	3 285	4 643
Cash and cash equivalents at end of period	**344 247**	**315 200**

In 2023, the Group reported positive operating cash flows of PLN 176,906 thousand, an increase on 2022 due to higher EBITDA net of revaluation.

The Group reported negative cash flows from investing activities of PLN 486,866 thousand in 2023. In 2022, negative cash flows from investing activities were PLN 508,612 thousand. The largest expenditures incurred by the Group were outlays on the development of logistics parks in Poland as well as purchases of land at new locations, totalling more than PLN 466,530 thousand.

The largest expenditure item in both periods consists of capital expenditures on projects executed by the Group.

In 2023, the Group's cash flows from financing activities were positive, at PLN 335,722 thousand. The excess of financing cash inflows over outflows was attributable to:
- an excess of proceeds from a new issue of Series F notes of PLN 75,737 thousand (proceeds: PLN 130,445 thousand) over cash spent on redemption of Series B notes at maturity and partial early redemption of Series E notes (PLN 54,708 thousand);
- the refinancing of two projects, taking out new credit facilities and repaying existing credit debt all resulted in a net positive cash flow of PLN 331,753 thousand;
- payments of current interest on credit facilities and notes in the amount of PLN 71,593 thousand.

3. 2 Management Board's position on published forecasts

The Management Board of MLP Group S.A. has not published any financial forecasts for 2023.

(all data in PLN thousand, unless stated otherwise)

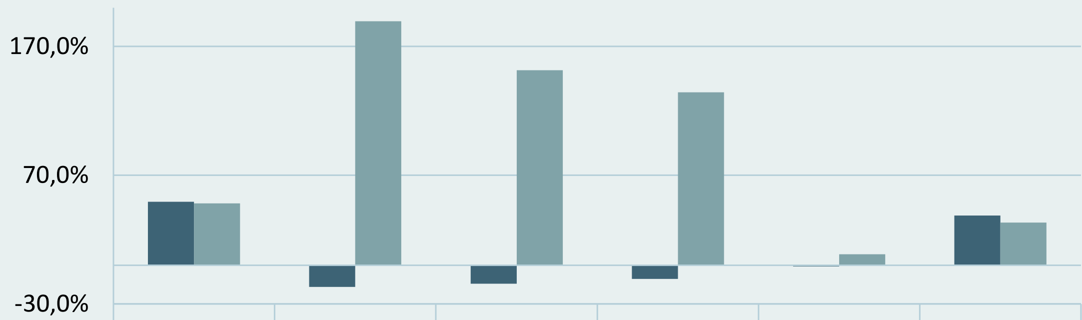
3. 3 Management of the Group's financial resources

In 2023, in connection with its investment projects involving construction of storage and office space, the Group's efforts in the area of managing its financial resources were mainly focused on securing and appropriately structuring the financing sources, and on maintaining safe liquidity ratios. The Management Board analyses and plans the Group's financing structure on an ongoing basis to deliver the budgeted ratios and financial results while ensuring that the Group's liquidity and wider financial security are maintained.

The Management Board believes that as at 31 December 2023 the Group's assets and financial standing were stable thanks to the Group's well-established position on the warehouse space market, combined with the relevant experience and operational capabilities in managing property development projects and leasing commercial space. Further in this report the Group's financial standing and assets are discussed in the context of the liquidity and debt ratios.

3. 3.1 Profitability ratios

Profitability ratios



	Operating profit margin (%)	Pre-tax profit margin (%)	Net profit margin (%)	Return on equity (ROE)	Return on assets (ROA)	LTV ratio
2023	49,3%	-16,9%	-14,4%	-10,6%	-1,0%	38,6%
2022	48,2%	189,6%	151,4%	134,4%	8,5%	33,1%

The profitability analysis is based on the following ratios:

- **operating profit margin excluding effect of revaluation**: operating profit/(loss) excluding effect of revaluation/revenue;
- **pre-tax profit margin**: profit/(loss) before tax / revenue;
- **net profit margin:** net profit (loss)/revenue;
- **return on equity (ROE):** net profit/(loss)/adjusted equity (weighted average of the sum of share capital and share premium)
- **return on assets (ROA):** net profit (loss) / total assets.
- **LTV ratio:** [interest-bearing debt - (cash and cash equivalents + money fund units + restricted cash to secure repayment of loans)]/Investment property

(all data in PLN thousand, unless stated otherwise)

In 2023, operating profit margin excluding the effect of revaluation was 49.3%, up 1.1pp over the corresponding period of 2022 (48.2% in 2022). The operating profit margin excluding effect of revaluation in the reporting period was driven by an increase in rental income (which grew by 29% year on year) and lower growth of distribution costs and administrative expenses (up by 25% year on year).

Pre-tax profit margin was 16.9% (2022: 189.6%).

Net profit margin was 14.4% (2022: 151.4%).

Return on equity (ROE) was 10.6% (2022: 134.4%).

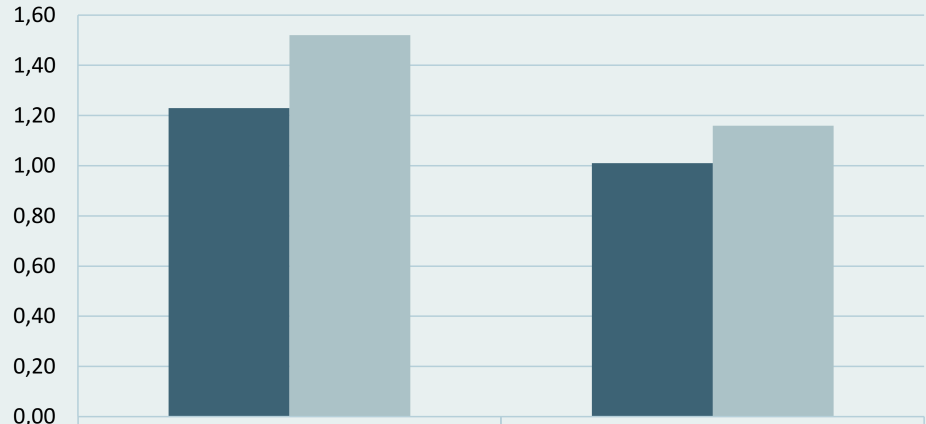
Return on assets (ROA) was 1.0% (2022: 8.5%).

The indicators listed above were negative. Their values fell relative to the corresponding period of the previous year as a result of foreign exchange losses on property revaluation (appreciation of the złoty).

In 2023, the LTV ratio was 38.6%, higher than the year before (33.1%), and is considered safe.

3. 3.2 Liquidity ratios

Liquidity ratios



	Current liquidity	Cash ratio
31 December 2023	1,23	1,01
31 December 2022	1,52	1,16

The liquidity analysis is based on the following ratios:

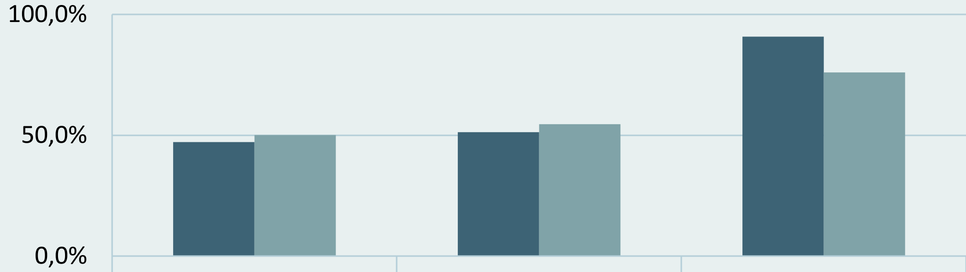
- **current ratio:** current assets / current liabilities;
- **cash ratio:** cash and cash equivalents / current liabilities.

The current and cash ratios as of 31 December 2023 were 1.23 and 1.01, respectively, and remained at stable and safe levels.

(all data in PLN thousand, unless stated otherwise)

3. 3.3 Debt ratios

Debt ratios



	Equity ratio	Equity to non-current assets ratio	Interest-bearing debt to equity
31 December 2023	47,1%	51,3%	90,8%
31 December 2022	50,1%	54,6%	76,0%

The debt analysis is based on the following ratios:

- **equity ratio:** total equity / total assets;
- **equity to non-current assets ratio:** total equity / non-current assets;
- **financial liabilities to equity ratio:** financial liabilities[1)] / total equity.

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

As at 31 December 2023, the equity ratio was 47.1%, down 3.0 pp on 31 December 2022. In accordance with the terms and conditions of the Series B, Series C, Series D, Series E and Series F notes, the equity ratio may not be less than 35%.

The equity-to-non-current-assets ratio was 51.3% as at 31 December 2023,down 3.3 pp on 31 December 2022. The interest-bearing debt-to-equity ratio equity ratio was 90.8%, up 14.8pp. Its change was due to new credit facilities, which the company uses to finance new projects.

3. 4 Borrowings, notes, sureties and guarantees

3. 4.1 New and terminated non-bank borrowings

In 2023, the Group did not take out any new non-bank borrowings.

3. 4.2 New and terminated bank borrowings

- **New credit facility agreements in 2023**

  On 29 March 2023, a EUR 19,732 thousand credit facility agreement was executed between MLP Czeladź Sp. z o.o. and BNP Paribas Bank Polska S.A.

  On 28 April 2023, a EUR 63,500 thousand credit facility agreement was executed between MLP Poznań West II Sp. z o.o. and Aareal Bank AG.

  On 6 September 2023, a new credit facility agreement was executed between MLP Pruszków VI Sp. z o.o. and mBank S.A. for a total amount of EUR 11,973 thousand.

- **Repayment of bank borrowings in 2023**

  In 2023, the Group made all due and scheduled payments under its credit facility agreements.

  No credit facilities were terminated in the reporting period.

3. 4.3 Notes

On 15 May 2023, the Management Board of MLP Group S.A. passed a resolution on the issue, by way of a public offering to qualified investors, of up to 29,000 Series F bearer notes of the Company with a nominal value of EUR 1,000 per note and total nominal value of up to EUR 29,000,000 (the "Notes"). The Notes were issued on 24 May 2023 at an issue price of EUR 1,000 per Note. The Notes will pay variable interest at 6M EURIBOR plus margin.

They were issued as unsecured instruments. The objectives of the issue were not specified.
The redemption date of the Notes is 26 May 2025.

The Notes were registered in the depository maintained by the Central Securities Depository of Poland and introduced to trading in the alternative trading system organised by the Warsaw Stock Exchange on 20 July 2023, as announced by the Company in a current report.

On 10 May 2023, the Company redeemed Series B notes with a total nominal value of EUR 10,000,000 at maturity.

On 17 May 2023, the Company redeemed early a portion of Series E notes with a total nominal value of EUR 2,000,000.

On 21 January 2024, the Company redeemed at maturity Series E notes with a total nominal value of EUR 4,000,000.

(all data in PLN thousand, unless stated otherwise)

On 21 February 2024, the Management Board of MLP Group S.A. passed a resolution on the issue, by way of a public offering to qualified investors, of up to 41,000 Series F bearer notes of the Company with a nominal value of EUR 1,000 per note and total nominal value of up to EUR 41,000,000 (the "Notes".

The Notes were issued on 6 March 2024 at an issue price of EUR 1,000 per Note.
The Notes will pay variable interest at 3M EURIBOR plus margin.
The Notes will be unsecured instruments.
The objectives of the issue were not specified.
The maturity date of the Notes is 4 December 2026.

On 27 February 2024, the Management Board of the Company adopted Resolution No. 4/02/2024, authorising the redemption of 8,600 Series D notes, with a nominal value of EUR 1,000 per note and the total nominal value of EUR 8,600,000, bearing the ISIN code PLMLPGR00090 in the Central Securities Depository of Poland (CSDP).
The notes were redeemed on 27 February 2024 at face value of Series D notes plus interest accrued in accordance with the terms of the Series D notes.

The notes of MLP Group S.A. outstanding as at 31 December 2023 are presented below.

Instrument	Currency	Nominal value	Maturity date	Interest rate	Guarantees and collateral	ISIN
Public notes – Series C	EUR	45 000 000	19.02.2025	6M EURIBOR + margin	none	PLMLPGR00058
Public notes – Series D	EUR	20 000 000	17.05.2024	6M EURIBOR + margin	none	PLMLPGR00090
Public notes – Series E	EUR	4 000 000	21.01.2024	6M EURIBOR + margin	none	PLMLPGR00108
Public notes – Series F	EUR	29 000 000	26.05.2025	6M EURIBOR + margin	none	PLO205000014

3. 4.4 Loans

In 2023, the Group did not grant any new loans.

3. 4.5 Sureties issued and received

On 24 May 2019, MLP Group S.A. provided a surety to MLP Gliwice Sp. z o.o. in relation to the Agreement for the reconstruction of the communication system, including liabilities related to the implementation of the Road Investment project, for a total amount of up to PLN 2,745,888.30 until 31 August 2022. Thereafter, from 1 September 2022 to 31 August 2027, the surety is up to the amount of PLN 136,377.10.

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 Bayerishe 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.
On 14 January 2022, MLP Group S.A. provided an up to PLN 1,800,000 surety to MLP Łódź II Sp. z o.o. to secure fulfilment by the latter of its project developer commitments under a road redevelopment agreement with the City of Łódź.
On 20 February 2023, MLP Group S.A. issued a guarantee of up to PLN 5,000,000 to support MLP Wrocław West Sp. z o.o. (as the project developer) in connection with a road construction contract concluded by the latter with the Kąty Wrocławskie Municipality.

3. 4.6 Guarantees provided and received

In 2023, the Group neither provided nor received any guarantees.

3. 5 Feasibility of investment plans

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

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

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

3. 6 Non-recurring factors and events with a bearing on the consolidated financial result for the 12 months ended 31 December 2023

In 2023, there were no non-recurring factors or events that would have a material effect on the consolidated profit or loss for the financial period.

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

On 23 September 2022, the Management Board of MLP Group S.A. adopted Resolution No. 1/09/2022 to establish a new note issuance programme (the "Programme"). On the same day, the Company entered into an issuance agreement with mBank S.A. to establish the new note issuance programme, where mBank S.A. will act as the arranger, calculation agent, technical agent, issuance agent, and dealer. For more information, see Note 3.4.3.

3. 8 Material achievements and failures in the 12 months ended 31 December 2023.

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

3. 9 Seasonality and cyclicality

The Group's business is not seasonal or cyclical.

4. Statement of compliance with corporate governance standards

MLP Group S.A. of Pruszków (the "Company", the "Issuer", or the "Parent") issues this statement concerning specific corporate governance regulations outlined in the Annex to Resolution No. 14/1835/2021 of the Exchange Supervisory Board, dated 29 March 2021, that were not adhered to during the financial year ended on 31 December 2021. Below are the details explaining the circumstances and reasons for this non-compliance.

The Management Board of the Company recognises the significance of corporate governance principles to guarantee clarity in the Company's internal and external relations, especially with its current and potential shareholders. In accordance with the requirements set out in Par. 29.3 of the WSE Rules, the Company hereby declares that it applied all corporate governance regulations outlined in the 'Code of Best Practice for WSE Listed Companies' during the 2021 financial year, except for:

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.

<u>Explanation of the reasons for the non-compliance:</u>

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.

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.

<u>Explanation of the reasons for the non-compliance:</u>

The Group supports charitable institutions but does not publish detailed information regarding that support.

2. Management Board and 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%.

<u>Explanation of the reasons for the non-compliance:</u>
The principle has been complied with, except for the provisions related to gender.

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.

<u>Explanation of the reasons for the non-compliance:</u>
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.

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;

<u>Explanation of the reasons for the non-compliance:</u>
The Company will take measures to ensure compliance with the principle in the future.

2.11.2 summary of the activity of the supervisory board and its committees
<u>Explanation of the reasons for the non-compliance:</u>
The Company will take measures to ensure compliance with the principle 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;

<u>Explanation of the reasons for the non-compliance:</u>
The Company will take measures to ensure compliance with the principle 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 for the non-compliance:

The Company will take measures to ensure compliance with the principle in the future.

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

Explanation of the reasons for the non-compliance:

The Company will take measures to ensure compliance with the principle 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

Explanation of the reasons for the non-compliance:

The Company will take measures to ensure compliance with the principle in the future.

3. 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 for the non-compliance:

Due to the small size of the company and its organisational structure, the Company does not have separate units responsible for individual systems or functions.

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 for the non-compliance:

The Company is not included in WIG20, mWIG40 or sWIG80.

The Company has published its set of corporate governance rules on its website.

(all data in PLN thousand, unless stated otherwise)

4. 1 Share capital and shareholders

4. 1.1 Shareholders

The majority shareholder MLP Group S.A. is CAJAMARCA HOLLAND B.V. of the Netherlands, registered address: Locatellikade 1, 1076 AZ Amsterdam.
The Group's ultimate parent is Israel Land Development Company Ltd. (of Tel Aviv, Israel), whose shares are listed on the Tel Aviv Stock Exchange.

The table below presents the list of shareholders as at 31 December 2023:

Shareholder	Number of shares	% interest in share capital	% of total voting rights
CAJAMARCA Holland BV	10 242 726	42,69%	42,69%
Other shareholders	4 248 915	17,72%	17,72%
Israel Land Development Company Ltd.	3 016 329	12,57%	12,57%
THESINGER LIMITED	1 771 320	7,38%	7,38%
Allianz OFE	1 713 881	7,14%	7,14%
Generali Powszechne Towarzystwo Emerytalne S.A.	1 591 360	6,63%	6,63%
GRACECUP TRADING LIMITED	641 558	2,67%	2,67%
MIRO LTD. 1)	617 658	2,57%	2,57%
Shimshon Marfogel	149 155	0,62%	0,62%
Oded Setter	2 080	0,01%	0,01%
Total	**23 994 982**	**100%**	**100%**

1) The merger between MIRO HOLDINGS LIMITED (the acquirer) and MIRO LTD (the acquiree) was registered on 26 January 2024. As a result of this transaction, MIRO HOLDINGS LIMITED has been a shareholder in MLP Group S.A. since 26 January 2024.

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 16 May 2022, the Extraordinary General Meeting adopted a resolution to amend the Articles of Association. The change was registered with the court.

According to the Articles of Association, the Management Board is composed of two to five 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 joint three-year terms. 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 Radosława 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. On 26 July, the Supervisory Board appointed Ms Monika Dobosz and Ms Agnieszka Góźdź as Members of the Management Board for the current term of office. Pursuant to the provisions of the Commercial Companies Code and the Articles of Association, the three-year term of office of the Management Board end on or before 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.

Mr Radosław T. Krochta was appointed President of the Management Board for the first time on 9 June 2016, in accordance with a resolution of the Supervisory Board.
Mr Michael Shapiro was appointed Vice President of the Management Board for the first time on 9 June 2016, in accordance with a resolution of the Supervisory Board.
Mr Tomasz Zabost was appointed Member of the Management Board for the first time on 25 June 2015, in accordance with a resolution of the Supervisory Board.
Ms Monika Dobosz was appointed Member of the Company's Management Board for an ongoing term for the first time on 26 July 2022, in accordance with a resolution of the Supervisory Board.
Ms Agnieszka Góźdź was appointed Member of the Company's Management Board for an ongoing term for the first time on 26 July 2022, in accordance with a resolution of the Supervisory Board.

On 29 February 2024, Mr. Tomasz Zabost stepped down from his position as Member of the Company's Management Board, effective immediately, without providing reasons for his resignation.

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, notes, warrants, bills of exchange, or amending terms of the Company's notes in issue;
- making contractual commitments to acquire or dispose of real estate, right of perpetual usufruct or fractional parts thereof, except for execution of preliminary agreements to acquire ownership or perpetual usufruct of real property which unilaterally oblige the other party and do not contain any obligations of the Company to pay a down payment or advance payment;
- execution, amendment or termination of an agreement for the provision of a credit facility, a bank guarantee or an insurance guarantee, or an agreement concerning a bank account, a letter of credit or other financial product or financial service, to which the Company and a domestic bank, a foreign bank, a credit institution or a financial institution within the meaning of the Banking Law Act of 29 August 1997 is a party or is to be a party;
- releasing a debtor of the Company from debt in excess of PLN 100,000 or an equivalent of the amount in another currency;
- approving annual budgets or long-term financial plans.

By the end of the third month from the end of a financial year, the Management Board prepares full-year financial statements, which − together with the draft resolution on the distribution of profit and the auditor's report − are be 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.

(all data in PLN thousand, unless stated otherwise)

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 2023, the Management Board was composed of five members.

Below is presented information on the Management Board members, including the position held, 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*
Monika	Dobosz	Member of the Management Board	26 July 2022	30 June 2024
Tomasz	Zabost	Member of the Management Board	26 July 2022	30 June 2024

* On 29 February 2024, Mr. Tomasz Zabost stepped down from his position as Member of the Company's Management Board, effective immediately, without providing reasons for his resignation.

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 1975 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***
Tomasz 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. In his previous role, he was at the forefront of executing new real estate projects. From defining the strategy to selecting the developer, land, contractors, suppliers, architects, engineers, and consultants, he was involved in every step of the process. 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 and Head of Project Management. Before his role at ProLogis, he supported the Spanish construction group Dragados in their efforts to enter the Polish market. Throughout his professional career, he has also collaborated with various industrial developers and contractors both in Poland and abroad. He has worked for a number of organisations including Liebrecht&Wood, E&L Project, and Ghelamco Poland.

Monika Dobosz – Member of the Management Board
Monika Dobosz possesses over two decades of professional experience in finance and accounting, with 14 of those years spent in the real estate industry. Monika Dobosz joined MLP Group in 2009 as head of the financial reporting department. In 2014, she was appointed Chief Financial Officer. In this role, her responsibilities encompass financial reporting, budgeting for the Group and its subsidiaries, arranging new financing for the Group's projects, as well as supervising the accounting, controlling, and reporting teams. Before joining MLP Group, she held the position of Deputy Chief Accountant at Fadesa Polnord Poland and Parker Hannifin Sp. z o.o. She is a graduate of Poznań University of Economics, where she studied Banking, and Warsaw School of Economics, where her principal field of study was Financial Reporting.

Agnieszka Góźdź – Member of the Management Board
Agnieszka Góźdź's primary responsibility is the commercialisation of logistic parks and land banking in Poland. She also supports MLP Group's expansion into new European markets and business growth. She became part of the MLP Group team seven years ago. She has 16 years of experience in the warehouse space market. Before joining MLP Group, she worked as an expert for leading property advisory firms, including Cushman & Wakefield, CA IMMO Real Estate Management Poland, AXI IMMO GROUP, and King Sturge. She is a graduate of Private School of Business and Administration in Warsaw. In addition, she completed postgraduate studies in commercial property management at Warsaw University of Technology.

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 2022, 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 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.

(all data in PLN thousand, unless stated otherwise)

4. 5.3 Composition of the Supervisory Board

As at 31 December 2023 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*

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 been serving as Vice President of the Management Board at Israel Land Development Company Ltd. of Bnei Brak.

Eytan Levy - *Deputy Chairman of the Supervisory Board*

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. Between 1991 and 1997, he also held a number of managerial roles, 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 worked as a partner in the Tel Aviv office of the American law firm Gerard Klauer & Mattison. Since 1997 he has served as Director in the Israel law company Percite Technology, based in Rosh Ha`Ayin.

Oded Setter - *Member of the Supervisory Board*

Oded Setter holds the position of Vice President for Financing, Investments & Business Development at The Israel Land Development Company Ltd. ("ILDC"). He also serves on the Management Boards of Skyline Investments and a subsidiary of ILDC. Mr 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.

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

Maciej Matusiak - ***Member of the Supervisory Board***

Mr Maciej Matusiak graduated from the Technical University of Lódź, 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. Between 1996 and 1998, he worked as financial analyst at PKO BP Bankowy Dom Maklerski. From 1998 to 2002, he worked at the Commercial Union Group – initially at the Investment Department of Commercial Union Polska – Towarzystwo Ubezpieczeń na Życie S.A., and then at Commercial Union Investment Management (Polska) S.A. Since 2006, he has served as President of the Management Board of Artemis Investment Sp. z o.o. of Warsaw.

Guy Shapira - ***Member of the Supervisory Board***

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

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

Piotr Chajderowski - ***Member of the Supervisory Board***

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

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

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

4. 5.4 Audit Committee

On 15 January 2014, the Supervisory Board established an Audit Committee which is responsible for overseeing the Company's financial matters. The Committee's detailed tasks and manner of operation are defined in the rules of procedure of the Audit Committee, attached as an appendix to the Rules of Procedure for the Supervisory Board. The role and responsibilities of the Audit Committee include supervision, monitoring and advising the Management Board and the Supervisory Board on all matters relating to risk management, audit of financial statements, and monitoring and compliance with applicable laws and regulations. The Audit Committee evaluates the work performed by the independent auditor and the associated costs.
The Audit Committee held seven meetings in 2023.

As at 31 December 2023, the Audit Committee was composed of the following persons

- Piotr Chajderowski,
- Eytan Levy,
- Maciej Matusiak.

As at 31 December 2023, 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 or their value. Such remuneration committee mays consist of two to three members, of whom at least one must be an independent member.

As at 31 December 2023, the Company's Supervisory Board did not have a remuneration committee.

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.

(all data in PLN thousand, unless stated otherwise)

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

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

Remuneration of the Group's Management Board in 2023	
Remuneration and other benefits:	
Radosław T. Krochta	974
Michael Shapiro	544
Tomasz Zabost	558
Marcin Dobieszewski	421
Monika Dobosz	545
Agnieszka Góźdź	545
	3 587

Provision for variable remuneration of the Management Board in 2023:	
Radosław T. Krochta	-
Michael Shapiro	-
Tomasz Zabost	-
Marcin Dobieszewski	301
Monika Dobosz	-
Agnieszka Góźdź	-
	301

Use of previous year's provision for variable remuneration of the Management Board	
Radosław T. Krochta	2 532
Michael Shapiro	1 201
Tomasz Zabost	1 246
Marcin Dobieszewski	833
Monika Dobosz	1 265
Agnieszka Góźdź	1 226
	8 303

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) variable renumaration.

Remuneration of the Supervisory Board in 2023	
Maciej Matusiak	60
Eytan Levy	60
Shimshon Marfogel	60
Guy Shapira	60
Piotr Chajderowski	60
Oded Setter	60
	360

In 2023, the total amount of remuneration due to and received by the Supervisory Board was PLN 360 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. If Mr Krochta's employment contract is terminated, he is entitled to receive remuneration during the notice period according to the terms of his contract.

Mr Michael Shapiro, Vice President of the Management Board, is employed by the Company under an employment contract. As per the terms of the contract, in the event of contract termination, Mr. Shapiro is entitled to receive remuneration during the notice period.

Mr Tomasz Zabost, Member of the Management Board, was employed under an employment contract. If Mr Zabost's employment contract is terminated, he is entitled to receive remuneration during the notice period according to the terms of his contract.

Ms Monika Dobosz, Member of the Management Board, is employed under an employment contract. If Ms Dobosz's employment contract is terminated, she is entitled to receive remuneration during the notice period according to the terms of his contract.

Ms Agnieszka Góźdź, Member of the Management Board, is employed at the Company under an employment contract. If Ms Góżdż's contract is terminated, she is entitled to receive remuneration during the notice period according to the terms of her contract.

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

On 8 December 2022, MIRO Ltd acquired 65,533 ordinary shares, representing 0.27% of the share capital and 65,533 voting rights, or 0.27% of total voting rights. As at 31 December 2022, Michael Shapiro, Vice President of the Management Board, held indirectly, through his fully-controlled company MIRO Ltd., a 2.57% interest in MLP Group S.A.'s share capital, and, through a 25% interest in the share capital held by MIRO Ltd. in Cajamarca Holland B.V., Mr Shapiro was the beneficial owner of 10.67% of the share capital of MLP Group S.A. In total, Mr Shapiro was the beneficial owner of a 13.24% interest in the share capital of MLP Group S.A.

Eytan Levy indirectly holds a 10.67% interest in MLP Group S.A.'s share capital: Mr. Levy holds a 100% interest in N Towards the Next Millennium Ltd. This company holds a 33.33% (1/3) interest in RRN Holdings Ltd. which in turn holds a 75% interest in the share capital of Cajamarca Holland B.V., resulting in a 10.67% interest in MLP Group S.A.'s share capital.

As at 31 December 2023, Shimshon Marfogel, Chairman of the Supervisory Board, held directly, through the Company shares acquired in September 2017, 0.62% of the Company's share capital.

As at 31 December 2023, Oded Setter, member of the Supervisory Board, held directly, through the Company shares acquired in September 2021, October 2021, January 2022, March 2022 and June 2022, 0.0087% of the Company's share capital.

The merger between MIRO HOLDINGS LIMITED (the acquirer) and MIRO LTD (the acquiree) was registered on 26 January 2024. As a result of this transaction, MIRO HOLDINGS LIMITED has been a shareholder in MLP Group S.A. since 26 January 2024.

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

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

In 2023, there were no major changes in the key management policies. The development of the organisation requires that management procedures applicable in MLP Group S.A. and the other entities of the Group be improved on a continuous basis.

4. 9 Internal control and risk management system

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

The Audit Committee directly oversees the effectiveness of the internal control, internal audit and risk management systems and monitors the financial reporting process.

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,
- control mechanisms, including internal procedures, proper division of responsibilities, authorisations of financial and economic operations,
  internal audit as a tool supporting the monitoring process of the internal control system,
- oversight of the system by the management and regular assessment of the Group's business,
- verification of financial statements and reports by an independent auditor.

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

- operating activities,
- financing activities,

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

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

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

- established organisational structure,
- qualified staff,
- direct management supervision,
- verification of financial statements and reports by an independent auditor.

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

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

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

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

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

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

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

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

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

(all data in PLN thousand, unless stated otherwise)

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 2023 and to review the interim financial statements prepared for the six months ended 30 June 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 2023, PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt spółka 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.

as at	31 December 2023	31 December 2022
Audit of full-year financial statements	134	138
Audit of separate financial statements of subsidiaries	255	255
Review of the interim consolidated and separate financial statements	40	30
Audit and review of group reports	297	312
Total fees	**726**	**735**

Signed with qualified electronic signature.

Radosław T. Krochta
President of the Management Board

Michael Shapiro
Vice President of the Management Board

Monika Dobosz
Member of the Management Board

Agnieszka Góźdź
Member of the Management Board

Pruszków, 18 March 2024