

## I. Letter from President & CEO to Shareholders



**Dear Fellow Shareholders,**

The future is inherently uncertain, we usually have to choose between avoiding risk and having little or no return, taking a modest risk and settling for a commensurately modest return, or taking on a high degree of uncertainty in pursuit of substantial gain but accepting the possibility of substantial permanent loss in business. The paradox of risk-taking is inescapable. Taking risk does not mean to be automatically successful; that is why we call it risk. **The rule of keeping risk under control combined with the continuous and steady growth defines our way of operations.**

**Summing up the current situation, it would be easiest to say that the worst is behind us** i.e. uncertainty to the trajectory/direction of Yield/Valuation, period of high inflation, hesitation and uncertainty towards decisions to start or expand new investments or businesses - of course, there still remains the slim probability of a return of high inflation, economic slowdown and, above all, geopolitical risks and conflicts.

The main characteristics of the current status of the industrial market:

- (1) broad market consensus is that Yields have peaked and Valuation have bottomed** - following a period of increasing valuation yields on the back of interest rate hikes, a gradual stabilization and reversal of the trend is anticipated. As yields stabilize and expected to drop in correlation to interest rates. Yield differential between CEE and Western European logistics yields back to long term average expected to come down further – driven by the higher growth expectations for CEE region.
- (2) demand for warehouse space is bouncing back across Europe (especially since 2Q 2024)** - following several quarters of shifting trends in the European logistics market, signs of stabilization and growth have been observed since Q2 2024. The European logistics market in 1H 2024 has been characterized by dynamic changes, creating both challenges and opportunities for developers. In 1H 2024, demand for warehouse space in Europe dropped by about 25% compared to the same period in 2023, and approximately 35% compared to the record highs of 2022. This statistical reduction of demand was predominantly caused by slower demand generated by the big e-commerce retailers, who had stopped or significantly reduced its expansion plans across Europe. On the flip side, the demand from light industry tenants especially from Asia and nearshoring is showing a growth and partially compensating drop in e-commerce demand.



- (a) **nearshoring** drives demand from manufacturing tenants, which are strongly represented in MLP Group's portfolio, especially in Poland, Germany and Austria, where many local players intend to move part of highly advanced manufacturing back to home or neighboring countries.
  - (b) **strong demand from Asian companies** across Europe, particularly in production space within sectors such as electromobility and battery manufacturing in Western Poland, Romania, Brandenburg (Berlin) and Ruhr Area (North Rhine-Westphalia) play a crucial role and provide MLP Group with a robust foundation for continued growth.
- (3) **longer time to sign lease contracts but better quality lease and tenants** - signing new lease contracts is on average 3-4 months longer compared to the past. New tenants are largely from the light industry sector => these are more advanced projects. Tenants often have to fit their investments into our warehouses - this takes time, but on the other hand, lease agreements are concluded for at least 10 years, tenants invest significant CAPEX in our warehouses, which gives great stability to our portfolio. Rental rates are often higher than for those for logistics tenants.
- (4) **limited supply of new projects** - taking into account problems with financing by so-called "fee developers" - the availability of newly built space has been reduced by about 20-25% in Europe, which has a very positive impact on rental rates.
- (5) **lower construction costs** - construction prices went back practically to pre-COVID level => we are trying to take advantage of the fact that many general contractors are facing problems with new orders and are able to accept very competitive project construction cost => **it impacts positively profitability of our projects.**

Taking these factors into account, MLP Group is well-positioned to capitalize on the shifting market conditions across Europe. **The strategic placement of its logistics parks in the core urban areas across Europe strengthens MLP Group's position in the European logistics real estate sector, offering flexible, client-tailored solutions that also enhance profitability.** By effectively adapting to these market changes, MLP Group can continue to deliver higher-quality products that meet the needs of today's dynamic market with our strategic locations in the key logistic markets.

Given the changing market dynamics, **MLP Group is focusing on developing smaller, more flexible units such as City Logistic (SBU) and Medium Size Units (MSU) - both named as MLP Business Park.** These units are aligned with the evolving needs of modern tenants, offering more specialized, high-quality spaces in city locations allowing us to generate higher rental rates compared to traditional big-box warehouses. **MLP Group is well prepared for the future. Our multi-tenant parks allow us to establish a high diversification of tenants' requirements from small space (starting at 500 m<sup>2</sup>) up to larger sizes up to 20.000 m<sup>2</sup> Units.**

Although I begin this letter to shareholders in a challenging landscape, I remain proud of what had been achieved in 1H2024. We delivered excellent results, both from an operational and financial point of view, driven by strong leasing performance across Europe.

### Looking back on 1H 2024, our main highlights include:

- **Revenues** amounted to PLN 187.7 million (+1% vs. 1H 2023), EUR 43.5 million (+8% vs. 1H 2023)
- **Value of investment properties** reached PLN 5 057.0 million (+11 % vs. 31 December 2023), EUR 1 172.5 million (+12% vs. 31 December 2023),
- **Net Assets Value (NAV)** reached PLN 2 677.5 million (+12% vs. 31 December 2023), EUR 620.8 million (+13% vs. 31 December 2023),
- **NAV per share** PLN 111.6 (+12% vs. 31 December 2023), EUR 25.9 (+13% vs. 31 December 2023),
- **EBITDA without revaluation** amounted to PLN 99.1 million (+2% vs. 1H 2023), EUR 23.0 million (+9% vs. 1H 2023),
- **FFO** amounted to PLN 40.9 million (-30% vs. 1H 2023), EUR 9.5 million (-25% vs. 1H 2023),
- **Net profit** amounted to PLN 281.6 million (EUR 65.3 million),
- **Lease agreements** signed in 1H 2024 or in signing process by September 2024 approx. 161 thousand sqm
- **BREEAM/ DGNB** almost 80% of our portfolio is certified with very good or excellent level.

### Strong cash flow generating portfolio

The portfolio WAULT stood at above 7.8 years. MLP Group has stable occupancy rate at 92%. Rent collection level stood at 99% with no deterioration in payment profile. Customer relationship management helps us develop long-term relations reaching even over 20 years with the retention rate of approx. 100%.

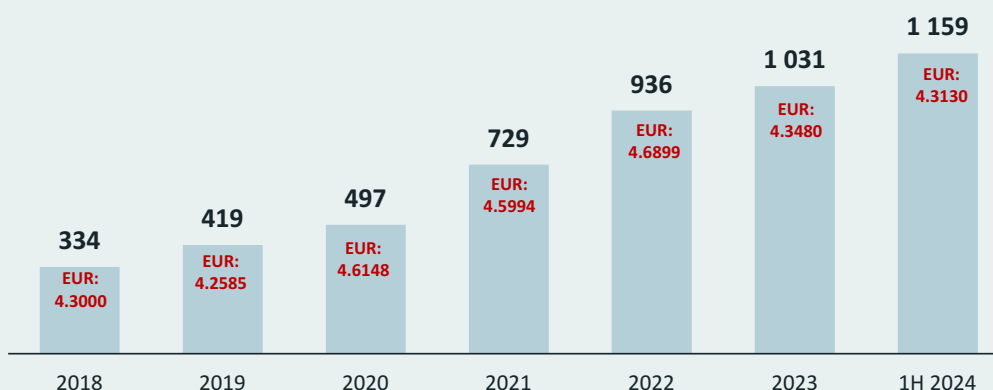
With approximately 195 tenants, MLP Group has a wide and diversified international tenant base, consisting of blue-chip companies with strong credit ratings. MLP Group's tenants represent a broad range of industries, including manufacturing, high-tech, automotive, and e-commerce, retail, wholesale, and third-party logistics. The quality and location of our portfolio is important to our tenants, but in our DNA we believe the high level of service we provide is crucial to maintaining high customer retention as well as low vacancy and the most importantly satisfaction. **According to our continuous satisfaction survey 96% (increase by +1 vs. 2023) of tenants said that they considered MLP Group as the most professional business partner.**

### MLP GROUP – key developments in 1H 2024

#### Value of investment properties

Despite of the challenging economic landscape, 1H2024 was a successful period for us - we continued our strategy deployed in 2021 but from a much stronger equity position than we had in the past years. PLN/EUR strengthening had adverse impact on the value of our investment property. Due to the strengthening of PLN in the reporting period - as at December 31, 2023 EUR 1 = PLN 4.3480 as at the reporting date of June 30, 2024 EUR 1 = PLN 4.3130, a decrease of PLN 0.0350 (-1%). As a consequence, the value of our investment properties decreased by PLN 36.1 million.

### Gross asset value (in mn EUR)

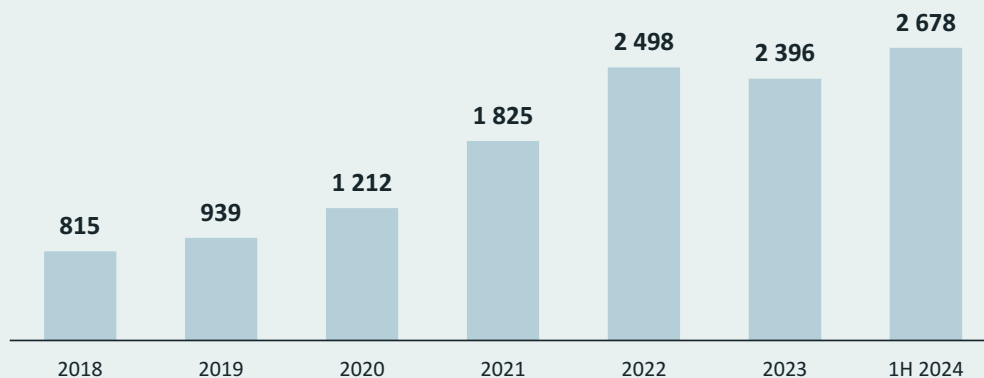


*Gross Asset Value of investment properties without Perpetual Usufruct and residential properties*

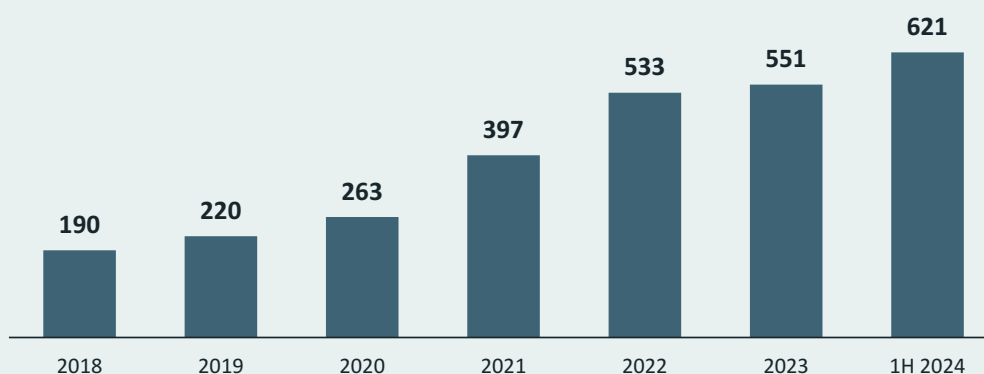
**MLP Group's Portfolio is valued in EUR and for the presentation in Financial Statement is translated into PLN with the exchange rate (EUR/PLN) at the balance date.**

Net Assets Value (NAV) reached PLN 2 677.5 million (+12% vs. 31 December 2023), EUR 620.8 million (+13% vs. 31 December 2023).

### Net asset value (in mn PLN)



### Net asset value (in mn EUR)



## Leasing results

Repeating what I have mentioned in the beginning of the letter – demand stays strong (bouncing back in 2Q 2024) but we are noting a **longer time to sign lease contracts but better quality lease and tenants** - signing new lease contracts is on average 3-4 months longer compared to the past. New tenants are largely from the light industry sector - these are more advanced projects. Tenants often have to fit their investments into our warehouses - this takes time, but on the other hand, lease agreements are concluded for min 10 years, tenants invest significant CAPEX into our warehouses, which gives great stability to our portfolio. Rental rates are higher than for logistics clients.

**Lease agreements** signed in 1H 2024 or in signing process by September 2024 approx. 161 thousand sqm.

**We expect to sign majority of the budgeted lease contracts for this year in 2H 2024 (esp. in 3Q).**

As at 30 June 2024, development projects were ongoing across all countries totalling 171 193 sqm i.e. in Poland 116 673 sqm and in Vienna 54 520 sqm. We leased 43% of this development in the construction, which reconfirms the robustness of the occupier market. We expect to lease all properties under construction by YE..

**Our total portfolio reached 1 160 830 sqm with the new space under development amounting to 171 193 sqm.**

Tenants from the light manufacturing and logistics sector were the largest takers of our space during 2024. We strongly believe that the trend of near-shoring will be maintained in 2024 and onwards. In 1H 2024 32% of new leases was generated by existing MLP Group tenants.

At 30 June 2024, our portfolio generated rental income of PLN 108.5 million. During the year, we contracted PLN 8.2 million of new rent.

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

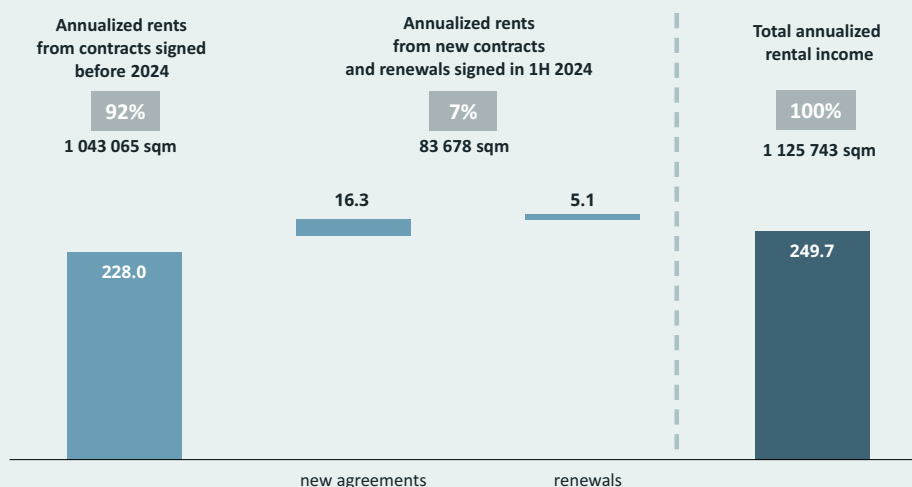


### Existing portfolio continues to perform well and delivered another set of strong operating metrics.

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



### Annualized future rental income based on all signed contracts in 2024 (in mn PLN)



- PLN 228.3 million of rent from existing assets from contracts signed before 2024.
- Rental growth from new lease reviews and renewals generated PLN 21.4 million.
- **Customer retention rate remained at approx. 100%.**

### PV/Solar energy

MLP Group is on track with its expansion plan for the roll-out of photovoltaic systems throughout 2023. With an average cost of approx. EUR 770,000 per MWp, MLP Group targets a YoC of 18% for these investments.

MLP Group has already installed 7.4 MWp of photovoltaic systems on the roof and further 2.6 MWp shall be installed by the end of 2025. The goal is to equip every project with a photovoltaic system, making it a standard feature in the construction of new properties.



### Financial standing of MLP Group

**MLP Group is in the process of obtaining a credit rating. Obtaining a credit rating from a reputable agency in the foreseeable future should enable us to access the European and global debt markets and improve our ability to raise funds for investment activities.**

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

- **100% lease agreements indexed with CPI for EUR without any cap (indexed once a year in February);**
- All rentals are denominated in EUR or are directly expressed in EUR, which significantly reduces our exposure to the currency risk;
- Almost 80% of loans are hedged with IRS for the next 4 years, resulting in limited interest rates' exposure;
- Diversification of energy sources and implementation of solutions having a positive impact on the protection of the natural environment.;
- The greatest value is the potential of the secured plots, which enables rapid development in the coming years on European markets, and thus the achievement of the assumed strategic goals;



- 99% rent collection (collection reached within 60 days) across our portfolio;
- Strong cash flow position
  - ✓ **LTV at 37.5%, with in the interest coverage ratio at 2.0 x ICR**
  - ✓ **Long debt maturity** ratio of 4.0 years
  - ✓ **FFO** amounted to PLN 40.9 million (-30% vs. 1H 2023), EUR 9.5 million (-25% vs. 1H 2023). The decrease in FFO in the first half of 2024 compared to the same period in 2023 was influenced by higher financial debt costs, including an increase in interest expenses on loans, borrowings, and bonds by PLN 19.6 million.

MLP Group has a very good financial standing and a safe capital structure enabling the implementation of long-term strategic goals. With the modest leverage, long-average debt maturity of 4.0 years, no near-term refinancing requirements and virtually entire debt at fixed or capped rates, we have significant financial flexibility to continue to invest capital in the development and acquisition opportunities that offer the most attractive risk-adjusted returns.

### MLP Group plans for 2H 2024

MLP Group continued its disciplined investment in its highly profitable pipeline as the demand stays stable, we have defined our geographical new rental target for 2H 2024. In 2H 2024 we will lease our Business Park Projects in **Vienna, Schalke (Gelsenkirchen), Łódź and Big-Box projects in Poznań, Idstein (Frankfurt am Main), Berlin-Spreehagen => those projects shall significantly contribute not only to our rental revenue but also to NAV in 2024.**

**New plots acquisition** – while in 1H 2024 we had a very cautious policy regarding the acquisition of new plots, by the end of the year we intend to buy several additional plots, among others, plots located in (North Rhine-Westphalia), Rzeszów, Warszawa, which should significantly increase our land bank and strengthen our position in the main markets.

**Key points for 2024 are focused on deploying acquired plots:**

- **MLP Wrocław West (2<sup>nd</sup> stage)** - building permit for the buildings expected 1-2Q 2025 and subsequent start of construction 2Q 2025,
- **MLP Łódź** - remaining development part of approx. 36 000 sqm of warehouse and office area – building permit for the bridge building expected 4Q 2024 and subsequent construction starting 1Q 2025,
- **MLP Zgorzelec** - construction started in January 2024 of ca. 33 500 sqm area preleased and 15 500 sqm speculative buildings,
- **MLP Poznań West III** – 30 240 sqm – construction starting 3Q 2024, **22 400 sqm pre-lease**
- **MLP Pruszków II** (extension) – approx. 65 000 sqm (30 000 sqm already developed, the remaining part construction starting 3Q 2024),
- **MLP Idstein** | approx. 18 800 sqm of warehouse and office area - construction starting 4Q 2024, **well advance 100% pre-lease contract negotiations.**

### Start next Urban/City logistics projects (MLP Business Park) in 2024 and plans for 2025:

- **MLP Business Park Poznań** | approx. 32 000 sqm of warehouse and office area – demolition & construction start in 3Q 2024,
- **MLP Business Park Łódź** | approx. 28 000 sqm of warehouse and office area – construction will be completed in 4Q 2024,
- **MLP Business Park Vienna** | approx. 54 000 sqm of warehouse and office area – construction and leasing started in January 2024 finished by 1Q 2025,
- **MLP Business Park Schalke** | approx. 55 000 of warehouse and office area 4Q 2023 start of demolition, building permit in August 2024 and subsequent construction start 3Q 2024, **well advanced 24 550 sqm pre-lease contract negotiations.**

We expect further high single digit growth in rental rates and ERV (estimated rental values) supported by structural drivers of occupational demand and limited supply.

Most importantly, we will continue our development in Germany, where we are systematically increasing our portfolio of projects. We plan to strengthen and expand our presence in the regions where we are already present i.e. North Rhine-Westphalia, Brandenburg and Hessen land. Further development on the German market is a key point of our strategy.

Urban/City logistics projects (MLP Business Park) will be of our focus in 2024 and onwards being a high growth potential, high profitability and resilient to economic downturns projects. **Our 2028 target is to reach 30% value of Urban/City logistic projects to the total MLP Group portfolio GAV.**

MLP Group's landbank amounts to 2.8 million sqm, securing development potential of 1.4 of which 0.7 million sqm is owned and on-balance sheet, offers substantial secured future growth potential to MLP Group. With its industry leading YoC12%. Hence MLP Group has a substantial revaluation potential in the light of expected Yield compression. MLP has a solid track record of delivering over 10% new GLA per year, thus MLP Group expects to be able to continue to generate double digit growth in the years to come.

### In closing

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

**Radosław T. Krochta**  
President & CEO of MLP Group

