MLP GROUP

Management Board’s Report

on the activities of the MLP Group S.A. Group

for the 12 months ended 31 December 2022

This document is a translation. Polish version prevails.

This Management Board's Report on the activities of the MLP Group S.A. for the 12 month sended 31 December 2022 has been prepared in accordance with to the Minister of Finance's Regulationon 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).

www.mlpgroup.com

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This Management Board's Report on the activities of the MLP Group S.A. Group in the 12 months ended 31 December 2022 was prepared as at and authorised for issue by the Company's Management Board on 17 March 2023.

Signed with qualified electronic signature.

Pruszków, 17 March 2023

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

The 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 2022, 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.	Poland	100%	100%
2	MLP Pruszków II Sp. z o.o.	Poland	100%	100%
3	MLP Pruszków III Sp. z o.o.	Poland	100%	100%
4	MLP Pruszków IV Sp. z o.o.	Poland	100%	100%
5	MLP Poznań Sp. z o.o.	Poland	100%	100%
6	MLP Lublin Sp. z o.o.	Poland	100%	100%
7	MLP Poznań II Sp. z o.o.	Poland	100%	100%
8	MLP Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%
9	Fenix Obrót Sp. z o.o.	Poland	100%	100%
10	MLP Property Sp. z.o.o.	Poland	100%	100%
11	MLP Bieruń Sp. z o.o.	Poland	100%	100%
12	MLP Bieruń I Sp. z o.o.	Poland	100%	100%
13	MLP Sp. z o.o.	Poland	100%	100%
14	MLP Teresin Sp. z o.o.	Poland	100%	100%
15	MLP Business Park Poznań Sp. z o.o.	Poland	100%	100%
16	MLP FIN Sp. z o.o.	Poland	100%	100%
17	LOKAFOP 201 Sp. z o.o.	Poland	100%	100%
18	LOKAFOP 201 Spółka z ograniczoną odpowiedzialnością SKA	Poland	100%	100%
19	MLP Wrocław Sp. z o.o.	Poland	100%	100%
20	MLP Gliwice Sp. z o.o.	Poland	100%	100%
21	MLP Business Park Berlin I LP Sp. z o.o.	Poland	100%	100%
22	MLP Czeladź Sp. z o.o.	Poland	100%	100%
23	MLP Temp Sp. z o.o.	Poland	100%	100%
24	MLP Dortmund LP Sp. z o.o.	Poland	100%	100%
25	MLP Dortmund GP Sp. z o.o.	Poland	100%	100%
26	MLP Logistic Park Germany I Sp. z o.o. &Co KG.	Germany	100%	100%
27	MLP Poznań West II Sp. z o.o.	Poland	100%	100%
28	MLP Bucharest West Sp. z o.o.	Poland	100%	100%
29	MLP Bucharest West SRL	Romania	100%	100%
30	MLP Teresin II Sp. z o.o.	Poland	100%	100%
31	MLP Pruszków V Sp. z o.o.	Poland	100%	100%
32	MLP Germany Management GmbH	Germany	100%	100%
33	MLP Wrocław West Sp. z o.o.	Poland	100%	100%
34	MLP Business Park Berlin I GP sp. z o.o.	Poland	100%	100%

(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.	Poland	100%	100%
36	MLP Poznań East sp. z o.o.[5)]	Poland	100%	100%
37	MLP Schwalmtal LP sp. z o.o.	Poland	100%	100%
38	MLP Schwalmtal GP sp. z o.o.	Poland	100%	100%
39	MLP Pruszków VI sp. z o.o.	Poland	100%	100%
40	MLP Business Park Berlin I Sp. z o.o. & Co. KG	Germany	100%	100%
41	MLP Schwalmtal Sp. z o.o. & Co. KG	Germany	100%	100%
42	MLP Business Park Wien GmbH	Austria	100%	100%
43	MLP Wrocław West I Sp. z o.o.	Poland	100%	100%
44	MLP Gelsenkirchen GP Sp. z o. o.	Poland	100%	100%
45	MLP Gelsenkirchen LP Sp. z o. o.	Poland	100%	100%
46	MLP Gelsenkirchen Sp. z o.o. & Co.KG	Germany	100%	100%
47	MLP Gorzów Sp. z o.o.	Poland	100%	100%
48	MLP Idstein LP Sp. z o.o.	Poland	100%	100%
49	MLP Idstein GP Sp. z o.o.	Poland	100%	100%
50	MLP Idstein Sp. z o.o. & Co. KG	Germany	100%	100%
51	MLP Business Park Trebur GP Sp. z o.o.[1)]	Poland	100%	100%
52	MLP Business Park Trebur LP Sp. z o.o.[2)]	Poland	100%	100%
53	MLP Business Park Trebur Sp. z o.o. &Co. KG[3)]	Germany	100%	100%
54	MLP Poznań West III Sp. z o.o.[4)]	Poland	100%	100%

Changes in the Group

[1)] On 16 February 2022, MLP Schwäbisch Gmünd GP Sp. z o.o. was established. 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 March 2022. On 14 June 2022, the Extraordinary General Meeting of the company resolved to rename it MLP Business Park Trebur GP Sp. z o.o. The change in the company's name was entered in the National Court Register on 23 June 2022.

[2)] On 16 February 2022, MLP Schwäbisch Gmünd LP Sp. z o.o. was established. 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 21 March 2022. On 14 June 2022, the Extraordinary General Meeting of the company resolved to rename it MLP Business Park Trebur LP Sp. z o.o. The change in the company's name was entered in the National Court Register on 22 June 2022.

[3)] Pursuant to a notarial deed of 6 July 2022, MLP Business Park Trebur Sp. z o.o. &Co. KG was established, in which MLP Business Park Trebur LP Sp. z o.o. is a limited partner and MLP Business Park Trebur GP Sp. z o.o is the general partner.

[4)] MLP Poznań 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.

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

1. 2 Principal business of the Company and the Group

The MLP Group S.A. Group is one of the leading European logistics platforms, offering clients a complete range of services, from site identification, through land acquisition, to property management. The unique business model is based on the "Build & Hold" strategy, which allows the Company to establish and maintain direct, long-term customer relationships. As a result, the Company achieves high tenant satisfaction levels, which translates into excellent occupancy rates.

The Group specializes in constructing and managing modern warehouse centers. 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.

Its property portfolio, which includes finished buildings, buildings under construction, or those with building permits, amounts to over 1.1 million m^2 of total leasable area. The Group's net asset value at year-end 2022 amounted to PLN 2.5bn.

In 2022, the Group acquired new land in Poland with a total area of approximately 37.7 hectares. 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.

The Group currently operates 21 logistics parks located in four European countries. In Poland, the Group has 14 logistic parks in key locations: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, MLP Czeladź, MLP Poznań West, MLP Wrocław West, MLP Łódź, MLP Zgorzelec, MLP Business Park Poznań and MLP Gorzów Wielkopolski.

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

The Group 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 Park projects are urban logistics developments that are gaining popularity. 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 Niederrhein, MLP Business Park Vienna, and MLP Business Park Poznań.

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

The Group's strategic objectives until 2024 include:

- Building economic scale in the existing strategic markets – Poland, Germany, Austria, and Romania through developing City Logistics and big-box projects
- Maintaining stable occupancy rate averaging ~ 95% of total existing portfolio with speculative development component of up to 20 thousand m^2 per project
- Increasing the amount of space leased under new contracts to 250 thousand m^2 per year
- 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 transportation
- Rental growth from existing lease 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 emphasis 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 CO_2 emissions by 2026.

1. 3 The Group's property portfolio

The Group classifies its portfolio properties into two main categories:

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

The structure of the Group's property portfolio by property category and segment as at 31 December 2022 is presented below.

Property portfolio by segment	Total land area (m^2)	Development potentof 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	3 231 428	1 384 997	883 992	119 469	381 536
GERMANY	454 575	206 851	79 457	-	127 394
AUSTRIA	98 249	52 500	-	-	52 500
ROMANIA	188 045	99 000	22 677	-	76 323
TOTAL	**3 972 297**	**1 743 348**	**986 126**	**119 469**	**637 753**

As at 31 December 2022, 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 2022 (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)
POLAND	883 992	870 669	13 323	119 469	93 596
GERMANY	79 457	77 347	2 110	-	-
AUSTRIA	-	-	-	-	-
ROMANIA	22 677	22 677	-	-	-
TOTAL	**986 126**	**970 693**	**15 433**	**119 469**	**93 596**

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.

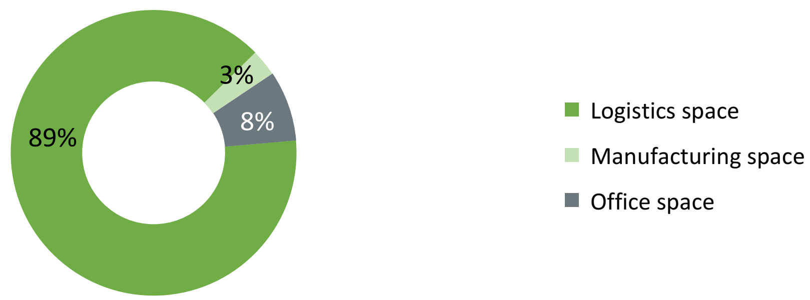
The Group also provides its tenants with support office space. The final division of leased space depends on tenants' requirements.

The space is available in two formats:

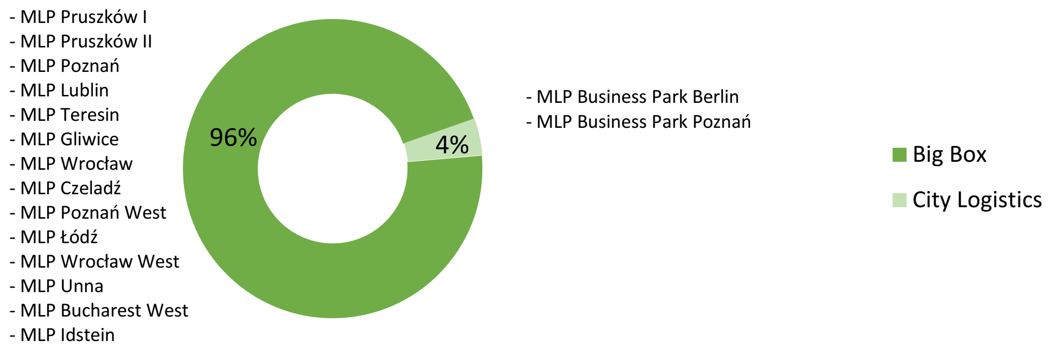
- City Logistics
- Big Box.

Space completed at the Group's parks as at 31 December 2022:

Space completed at the Group by type of facility as at 31 December 2022



Space completed at the Group by format as at 31 December 2022



As one of the key growth levers for the Group's business, it will seek to achieve a significant share in the portfolio of City Logistics projects. 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 Niederrhein, MLP Business Park Vienna and MLP Business Park Schalke.

The value of investment property portfolio disclosed in the Consolidated financial statements as at 31 December 2022 included: (i) market value of investment property of PLN 4,390,575 thousand, (ii) perpetual usufruct right to land of PLN 42,280 thousand, (iii) the value of Fenix Obrót Sp. z o.o.'s apartments of PLN 111 thousand and (iv) the value of expenditures not included in the valuation in the amount of PLN 9 thousand.

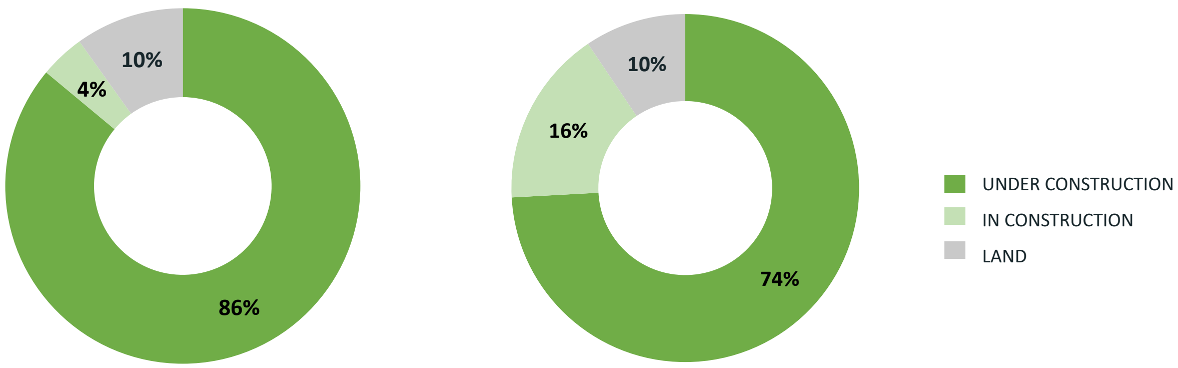
Fair value of the Group's property portfolio by segment and property category as at 31 December 2022:

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 '000	678 790	38 180	27 740	18 075	762 785
	PLN '000	3 183 456	179 059	130 098	84 770	3 577 384
Germany	EUR '000	115 200	-	-	19 180	134 380
	PLN '000	540 277	-	-	89 953	630 230
Austria	EUR '000	-	-	-	21 700	21 700
	PLN '000	-	-	-	101 771	101 771
Romania	EUR '000	11 400	-	-	5 920	17 320
	PLN '000	53 439	-	-	27 751	81 190
Total	**EUR '000**	**805 390**	**38 180**	**27 740**	**64 875**	**936 185**
Total	**PLN '000**	**3 777 172**	**179 059**	**130 098**	**304 245**	**4 390 575**

Fair value of the Group's property

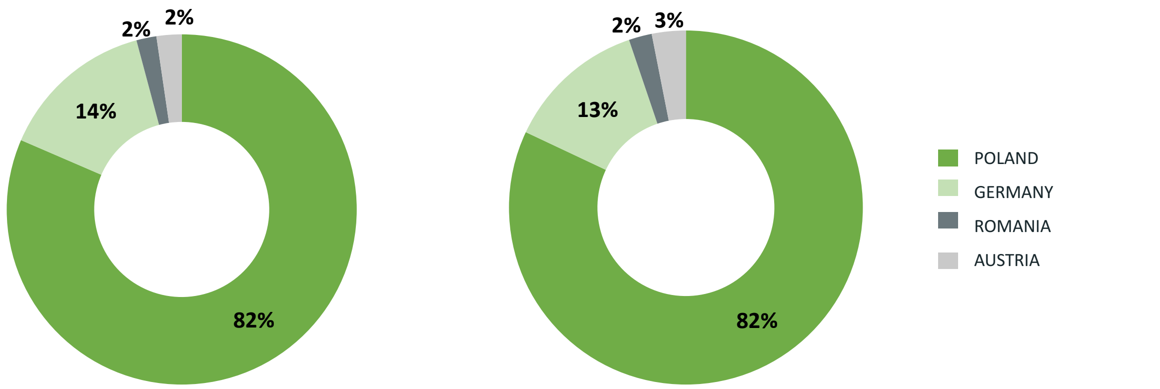
a) by type

as at 31 December 2022 **as at 31 December 2021**



b) by country

as at 31 December 2022 **as at 31 December 2021**



(all data in PLN thousand, unless stated otherwise)

1. 4 Market, customers and suppliers

The Group's property portfolio in Poland currently comprises fourteen logistics parks at the following key locations: MLP Pruszków I, MLP Pruszków II, MLP Poznań, MLP Lublin, MLP Teresin, MLP Wrocław, MLP Gliwice, MLP Czeladź, MLP Poznań West, MLP Wrocław West, MLP Łódź, MLP Business Park Poznań, MLP Zgorzelec and MLP Gorzów Wielkopolski. In Germany, the Group currently has five logistics parks: MLP Unna, MLP Business Park Berlin, MLP Business Park Niederrhein-Schwalmtal, MLP Business Park Schalke, MLP Idstein. The Group operates the logistics park MLP Bucharest West in Romania and the logistics park MLP Business Park Vienna in Austria.

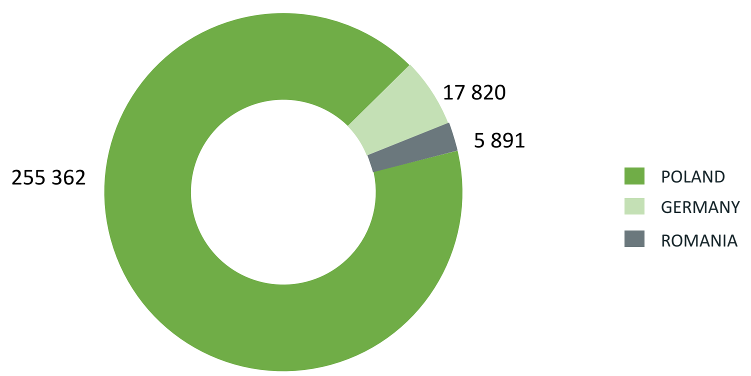
The Group has signed agreements grating options to purchase land in new locations in Poland and Germany, which would allow it to expand the selection of available locations for tenants.

1. 4.1 Structure of the Group's sales

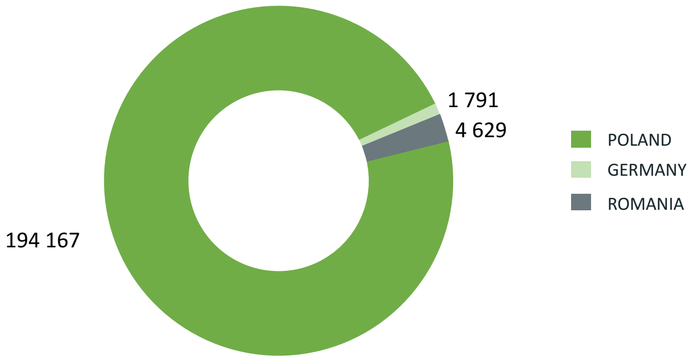
The Group earns rental income from investment property in logistics parks in Poland, Germany, and Romania. The table below presents the types of revenue derived from lease of the properties.

Revenue *for the 12 months ended 31 December*	**2022**	**2021**	***zmiana (%)***
Revenue from external customers:			
Rental income from investment property	152 886	116 832	*30,9%*
Recharge of service charges	51 890	37 571	*38,1%*
Recharge of utility costs	71 338	41 632	*71,4%*
Other revenue	2 959	2 673	*10,7%*
Rental income	**279 073**	**198 708**	***40,4%***
Revenue from development contract concluded by MLP Group S.A.	-	1 880	*-100,0%*
Total revenue	**279 073**	**200 588**	***39,1%***

Rental income in 2022



Rental income in 2021



In 2022, the Group reported rental income of PLN 279 thousand, reflecting a 40% increase on the previous year. Rental income was the primary source of revenue and increased by 30.9% year on year. Of the increase in rental income, 66% was derived from existing buildings that were already under lease, while the remaining 34% was generated by newly constructed buildings that were leased to new tenants in 2022. The existing space volume saw the like-for-like growth in 2022 of 10%, which represents a 4 pp increase from the previous year. This increase was attributed to the following factors: (i) indexation of rents, (ii) renewal of existing contracts at higher rates, and (iii) an increase in the EUR/PLN exchange rate at which revenue is recognised in the financial statements.

Poland was the Group's main business segment and accounted for 91% of its rental income. The share decreased by 7pp relative to 2021 as a result of the Group's expansion on the German market. The completion of two projects, in Unn and Berlin, resulted in higher revenue from that market.

In the Romanian market, rental income amounted to PLN 5.9 million, representing a 28% increase from the previous year. This growth was primarily driven by the signing of a new lease contract and the indexation of rents under existing contracts.

As at 31 December 2022, the ten largest tenants occupied approximately 39% of the total leased space across all of the Group's parks, compared with 35% as of 31 December 2021.

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 2022, the Group partnered with several construction companies, including Wielkopolskie Przedsiębiorstwo Inżynierii Przemysłowej Spółka Komandytowa, BIn-Biuro Inżynierskie Sp z o.o., Eastwave Building Company Sp. z o.o., JOKA BUDOWNICTWO sp. z o.o., and PEKABEX BET SPÓŁKA AKCYJNA, under the general contracting system. These partnerships generated a turnover that exceeded 10% of the Group's total revenue in 2022.

The other services are procured from a broad base of suppliers, and therefore the Group is not dependent on any single supplier. In 2022, 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 2022

In 2022, 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 of the end of 2022, the Group's property portfolio comprised over 1,064 thousand m^2 of leased space. The Management Board of the Company reviewed and assessed on an ongoing basis:

- current construction projects in terms of their progress,
- actual and expected revenue,
- use of the Group's existing land resources and its ability to tailor the offering to meet the anticipated market expectations and demand,
- available opportunities to purchase land for new projects to be implemented in subsequent years,
- the Group's efforts to optimise financing of its investing activities.

2. 1.1 Projects started and projects completed

In 2022, the Group was engaged in construction of projects with a total area of 316 thousand m^2, with a further 30 thousand m^2 in preparation as at 31 December 2022, i.e. the total area of projects under development was 346 thousand m^2.
Out of the total, 119 thousand m^2 was attributed to projects that started in 2021 and were completed in 2022. In the 12 months ended 31 December 2022, the Group commenced projects with a total area of 96 thousand m^2, of which 89 thousand m^2 will be completed in 2023.

2. 1.2 Projects under construction or in the pipeline

In 2022, the Company carried out, through its subsidiaries, projects with a total area of 316 thousand m^2. Of these projects, a total area of 226 thousand m^2 was completed in 2022, mainly in Poland and Germany

As at 31 December 2022, 119 thousand m^2 of space was under construction.
Furthermore, the Group has a pipeline of projects, covered by construction permits, with a total area of 189 thousand m^2. The Group is in the process of gradually obtaining the necessary approvals and permits to commence the construction of new warehouse spaces on land that it already 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. In 2022, at selected locations the Group launched big-box speculative projects, which, together with pre-lease projects, constitute larger investment projects implemented in response to the present market situation. These projects have already been almost fully taken up by tenants, and their construction has been completed or will be completed within several months. In 2022, 90% of the area under construction was leased under lease contracts.

2. 1.3 Material agreements

Material suppliers with whom agreements with a total value exceeding 10% of the Group's equity were concluded in 2022.

In 2022, the Group did not execute any agreements with a value exceeding 10% of its equity. Last year, the highest value of contracts that the Group signed with a single supplier was with PEKABEX BET S.A. for the construction of warehouse and office buildings at MLP Pruszków II logistic park amounting to a total of EUR 14,263 thousand.

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 2022, 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 28 to the Group's full-year consolidated financial statements for the year ended 31 December 2022.

2. 1.7 Litigation

Proceedings pending before courts, arbitration bodies or public administration bodies

As at 31 December 2022, the Group was party to proceedings with a total amount of liabilities and claims under litigation of approximately PLN 6,110 thousand, including liabilities under litigation of approximately PLN 4,060 thousand (all relating to the Depenbrock Polska Sp. z o.o. sp.k. case), and claims under litigation of approximately PLN 2,050 thousand.

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 recognized an impairment allowance of the abovementioned receivables.

On 31 January 2020, the Company received a default judgment entered on 22 January 2020 by the Circuit Court in Warsaw, 26th Commercial Division, whereby the Court awarded EUR 865,777.48 (eight hundred and sixty-five thousand seven hundred and seventy-seven euro, 48/100), plus default interest accrued at the applicable statutory rate from 29 September 2018 to the date of payment, against the Company in favour of DEPENBROCK Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa of Komorniki, Poland ("DEPENBROCK"). The Court further awarded costs of PLN 115,017 (one hundred and fifteen thousand and seventeen złoty), including PLN 15,017 (fifteen thousand and seventeen złoty) in attorney's fees, to DEPENBROCK against the Company as well as making the judgment enforceable upon entry. On 13 February 2020, the Company filed a statement of opposition to the default judgment with a motion for stay of execution. The claims should be dismissed on the grounds that they are premature and thus unactionable. As a precaution, the Company also filed for set-off of mutual claims. From August 2020 to February 2021, mediation was held, however the parties failed to reach a settlement agreement. On 14 December 2021, the first hearing was held (online), at which the Court ruled that the claims were actionable and ordered to admit oral evidence from two witnesses for each Party. The Court has encouraged the Parties to settle. The next (online) hearing has been scheduled for 17 May 2022.

On 24 January 2023, court settlements were concluded between DEPENBROCK Polska Spółka z ograniczoną odpowiedzialnością spółka komandytowa and MLP Gliwice Sp. z o.o., as well as between DEPENBROCK Polska Spółka z ograniczoną odpowiedzialnością spółka komandytowa and MLP Poznań Sp. z o.o. The provisions of the settlement agreement have been fully carried out as of the date of this report. Consequently, the litigation with DEPENBROCK Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa was resolved and terminated.

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 2022, is PLN 30,038 thousand. The management board of the companies does not accept the amount of the fees, and the matter has been referred to court. The governor did not take into account the expenses incurred by the companies when calculating the fee amounts.

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 9,289 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 represents the potential financial loss that the Company and the Group companies may incur in the event that a counterparty of a financial instrument fails to fulfill its contractual obligations. Credit risk arises principally from debt instruments. The objective of risk management is to establish and maintain a stable and sustainable portfolio of loans and other investments in debt instruments in terms of both quality and value. This is achieved by implementing an appropriate credit limit policy.

Liquidity risk

Liquidity risk 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

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

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

Interest rate risk

Credit facilities used by the Group bear interest at variable rates. Interest rates depend, to a significant degree, on many factors, including the monetary policy of central banks, national and international economic and political conditions, as well as other factors beyond the Group's control. Changes in interest rates may increase 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.

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 development of the commercial real estate market on which the Group operates depends on changes in the construction and real estate industries, trends in the manufacturing, commerce, industry, services, and transport sectors, and on the development of the economy in general, which is driven by a number of macroeconomic factors, including economic growth rate, inflation rate, interest rates, the situation on the labour market and the amount of direct foreign investments. Also, the Group's business depends indirectly on changes in the global economy. It is affected in particular by gross domestic product, inflation rate, currency exchange rates, interest rates, unemployment rates, average wages, as well as the government's fiscal and monetary policies. The rate of growth of the domestic economy, and thus the 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 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 exposed to risks related to property development, acquisition, ownership and management of real estate on the commercial real estate market.

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

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

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

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

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 139.2 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

On 24 February 2022, armed forces of the Russian Federation launched a full-scale invasion of the Ukrainian territory, turning the limited hostilities that had been going on since 2014 into the largest armed conflict on the European continent since 1945. The Ukrainian military's effective resistance and the decisive response of the European Union and NATO member states, in the form of military assistance to Ukraine, have brought about significant changes in the economic situation of all European countries. This has also had a significant impact on the directions of supply and transport of both raw materials and products. The European Union, along with several non-EU member states, have imposed sanctions on Russia, Belarus, as well as their leadership and business elites. The sanctions are unprecedented in relations between European countries. 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.

Currently, it is not yet possible to assess the impact of the war in Ukraine, the sanctions and changes in economic activity that have been taking place in the countries where the Group operates, or changes in the flow of goods and related shift in demand for warehouse and manufacturing space, on the Group.

It should be noted that the Company is not currently seeing any significant negative impact of the geopolitical situation on its business.

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 condition 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 civilizational 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 condition or results of operations.

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

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 condition and results of operations, and consequently on the Company's ability to perform its obligations under the Bonds.

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 Bondholders 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 condition and results of operations.

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

The financial condition 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 condition and the Company's ability to make payments under the Bonds.

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 condition 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 condition 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 neter 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 2.5 thousand m^2), located within or close to city boundaries with easy access to labour and public transportation.

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

The CSO estimates suggest that the average annual GDP growth rate in 2022 was 4.9%. However, in 2023, the GDP growth rate is expected to decrease to approximately 1%. Inflation significantly accelerated. The average annual inflation rate in 2022 was 14.4%, marking the highest reading since 1997. For the current year, it is anticipated that inflation will remain at a similar level.

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. Furthermore, MLP Group is not affected by currency risk since the rents are all denominated in EUR.Furthermore, a significant proportion of the Group's credit liabilities are secured with interest rate swaps (IRS) for the duration of the debt instruments.

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, international firms have been leaving Russia in protest against the invasion. This will increase demand for warehouse and logistics space in Poland and other markets served by MLP Group.

Warehouse space market in 2022

- **Poland**

In 2022, Poland's warehouse market continued to grow rapidly, despite the challenging market situation and the war in Ukraine. The total volume of lease transactions reached 6.7 million m^2, the second highest level on record. Compared to the record year of 2021, the decrease was 10%.

The rapidly growing manufacturing sector was increasingly important. Manufacturing tenants accounted for nearly 20% of total demand. This sector is expected to drive the warehouse market in the coming years.

At the end of 2022, the vacancy rate rose slightly by 0.4pp, to 4.1%. Contributing to the growth were speculative developments that were completed with fully leasable space. Most regional markets are experiencing a shortage of warehouse space.

In 2022, developers delivered 4.4 million m^2 of new warehouse space, a record high in Poland. As a result, the total stock of modern warehouse space reached 27.9 million m^2. At the end of 2022, a total of 3.4 million m^2 of warehouse space was under construction.

Base rental rates for big-box projects rose by as much as 20-30% in 2022, settling in the range of EUR 3.7-5.0/m^2/month. Higher rates were seen for urban logistics projects like SBU/City Logistics (EUR 5.0-7.5/m^2/month). Rental rates are predicted to continue increasing in the upcoming periods, although at a slower pace than before, The rate will be affected by construction costs, as well as land prices. As costs continue to rise, there will be a growing focus on incorporating ESG values and implementing energy-saving solutions.

Source: Marketbeat Polska, storage market Q4 2022, Cushman &Wakefield; Market Outlook 2023 Poland Real Estate, CBRE Research

- **Germany**

In 2022, the German warehouse and logistics market reported a total leased space of approximately 8.5 million m^2. Although there was a small decrease compared to the previous year's record-high, the five-year average exceeded by 19%.

Distribution and logistics companies had the highest demand for space, accounting for 34% of the total demand, followed by the retail sector at 29%. The manufacturing sector ranked third, increasing its share of total demand from 19% in 2021 to 27% in 2022.

Demand for space remains high, as many companies are expanding their manufacturing, warehousing and distribution capacity in Germany to gain greater independence from global developments. Many regions are experiencing a scarcity of modern logistics space and readily available land.

Total demand within the five largest markets (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich) in 2022 was about 2.36 million m^2, just 3% below the previous year's record, yet 16% above the five-year average.

Berlin had the highest demand with 1.12 million m^2, which was almost double the previous year's record. The regions of Hamburg (475 thousand m^2) and Frankfurt (322 thousand m^2) ranked second and third, although both saw significant year-on-year declines. Only Düsseldorf, which ranked fourth ahead of Munich among the Big Five regions, surpassed the previous year's result along with Berlin.

After 835 thousand m^2 was delivered in the first six months of 2022, another 530 thousand m^2 was added to the market in the second half of the year. Therefore, the volume of new space more than doubled year on year. The largest number of completed facilities was built in the Berlin region, followed by Hamburg.

In all of the Big Five regions, the increase in prime warehouse rents for units above 5,000 m^2 was due to two major factors: a shortage of space and higher construction costs. Prime rents in all of the Big Five markets surpassed EUR 7.00/m^2. Munich experienced the biggest increase of 40%, bringing prime rents to EUR 10.50/m^2. Berlin and Düsseldorf also seen significant increases, with rents rising by 36% to EUR 7.50/m^2 and 29% to EUR 7.75/m^2, respectively. In Hamburg, prime rents rose 23% over the past twelve months to EUR 8.00/m^2, and in Frankfurt they rose 12%, to EUR 7.30/m^2. Rents in prime locations are expected to continue to rise in 2023.

In 2022, the volume of transactions in Germany, excluding the five largest markets, reached 6.18 million m^2. This marks the second consecutive year that the 6 million m^2 threshold was surpassed, with the final figure coming close to matching the previous year's result of 6.25 million m^2. The five-year average was also exceeded by 20%.

Source: JLL, Logistics and Industrial Market Overview, Germany, H2 2022

- **Romania**

The Romanian market for industrial and logistics space continues to see rapid growth in both supply and demand.

As at the end of 2022, there was a supply was to 6.59 million m^2 of modern industrial and logistics space.

Throughout the year, some 895 thousand m^2 was put into use. Bucharest received half of the new supply and is continuing to grow, maintaining its dominant position compared to the other four industrial regions. These regions received the other half of the modern space.

In line with the trend established over the past six years, the new supply estimated for 2023 will be more than half a million m^2 of leasable space, bringing Romania's modern stock to more than 7.0 million m^2.

As at the end of 2022, the vacancy rate for the entire market was 4.5%, while in Bucharest it was 5.8%. The 0.6pp increase in the overall vacancy rate reflects the ability of the modern stock to absorb the growing demand for logistics space with record annual values, as well as the willingness of developers to deliver a larger share of speculative space.

The asking rent in logistics parks reached EUR 4.10/m^2/month. The 5% annual increase marks the first change in rent since the end of 2020. The increase can be attributed to various factors, including the overall economic context, logistical demand, availability, and construction costs.

Source: Market Outlook 2023 Romania Real Estate, CBRE Research

- **Austria**

The year 2022 was another highly successful year for the logistics real estate market in Austria, which is becoming more professional with time.

Similar to previous years, the demand for logistics space in 2022 exceeded the amount of new space that was delivered. It amounted to about 182 thousand m^2, an increase of about 20% over the previous year. The high demand has caused a shortage of available space in the market. The vacancy rate for modern Class A and Class B space in and around Vienna is estimated at only about 0.3%. The current level of demand suggests that this trend will continue over the next few years. To prevent future supply shortages, retailers, logistics service providers, and manufacturing companies have restructured their supply chains, resulting in an increased demand for additional logistics space.

Rent for prime space increased by about 12% in 2022, and at the end of the year was about EUR 6.50/m^2/month. Due to high demand and limited supply, rents are expected to continue to rise.

The logistics property market in Austria is still obsolete. Only about half of the stock in Vienna, Graz, and Linz meet Class A standards and are capable of meeting satisfying requirements. However, this situation has been changing for several years now. It is expected that an additional 1.1 million m^2 of space will be built at the three locations in 2023 and 2024.

Source: Market Outlook 2023, Austria Real Estate, CBRE Research

(all data in PLN thousand, unless stated otherwise)

3. Financial condition 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 2022

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 2022**	**% share**	**31 December 2021**	**% share**	**Change (%)**
ASSETS	**4 990 138**	**100%**	**3 785 554**	**100%**	**32%**
Non-current assets	**4 575 262**	**92%**	**3 457 071**	**91%**	**32%**
Including:					
Investment property	4 432 975	89%	3 394 504	90%	31%
Other long-term investments	127 873	4%	53 887	2%	137%
Current assets	**414 876**	**8%**	**328 483**	**9%**	26%
Including:					
Short-term investments	-	0%	71 380	2%	-100%
Trade and other receivables	91 810	2%	74 346	2%	23%
Other short-term investments	7 058	0%	3 501	0%	-
Cash and cash equivalents	315 200	6%	177 234	5%	78%

as at	**31 December 2022**	**% share**	**31 December 2021**	**% share**	**Change (%)**
EQUITY AND LIABILITIES	**4 990 138**	**99%**	**3 785 554**	**100%**	**32%**
Total equity	**2 497 951**	**50%**	**1 824 521**	**48%**	**37%**
Non-current liabilities	**2 219 946**	**44%**	**1 722 350**	**46%**	**29%**
Including:					
Borrowings and other debt instruments, and other non-current liabilities	1 764 320	35%	1 428 170	38%	24%
Current liabilities	**272 241**	**5%**	**238 683**	**6%**	**14%**
Including:					
Borrowings and other debt instruments	92 165	2%	121 222	3%	-24%
Trade and other payables	169 136	3%	108 323	3%	56%

As at 31 December 2022, 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 35% and 50% of the total, respectively. The increase in equity was primarily attributable to the capital increase achieved through the issuance of series F shares. This capital increase allowed the Group to raise over PLN 181m. Additionally, the net profit achieved in 2022 (PLN 422,390 thousand) contributed to the increase in equity. On the other hand, the increase in non-current liabilities under borrowings and other debt instruments was largely attributable to the contracting of new credit facilities and disbursement of further tranches under existing ones:

– New credit facility agreement executed in March 2022 by MLP Business Park Berlin I Sp. z o.o. & Co. KG with Bayerische Landesbank. In 2022, tranches totalling EUR 19,647 thousand were disbursed under this agreement;

– Further tranches of credit facility disbursed in 2022 to MLP Poznań West II Sp. z o.o. for a total amount of EUR 30,596 thousand;

– Further tranches of credit facility disbursed to MLP Logistic Park Germany I Sp. z o.o. & Co. in 2022 for a total amount of EUR 16,992 thousand;

– Another tranche of credit facility disbursed in 2022 to MLP Bucharest West SRL amounting to EUR 1,900 thousand.

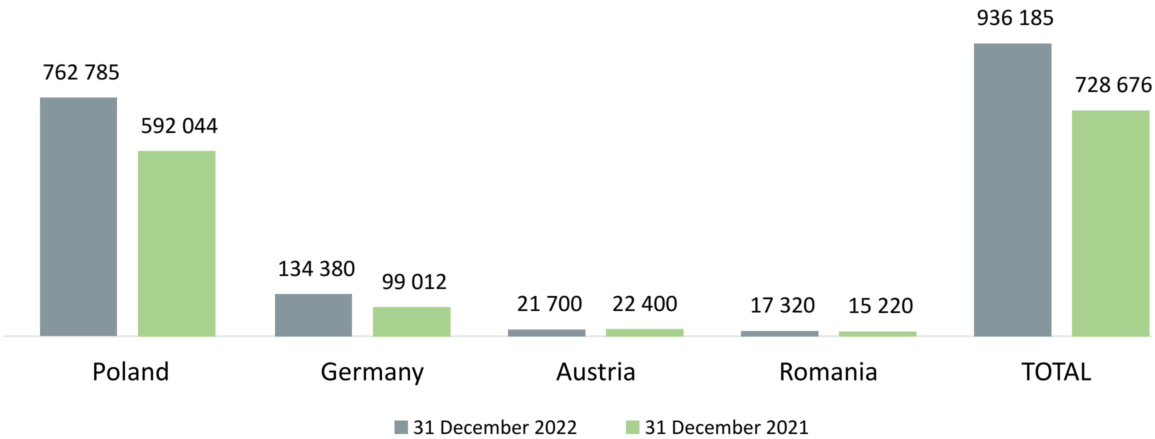
Current liabilities under borrowings and other debt instruments represented 2% of total equity and liabilities, having decreased year on year.The change was mainly due to the redemption of Series A bonds by MLP Group S.A. upon maturity.

Investment property

Logistics park	31 December 2022 [EUR '000]	31 December 2022 [PLN '000]	31 December 2021 [EUR '000]	31 December 2021 [PLN '000]	Change [EUR '000]
POLAND	**762 785**	**3 577 384**	**592 044**	**2 723 049**	**170 741**
GERMANY	**134 380**	**630 230**	**99 012**	**455 937**	**35 368**
AUSTRIA	**21 700**	**101 771**	**22 400**	**103 026**	**(700)**
ROMANIA	**17 320**	**81 190**	**15 220**	**69 986**	**2 100**
Total	**936 185**	**4 390 575**	**728 676**	**3 351 458**	**207 509**

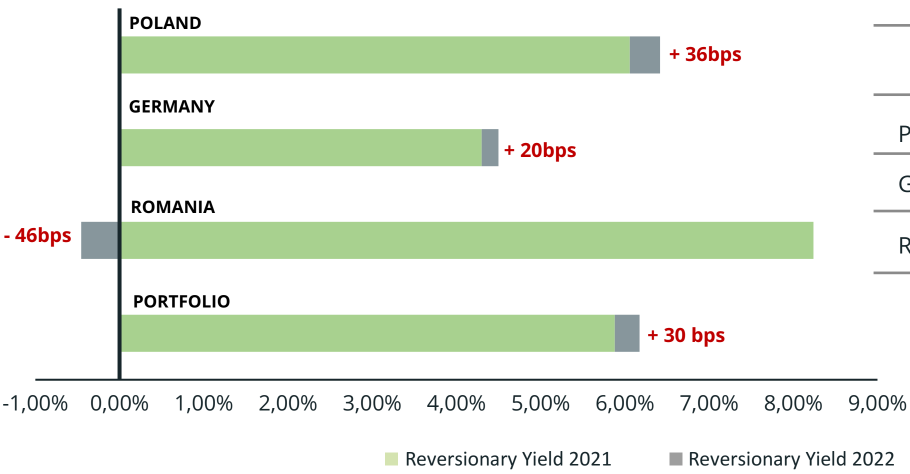
According to the valuations prepared as at 31 December 2022, the total value of the Group's property portfolio was EUR 936,185 thousand (PLN 4,390,575 thousand), having increased by EUR 214,195 thousand on 31 December 2021. The change was primarily driven by (i) the completion and delivery of 226 thousand m^2 of new space in Poland and Germany, (ii) the construction of new buildings with a total area of 96 thousand m^2 in Poland and Germany, and (iii) the acquisition of new land for the construction of new logistics parks in Poland. In 2022, the yield rate for the Group's appraised portfolio increased by 5 p.p. compared to 2021. This increase was partially offset by an increase in rental rates, which rose by approximately 15% across the entire portfolio.

Investment property
(EUR '000)



Yield widening significantly offset with increase in ERVS

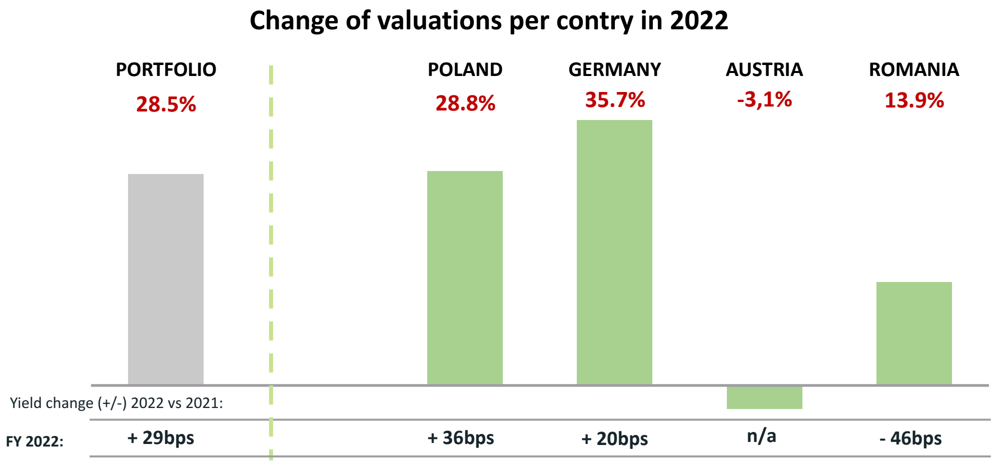
PROPERTY YIELD*



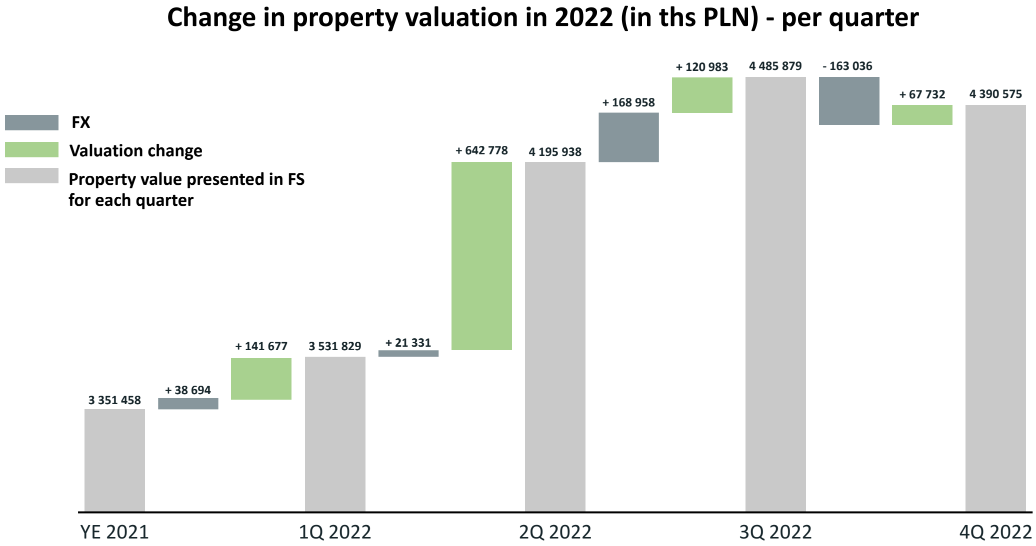
ERV growth per country

POLAND	+16.9%
GERMANY	+15.7%
ROMANIA	+7.4%

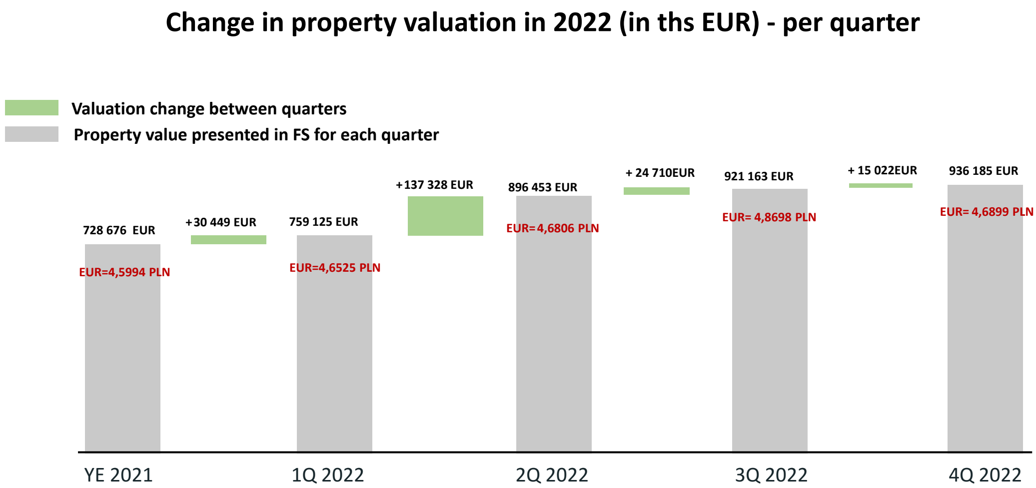
* Does not include buildings at MLP PR 1 and MLP Business Poznań



The chart abone does not include value Perpetual Usufruct



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



The chart above does not include usufruct rights.
The value of the property is measured in the euro. For the purposes of these Financial Statements, fair value is translated into PLN at the exchange rate effective as at the reporting date..

(all data in PLN thousand, unless stated otherwise)

Investments and other investments

as at	31 December 2022	31 December 2021
Other long-term investments	34 632	33 315
Long-term loans	16 626	20 572
Money fund units	-	71 380
Receivables from measurement of Swap transactions	76 615	-
Other short-term investments	7 058	3 501
Total investments and other investments	**134 931**	**128 768**

Other long-term investments comprised non-current portion of restricted cash of PLN 34,632 thousand, including: (i) cash of PLN 19,763 thousand set aside pursuant to the terms of credit facility agreements to secure payment of principal and interest, (ii) PLN 8,072 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 6,447 thousand, and (v) a PLN 136 thousand bank guarantee.

As at 31 December 2022, receivables under loans decreased by PLN 3,946 thousand relative to the end of 2021 following repayment of loans by related parties.

In 2022, the Group sold all its money fund units to finance new investment projects.

Other short-term investments comprise the current portion of restricted cash of PLN 7,058 thousand, including: (i) a short-term portion of retained security deposit of PLN 5,438 thousand and (ii) a short-term portion of funds set aside pursuant to the terms of credit facility agreements of PLN 1,620 thousand.

(all data in PLN thousand, unless stated otherwise)

Cash

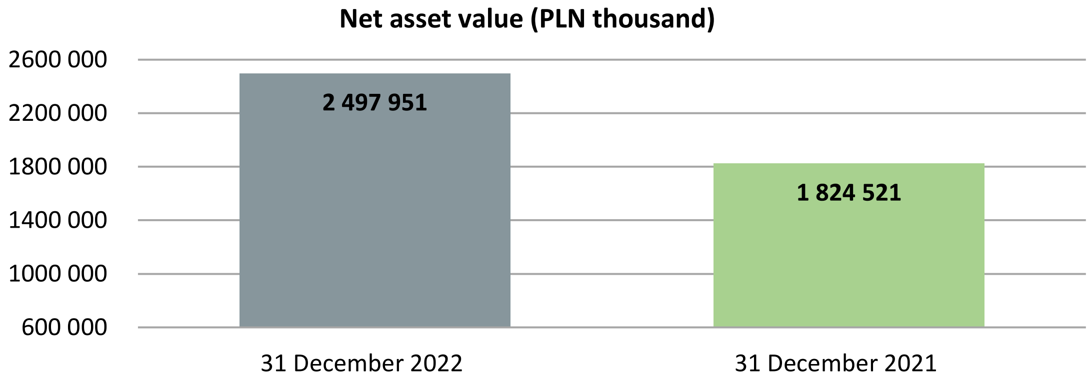
as at	31 December 2022	31 December 2021
Cash in hand	118	44
Cash at banks	145 789	177 190
Short-term deposits	169 000	-
Cash in transit	293	-
Cash and cash equivalents in the consolidated statement of financial position	**315 200**	**177 234**
Cash and cash equivalents in the consolidated statement of cash flows	**315 200**	**177 234**

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 2022, the balance of cash was PLN 315,200 thousand, having increased by PLN 137,966 thousand on 31 December 2021.

Equity

Net assets (NAV)



As at 31 December 2022, the net asset value was PLN 2,497,951 thousand, having increased by PLN 673,430 thousand (or 36.91%).

The primary driver of the increase in NAV was the net profit of PLN 422 thousand earned in 2022, which was further augmented by a gain on the measurement of hedging instruments recognized in other comprehensive income.

(all data in PLN thousand, unless stated otherwise)

Share capital

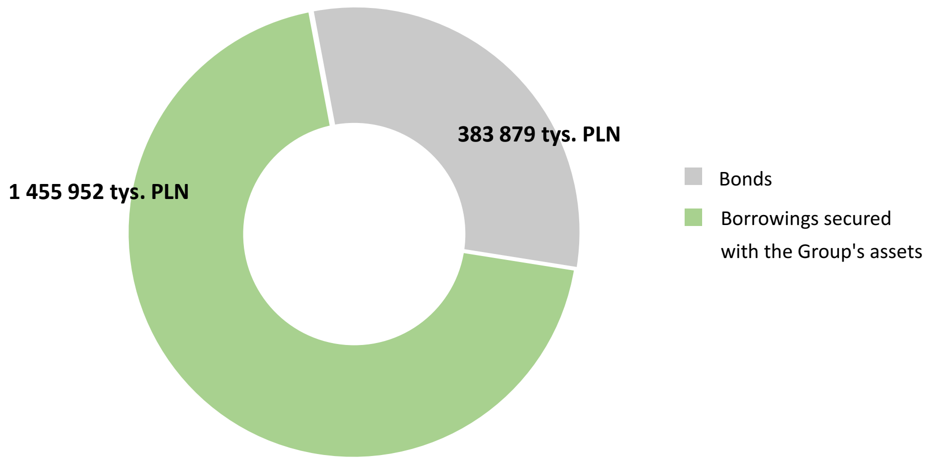
as at	**31 December 2022**	**31 December 2021**
Series A shares	11 440 000	11 440 000
Series B shares	3 654 379	3 654 379
Series C shares	3 018 876	3 018 876
Series D shares	1 607 000	1 607 000
Series E shares	1 653 384	1 653 384
Series F shares	2 621 343	0
Total	**23 994 982**	**21 373 639**
Par value per share	0,25 PLN	0,25 PLN

As at 31 December 2022, 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 2022**	**31 December 2021**
Borrowings secured with the Group's assets	1 414 683	1 004 285
Bonds	332 983	344 955
Non-bank borrowings	16 654	20 633
Total non-current liabilities under borrowings and other debt instruments	**1 764 320**	**1 369 873**
Finance lease liabilities (perpetual usufruct of land)	42 280	42 915
Liabilities from measurement of interest rate hedges	-	4 980
Performance bonds, security deposits from tenants and other deposits	12 779	10 402
Total other non-current liabilities	**55 059**	**58 297**
Short-term bank borrowings and short-term portion of bank borrowings secured with the Group's assets	41 269	26 702
Bonds	50 896	94 520
Non-bank borrowings	-	-
Total current liabilities under borrowings and other debt instruments, and other current liabilities	**92 165**	**121 222**
Liabilities under borrowings and other debt instruments, and other liabilities	**1 911 544**	**1 549 392**

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 bonds are invested in new land assets.



New credit facilities taken out by the Group companies and further tranches disbursed under existing credit facilities were the key source of increase in the amount of borrowings, other debt instruments, and other liabilities:

– New credit facility agreement executed in March 2022 by MLP Business Park Berlin I Sp. z o.o. & Co. KG with Bayerische Landesbank. In 2022, tranches totalling EUR 19,647 thousand were disbursed under this agreement;

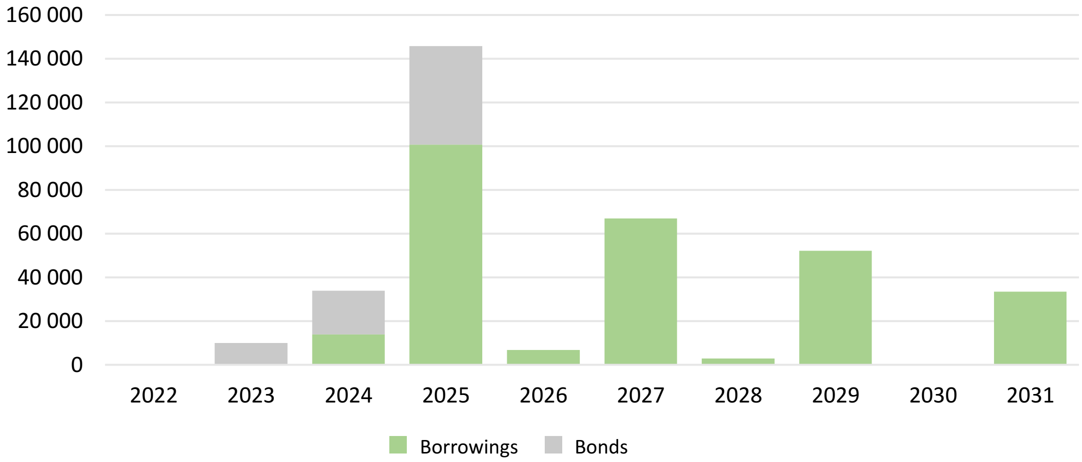
– Further tranches of credit facility disbursed in 2022 to MLP Poznań West II Sp. z o.o. for a total amount of EUR 30,596 thousand;

– Further tranches of credit facility disbursed to MLP Logistic Park Germany I Sp. z o.o. & Co. in 2022 for a total amount of EUR 16,992 thousand;

– Another tranche of credit facility disbursed in 2022 to MLP Bucharest West SRL amounting to EUR 1,900 thousand.

The reduction in bond-related liabilities was due to the redemption of Series A bonds upon maturity, partially offset by the incurring of a new liability resulting from the issuance of Series E bonds in July 2022.

Bank borrowings and other debt instruments by maturity
EUR '000



(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 of MLP Group S.A. Group for the year ended 31 December 2022 compared to 2021:

for the year ended 31 December	2022	*% sales*	2021	*% sales*	*Change (%)*
Revenue	279 073	*100%*	200 588	*100%*	*39%*
including:					
Revenue from development contract	-	*0%*	*1 880*	*1%*	-
Other income	3 041	*1%*	2 460	*1%*	*24%*
Distribution costs and administrative expenses	(136 645)	*49%*	(108 331)	*54%*	*26%*
including:					
Costs related to property development contract	-	*0%*	*(1 529)*	*-1%*	-
Other expenses	(10 818)	*4%*	(2 786)	*1%*	*288%*
Operating profit before gain/(loss) on valuation of investment property	**134 651**	***48%***	**91 931**	***46%***	***46%***
Gain on revaluation of investment property	455 565	*163%*	540 323	*269%*	*-16%*
Operating profit	**590 216**	***211%***	**632 254**	***315%***	***-7%***
Net finance costs	(61 124)	*22%*	(32 799)	*16%*	*86%*
Profit before tax	**529 092**	***190%***	**599 455**	***299%***	***-12%***
Income tax	(106 702)	*38%*	(118 985)	*59%*	*-10%*
Net profit	**422 390**	***151%***	**480 470**	***240%***	***-12%***
EPRA Earnings	**68 882**		**47 468**		
EPRA Earnings per share	**2,87 zł**		**2,22 zł**		
FFO	**86 755**		**54 670**		

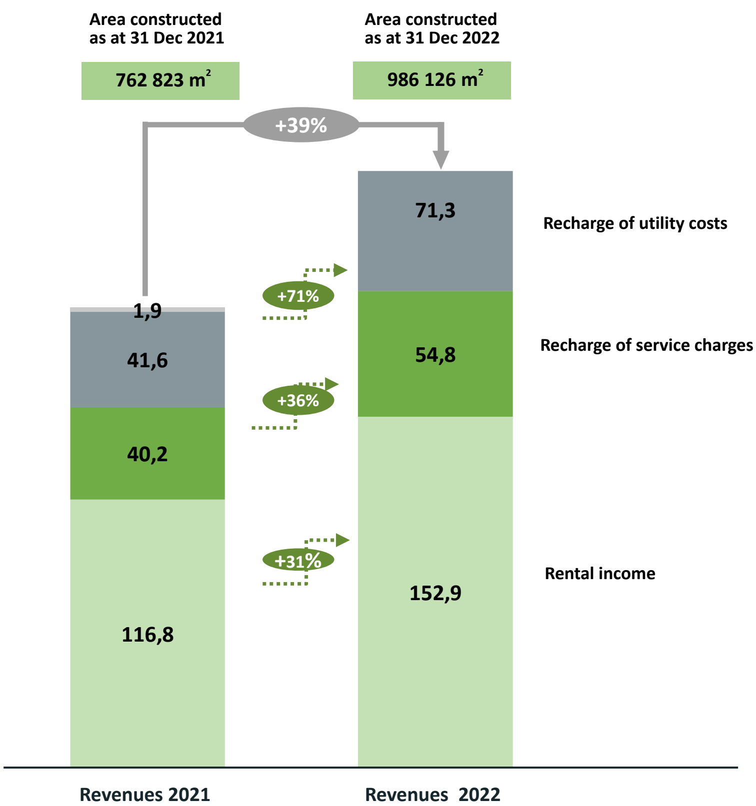
for the year ended 31 December	2022	2021
Earnings per share:		
- Basic earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent	19,69	23,23
Diluted earnings per share (PLN) for the period attributable to holders of ordinary shares of the Parent	19,69	23,23

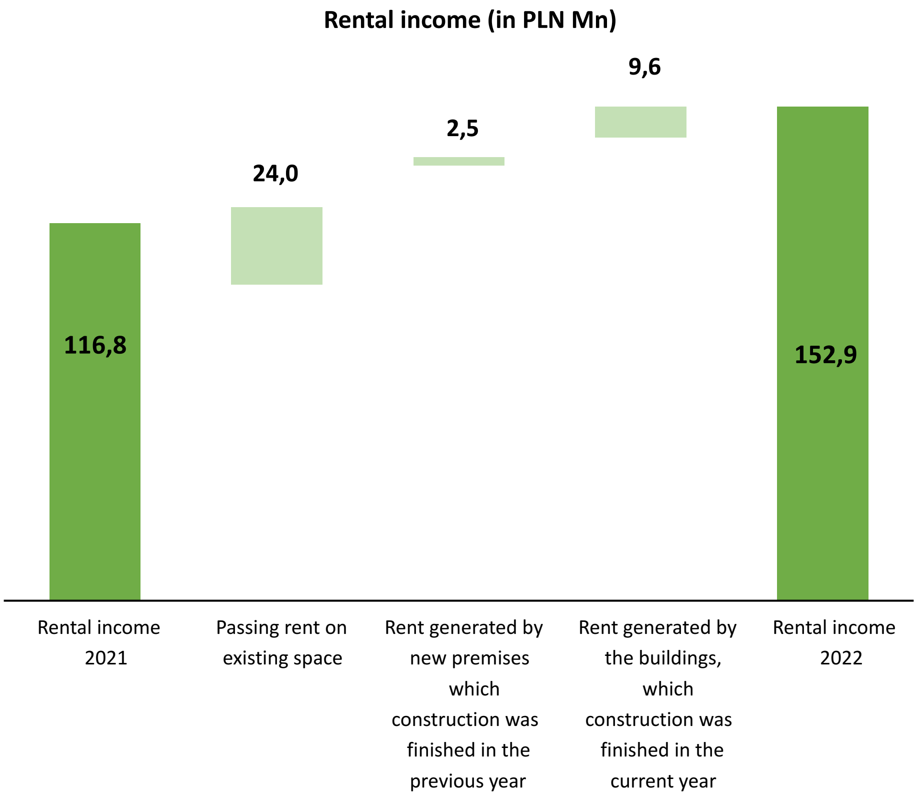
for the year ended 31 December	2022	2021	change (%)
Rental income from investment property	152 886	116 832	*30,9%*
Recharge of service charges	51 890	37 571	*38,1%*
Recharge of utility costs	71 338	41 632	*71,4%*
Other revenue	2 959	2 673	*10,7%*
Rental income	**279 073**	**198 708**	**40,4%**
Revenue from development contract	-	1 880	*-100,0%*
Total revenue	**279 073**	**200 588**	**39,1%**

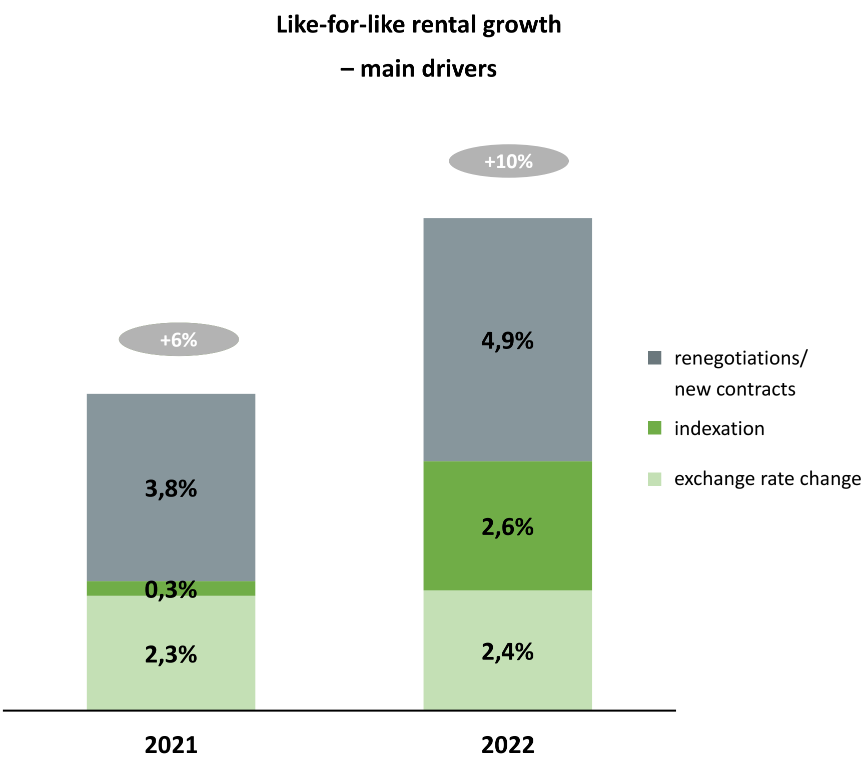
Rental income from investment properties is the main source of the Group's revenue. In 2022, rental income was PLN 152,886 thousand, having increased by 31% year on year. The rise in rental income (up PLN 36,054 thousand) was primarily due to: (i) the delivery of a total of 225 thousand m^2 of leased space between 31 December 2021 and 31 December 2022, (ii) the renewal of lease contracts expiring in 2022, and (iii) the indexation of rents.

The like-for-like growth in 2022 was 10%, which represents a 4 pp increase from the previous year. The revenue generated from recharging utilities and operating expenses is consistent with the cost of procuring utilities and maintaining the properties. The revenue increased by 71% and 38% year on year.

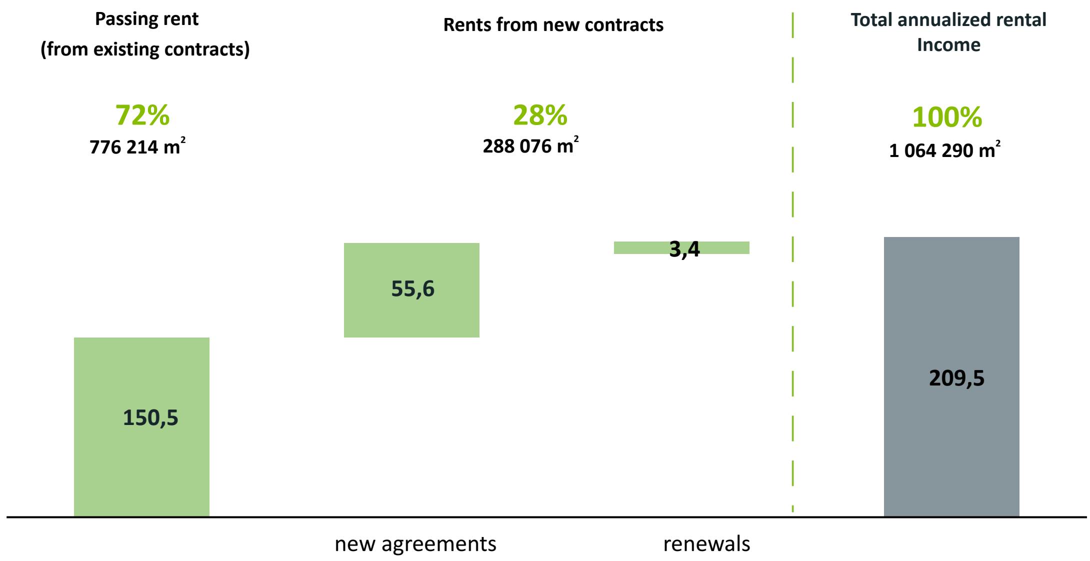
Change in key items of revenue in H1 2021 and H1 2022:




Rental income (in PLN Mn)
116,8
24,0
2,5
9,6
152,9
Rental income 2021
Passing rent on existing space
Rent generated by new premises which construction was finished in the previous year
Rent generated by the buildings, which construction was finished in the current year
Rental income 2022


Like-for-like rental growth – main drivers
+6%
+10%
3,8%
0,3%
2,3%
4,9%
2,6%
2,4%
2021
2022
renegotiations/ new contracts
indexation
exchange rate change

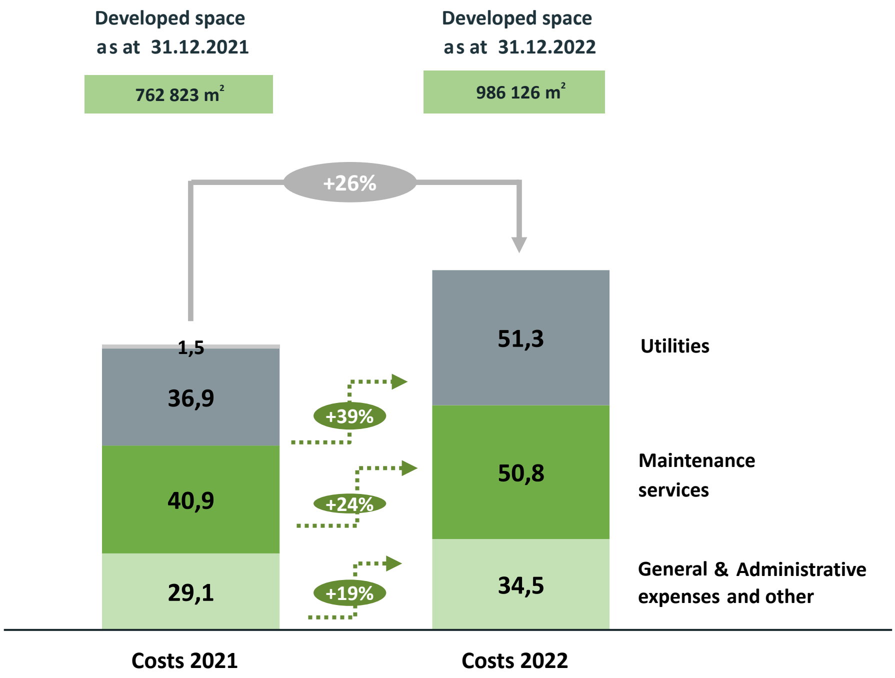
Securing future growth through development lettings in next 12 months (in PLN mn)



for the year ended 31 December	2022	2021	change (%)
Depreciation and amortisation	(425)	(152)	*179,6%*
Property maintenance services	(48 542)	(37 609)	*29,1%*
Utilities	(51 279)	(36 856)	*39,1%*
Administrative expenses and development costs	(34 113)	(29 052)	*17,4%*
Other recharged costs	(2 286)	(3 133)	*-27,0%*
Distribution costs and administrative expenses	**(136 645)**	**(106 802)**	**27,9%**
Development contract costs	-	(1 529)	*-100,0%*
Total operating expenses	**(136 645)**	**(108 331)**	**26%**

In 2022, the distribution costs and administrative expenses amounted to PLN 136,645 thousand, representing a year-on-year increase of 26%. 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. The item also include the usufruct provision (Note 28.3). 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 2022 and 2021:

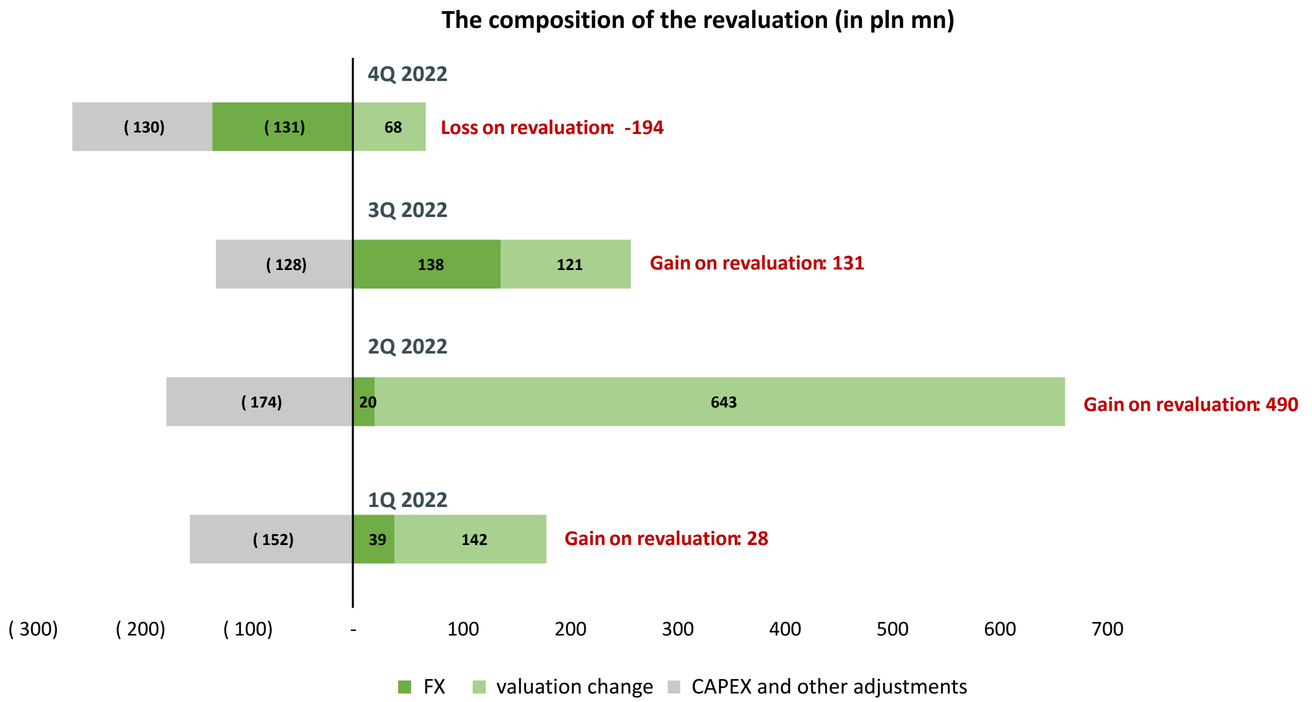


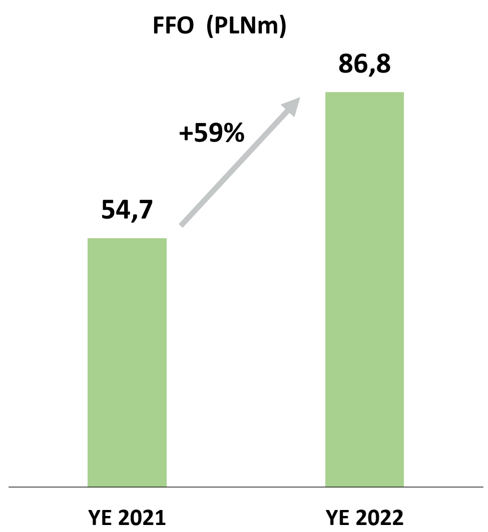
The 24% (PLN 9,900 thousand) increase in property maintenance costs was primarily due to a rise in property tax expenses by PLN 4,870 thousand, of which 80% was a result of the increase in space delivered from 1 January 2021 to 1 January 2022, and the remaining 20% was due to higher property tax rates. The increase in property maintenance costs can be attributed to a rise in technical maintenance costs of PLN 1,700 thousand and a rise in security and cleaning costs of PLN 1,500 thousand. These increases reflect the rise in the volume of completed space and parks. In the reporting period, the Group recognized a provision of PLN 1,322 thousand for potential claims by Pruszków District Governor related to changes in the perpetual usufruct charge.

Additionally, the Group incurs administrative expenses and development costs associated with its development activities. In 2022, this item was PLN 34,538 thousand, having increased by PLN 5,486 thousand (19%) year on year. In 2022, administrative and development expenses comprised costs related to the development of new projects, advisory expenses, banking services, consultancy fees, audit expenses, and remuneration costs. The costs increased in comparison to 2021, which is justified by the Group's expansion of operations, including the expansion in the foreign markets.

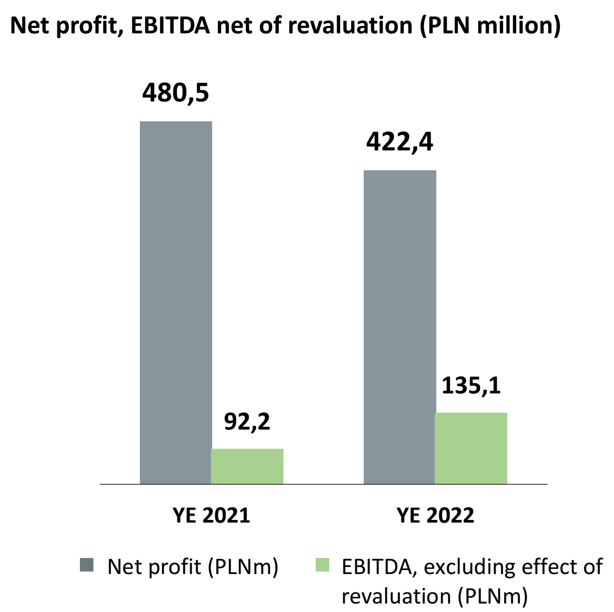
In 2022, the Group incurred net finance costs of PLN 61,124 thousand, primarily due to foreign exchange losses (PLN 17,569 thousand), interest on borrowings (PLN 27,118 thousand), and interest on bonds (PLN 11,145 thousand). However, the most significant impact on the amount of this item in comparison to 2021 was due to exchange rate differences, as positive exchange rate differences were reported during the comparative period.

The gain on revaluation of investment properties in 2022 resulted from two main factors: (i) an increase in valuations totalling PLN 390 thousand; and (ii) exchange differences amounting to PLN 66 thousand. The chart below illustrates the changes in the result from revaluation of investment properties by quarter in 2022.





The chart above does not include: income and expenses under the Development Contract, and other income and expenses



(all data in PLN thousand, unless stated otherwise)

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

for the year ended 31 December	**2022**	**2021**
Net cash from operating activities	164 653	164 742
including:		
income from property development contract	-	*10 755*
Net cash from investing activities	(508 612)	(569 827)
Net cash from financing activities	477 282	421 477
Total net cash flows	**133 323**	**16 392**
Cash at beginning of period	**177 234**	**163 009**
Effect of exchange differences on cash and cash equivalents	4 643	(2 167)
Cash and cash equivalents at end of period	**315 200**	**177 234**

In 2022, the Group generated positive cash flows from operating activities of PLN 164,653 thousand, compared to the same period in the previous year where positive cash flows of PLN 164,742 thousand were recorded.

The Group reported negative cash flows from investing activities in 2022 in the amount of PLN 508,612 thousand. In the corresponding period of 2021, negative cash flows from investing activities amounted to PLN 569,827 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 581,304 thousand. These expenses were partially offset by proceeds from the sale of units in the cash fund in 2022 of PLN 70,834 thousand.

The largest expenditure in both periods was capital expenditure on projects implemented by the Group.

In 2022, the Group recorded positive cash flows from financing activities of PLN 477,282 thousand. Despite the expenses incurred for the redemption of Series A bonds at maturity (PLN 94,118 thousand), which were partially offset by proceeds from the new issue of Series E bonds (28,547), the excess of financing cash inflows over outflows was mainly due to the disbursement of tranches of credit facilities to Group companies. The largest of these tranches were received under a credit facility agreement between MLP Business Park Berlin I Sp. z o.o. & Co. KG and Bayerische Landesbank, which amounted to EUR 19,647 thousand and was disbursed in 2022. Furthermore, the Group also received disbursements of subsequent tranches of credit facilties: 1) by Bayerishe Landesbank to MLP Logistic Park Germany I Sp. z o.o. & Co. (EUR 16,992 thousand) and 2) by OTP Bank to MLP Bucharest West SRL (EUR 1,900 thousand), as well as disbursement of the construction facility to MLP Poznań West II Sp. z o.o. (EUR 30,596 thousand).The issue of Series F shares in December 2022 also had a material effect on net financing cash flows (PLN 181,978 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 2022.

(all data in PLN thousand, unless stated otherwise)

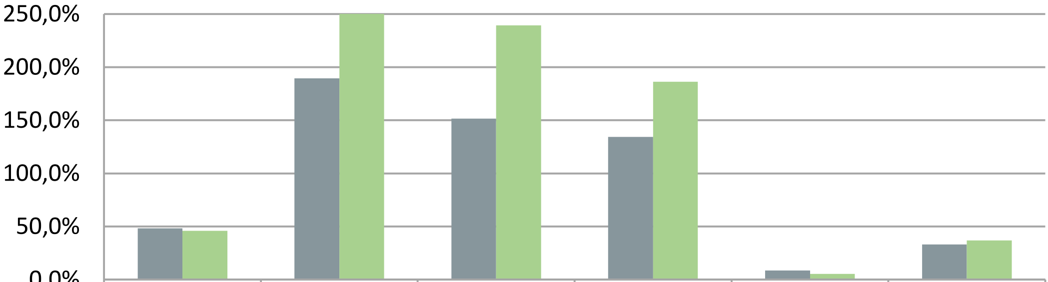
3. 3 Management of the Group's financial resources

In 2022, 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 2022 the Group's assets and financial position was 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 condition 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
2022	48,2%	189,6%	151,4%	134,4%	8,5%	33,1%
2021	45,8%	298,8%	239,5%	186,3%	5,3%	36,9%

The profitability analysis is based on the following ratios:

- **operating profit margin:** operating profit before investment property valuation/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

In 2022, the operating profit margin increased year on year. The operating profit margin in the reporting period was driven by an increase in rental income, which grew 40% year on year, and a decrease in distribution costs and administrative expenses, which increased 26% year on year.

(all data in PLN thousand, unless stated otherwise)

The pre-tax profit margin decreased by 109.2 pp year on year, to 189.6%. The change was primarily attributable to operating profit, as well as the lower revaluation of investment property.

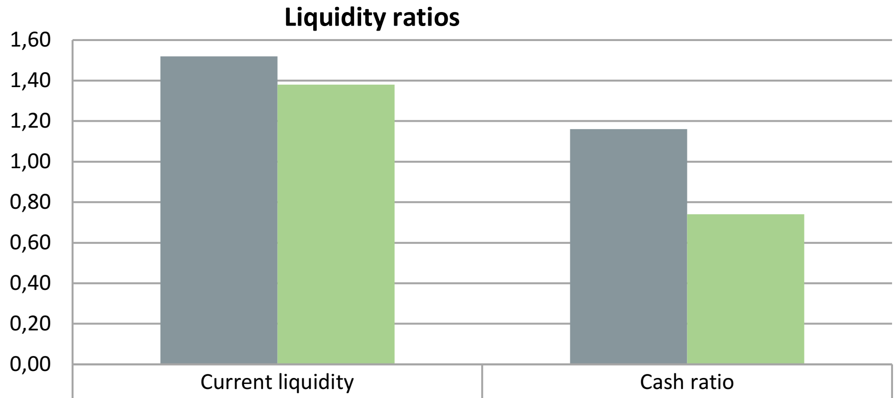
The net margin fell year on year by 88.1 pp, to 151.4% in the reporting period.

The return on equity increased to 134.4% in 2022, representing a year-on-year decrease of 51.9pp.

Return on assets increased year on year, by 3.2pp.

In 2022, the LTV ratio was 33.1%, 3.8pp lower than the year before (36.9%), and is considered safe. The change was attributable to the higher value of investment property held by the Group.

3. 3.2 Liquidity ratios



	Current liquidity	Cash ratio
31 December 2022	1,52	1,16
31 December 2021	1,38	0,74

The liquidity analysis is based on the following ratios:

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

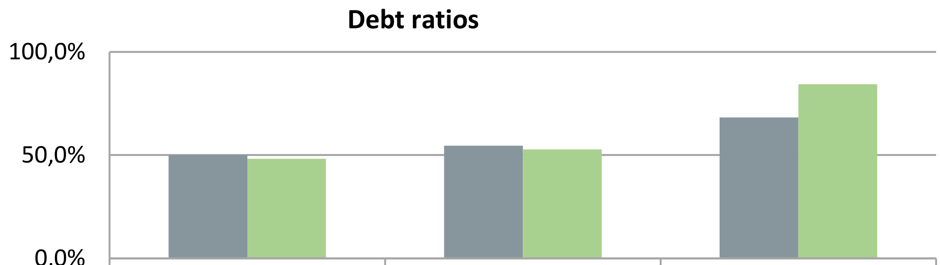
As at 31 December 2022, the current ratio increased by 0.14pp compared to the end of 2021.

The cash ratio as at 31 December 2022 increased relative to the end of 2022 by 0.42 pp.

The change in both ratios is mainly attributable to an increase in current assets. The increase was attributable to higher cash balances as at the end of 2022.

(all data in PLN thousand, unless stated otherwise)

3. 3.3 Debt ratios



	Equity ratio	Equity to non-current assets ratio	Interest-bearing debt to equity
31 December 2022	50,1%	54,6%	76,0%
31 December 2021	48,2%	52,8%	84,4%

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 2022, the equity ratio slightly increased (by 1.9pp), to 50.1%. In accordance with the terms and conditions of the Series B, Series C, Series D and Series E bonds, the equity ratio may not be less than 35%.

The equity to non-current assets ratio also increased (down by 1.8pp). On the other hand, the ratio of equity to interest-bearing debt declined by 16.2pp, primarily due to the incurrence of new borrowings. However, the Group's equity increased due to: (i) the capital increase, (ii) the net profit earned in the current year, and (iii) the hedging reserve.

3. 4 Borrowings, bonds, sureties and guarantees

3. 4.1 New and terminated non-bank borrowings

In 2022, the Group did not take out any new non-bank borrowings.

3. 4.2 New and terminated bank borrowings

- **New credit facility agreements in 2022**

  In 2022, Bayerische Landesbank disbursed additional tranches of the facility to MLP Logistic Park Germany I Sp. z o.o. & Co. for a total amount of EUR 16,992 thousand.

  In 2022, PKO BP S.A. disbursed further tranches of the facility to MLP Poznań West II Sp. z o.o. for a total amount of EUR 30,596 thousand.

  In 2022, OTP Bank disbursed another tranche of the loan to MLP Bucharest West SRL in the amount of EUR 1,900 thousand.

  On 21 March 2022, a credit facility agreement was executed by MLP Business Park Berlin I Sp. z o.o. & Co. KG with Bayerische Landesbank. In 2022, tranches of the facility totalling EUR 19,647 thousand were disbursed.

  On 30 December 2022, a new credit facility agreement was executed between MLP Łódź II sp. z o.o. and Santander Bank Polska S.A. (Santander). As of 31 December 2022, there were no outstanding liabilities under the credit facility.

- **Repayment of bank borrowings in 2022**

  In 2022, the Group repaid its bank borrowings in accordance with the agreed repayment schedules.

  No credit facilities were terminated in the reporting period.

3. 4.3 Bonds

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

The Company redeemed Series A bonds with a total nominal value of EUR 20,000,000 on their maturity date, i.e. 10 May 2022.

On 22 July 2022, the Company issued, by way of public offering for qualified investors, 6,000 Series E bearer bonds with a nominal value of EUR 1,000 per bond and total nominal value of EUR 6,000,000. The bonds were issued as unsecured instruments. The objective of the issue was not specified. The bonds were registered with the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) under ISIN number PLMLPGR00108, and the bonds have been traded in the Catalyst alternative trading system since 22 July 2022. The bonds pay variable interest at 3M EURIBOR plus margin. The Series E bonds mature on 22 January 2024.

(all data in PLN thousand, unless stated otherwise)

The bonds of MLP Group S.A. outstanding as at 31 December 2022 are presented below.

Instrument	Currency	Nominal value	Maturity date	Interest rate	Guarantees and collateral	ISIN
Private bonds – Series B	EUR	10 000 000	May 11 2023	6M EURIBOR + margin	none	PLMLPGR00041
Public bonds – Series C	EUR	45 000 000	Feb 19 2025	6M EURIBOR + margin	none	PLMLPGR00058
Public bonds – series D	EUR	20 000 000	May 17 2024	6M EURIBOR + margin	none	PLMLPGR00090
Public bonds – Series E [1)]	EUR	6 000 000	Jan 21 2024	6M EURIBOR + margin	none	PLMLPGR00108

3. 4.4 Loans

In 2022, 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.

3. 4.6 Guarantees provided and received

In 2022, 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 2022

In the six months ended 30 June 2022, 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 bond issuance programme (the "Programme"). On the same day, the Company entered into an issuance agreement with mBank S.A. to establish the new bond 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 2022.

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 recognizes 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. Disclosure Policy and Investor Communications

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

Explanation of the reasons for the non-compliance:

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.

Explanation of the reasons for the non-compliance:

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%.

Explanation of the reasons for the non-compliance:

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.

Explanation of the reasons for the non-compliance:

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;

Explanation of the reasons for the non-compliance:

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

Explanation of the reasons for the non-compliance:

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;

Explanation of the reasons for the non-compliance:

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 2.1.

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 organizational 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 2022:

Shareholder	shares	share capital	% of total voting rights
CAJAMARCA Holland BV	10 242 726	42,69%	42,69%
Pozostali akcjonariusze	4 183 253	17,44%	17,44%
Israel Land Development Company Ltd. [2)]	3 016 329	12,57%	12,57%
THESINGER LIMITED	1 771 320	7,38%	7,38%
Allianz OFE, Allianz DFE i Drugi Allianz OFE	1 714 881	7,15%	7,15%
OFE NNLife [3)]	1 656 022	6,90%	6,90%
GRACECUP TRADING LIMITED	641 558	2,67%	2,67%
MIRO LTD. [4)]	617 658	2,57%	2,57%
Shimshon Marfogel	149 155	0,62%	0,62%
Oded Setter [1)]	2 080	0,01%	0,01%
Total	**23 994 982**	**100%**	**100%**

On 8 December 2022, the Parent issued 2,621,343 Series E shares with a total par value of PLN 655,335.75 (par value per Series E share: PLN 0.25). Following registration with the National Court Register and the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.), the total number of shares is 23,994,982.

[1)] On 12 January 2022, 30 March 2022 and 8 January 2022, Oded Setter, a member of the Supervisory Board, acquired 420, 640 and 600 ordinary shares, respectively, representing in total 0.0077% of the share capital and 1,660 voting rights, or 0.0077% of total voting rights.

[2)] On 13 May 2022 Israel Land Development Company Ltd. with its registered office in Bnei Brak, Israel acquired 100 ordinary shares increasing its holding to 1,933,619 Company shares, which after the changes constitutes 9.05% of the share capital and carries 1,933,619 voting rights, i.e., 9.05% of the total number of voting rights.
Furthermore, on December 8, 2022, as part of the issuance of Series F shares, 1,082,710 shares were subscribed for by Israel Land Development Company Ltd. As a result, the shareholder increased its holding to 3,016,329 Company shares, representing 12.57% of the Company's share capital and conferring the right to 3,016,329 votes, i.e., 12.57% of total voting rights.

[3)] Previous name MetLife OFE – as of 1 February 2023 managed by Generali Powszechne Towarzystwo Emerytalne S.A.; the number of shares held as of 1 February 2023 was 1,591,360.

[4)] On December 8, 2022, 65,533 Series F shares were acquired by MIRO Ltd. as part of the issue. This increased the shareholder's interest in the Company to 617,658 shares, which represents 2.57% of the share capital and confers the right to 617,658 votes, or 2.57% of total voting rights.

4. 1.2 Special rights of the Shareholders

MLP Group S.A. has not issued any shares conferring special rights to their holders.

Pursuant to the Articles of Association, Cajamarca Holland B.V., as long as it holds at least 25% of the shares, has a personal right to appoint and dismiss three members of the Supervisory Board, including the Chairman of the Supervisory Board; and MIRO B.V., as long as it holds at least 2.5% of the shares, has a personal right to appoint and dismiss one member of the Supervisory Board. The personal rights of these shareholders expire if the combined interest of Cajamarca Holland B.V. and Miro B.V. in the Company's share capital falls below 40%.

According to representations made by the major shareholders, they do not hold any other special voting rights.

4. 1.3 Restrictions on rights attached to shares

Restrictions on voting rights, such as limitation of the voting rights of holders of a given percentage or number of votes, time limits on the exercising of voting rights, or provisions under which, with the Company's cooperation, equity rights attaching to securities are separated from the holding of the securities.

There are no restrictions on voting rights at MLP Group S.A.

Restrictions on transferability of securities issued by MLP Group S.A.

There are no restrictions on the transferability of securities issued by MLP Group S.A.

4. 2 General Meeting

Operation of the General Meeting and its key powers; shareholders' rights and the manner of exercising those rights, including in particular the standards set out in the rules of procedure for the General Meeting (if such rules have been adopted) to the extent not prescribed directly by the applicable laws.

The General Meeting may be held as an annual or extraordinary meeting and, as the Company's governing body, operates pursuant to the Commercial Companies Code of 15 September 2000 (Dz.U. of 2000, No. 94, item 1037, as amended) , the Company's Articles of Association and the Rules of Procedure for the General Meeting of MLP Group S.A. dated 2 December 2009.

Pursuant to the Articles of Association, the following matters fall within the remit of an Annual General Meeting:

- examination and approval of the Management Board's Report and the Company's financial statements for the previous financial year;
- adopting a resolution on the distribution of profit or set-off of loss;
- approval of discharge of duties by members of the Supervisory Board and the Management Board,
- Any matters reserved for in the Commercial Companies Code require a resolution of the General Meeting unless the Articles of Association provide otherwise to the extent permitted by law. Resolutions of the General Meeting are also required to:

  - appoint and remove from office Supervisory Board members, subject to the provisions of the Articles of Association governing the appointment of Supervisory Board members by individual shareholders,

  - amend the Company's Articles of Association,

  - define the rules and amounts of remuneration for members of the Supervisory Board,

  - merge or dissolve the Company and appoint the liquidators,

  - examine claims against members of the Company's governing bodies or the Company's founders for redress of damage caused by their unlawful conduct.

Resolutions of the General Meeting are not required to acquire and dispose of real property, perpetual usufruct or a share in property or perpetual usufruct; and to pledge real property or perpetual usufruct as security.

The General Meeting is convened by way of a notice on the Company's website and in the manner required for the publication of current information under the Act on Public Offering. The notice should be published at least twenty-six days before the date of the General Meeting.

General Meetings are convened by the Management Board as annual or extraordinary meetings. An Annual General Meeting should be held within six months from the end of each financial year. However, if the Company's Management Board fails to convene the Annual General Meeting within the prescribed time, the right to convene the Meeting rests with the Supervisory Board.

The Management Board may convene an Extraordinary General Meeting:

- on its own initiative,
- at the request of the Supervisory Board,
- at the request of shareholders representing in aggregate a minimum of one twentieth of the share capital,
- based on a resolution of the General Meeting in accordance with contents of the resolution, and sets the Meeting's agenda.

In addition to the persons specified in the Commercial Companies Code, each Independent Member of the Supervisory Board may demand that:

- the General Meeting be convened,
- specific matters be placed on the agenda of the General Meeting.

Removal of items placed on the agenda of the General Meeting at the request of a person or persons entitled to do so requires their consent.

The agenda of the General Meeting is set by the Management Board.

Upon a relevant request, the Management Board convenes a General Meeting within two weeks of receiving the request.

Pursuant to the Articles of Association, if the Company's Management Board fails to convene an Extraordinary General Meeting within the prescribed time limit, the right to convene an Extraordinary General Meeting is vested in the persons who submitted the request to convene the General Meeting, upon obtaining the authorisation from the Registry Court, or in the Supervisory Board if it requested the Management Board to convene an Extraordinary General Meeting.

Resolutions may be adopted without a General Meeting having been formally convened if the entire share capital is represented at the Meeting and none of those present objects to holding the General Meeting or placing particular matters on its agenda.

All shareholders are entitled to attend the General Meeting in person or by proxy. A power of proxy to attend and vote at a General Meeting must be granted in writing or in electronic form. A power of proxy granted in electronic form does not require to be signed with a secure electronic signature verifiable with a valid qualified certificate. The right to appoint a proxy for the General Meeting and the number of proxies may not be restricted.

Only persons who are Company shareholders sixteen days prior to the date of the General Meeting (the record date) have the right to participate in the Meeting.

The General Meeting may also be attended by members of the Company's governing bodies, including members of the governing bodies whose mandate has expired but whose activities are assessed by the General Meeting, as well as persons designated by the Management Board to provide support to the General Meeting

As a rule, resolutions of the General Meeting are passed by an absolute majority of the votes cast, and voting at the General Meeting is by open ballot. A secret ballot is ordered in the case of voting on appointment or removal from office of members of the Company's governing bodies or its liquidators, on bringing them to account, on personnel matters, or on request of at least one shareholder present or represented at the General Meeting.

General Meetings are held in Warsaw or at the Company's registered office.

4. 3 Rules for amending the Articles of Association

Pursuant to Art. 430.1 and Art. 415.1 of the Commercial Companies Code, amendments to the Articles of Association of MLP Group S.A. require a resolution of the General Meeting adopted by a three-fourths majority of votes and must be recorded in the register. Where a resolution to amend the Articles of Association is to increase the shareholders' benefits or limit the rights granted personally to individual shareholders pursuant to Art. 354 of the Commercial Companies Code, the consent of all shareholders concerned is required. Amendments to the Articles of Associations are notified to the registry court by the Management Board. The General Meeting may authorise the Supervisory Board to prepare a consolidated text of the amended Articles of Association or to make other editorial changes therein specified in the General Meeting's resolution.

4. 4 Management Board

On 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.

4. 4.1 Powers and competencies of the Management Board

Pursuant to the Articles of Association, the Management Board manages the Company's affairs and represents the Company, in particular manages the Company's business, manages and dispose of its assets and rights vested in the Company, and adopts resolutions and makes decisions on all matters not reserved for the General Meeting or the Supervisory Board.

Two members of the Management Board acting jointly have the right to represent the Company. The Company may also be represented by proxies appointed by the Management Board under and within the scope of powers of proxy granted to them. The Management Board may also unanimously decide to appoint a commercial proxy.

A Management Board resolution is required for any of the following:

- issuance of a bill of exchange;
- grant of security interest to support debt of another entity, including of a subsidiary;
- establishing a mortgage or other encumbrance on any assets of the Company;
- execution of an agreement under which the Company is obliged to deliver, or a risk arises that the Company could be obliged to deliver, during one financial year, assets, services or cash for a total amount of EUR 500,000 its equivalent in another currency (except intra-Group loans or amendments to the loan agreements), unless execution of such agreement is provided for in the full-year financial plan (budget) adopted by the Management Board and approved by the Supervisory Board;

- convening a General Meeting or demanding that a meeting of the Supervisory Board is convened;
- filing a petition for cancellation or invalidation of resolutions of the General Meeting;
- filing a petition for bankruptcy of the Company;
- taking any action to change authorisations to sign on behalf of the Company or to approve banking transactions;
- hiring, dismissing and determining the remuneration of the Company's department heads (marketing, investment, finance and administration);
- nominating or appointing a member of any body in any entity controlled by the Company;
- representing the Company at general meetings of the Company's subsidiaries or granting powers of proxy to represent the Company at such general meetings, together with voting instructions (if applicable);
- participating in other companies, except companies of the Group, or disposing of shares in other companies, except transactions within the Group;
- issuance of shares, bonds, warrants, bills of exchange, or amending terms of the Company's bonds in issue;
- making contractual commitments to acquire or dispose of real estate, right of perpetual usufruct or fractional parts thereof, except for execution of preliminary agreements to acquire ownership or perpetual usufruct of real property which unilaterally 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 2022, 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

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***

Mr Zabost graduated from the Faculty of Civil Engineering of the Warsaw University of Technology, with a major in construction and engineering structures. He has also completed a number of management courses and training programmes. He has over 20 years of experience in managing commercial properties, and specialises in asset management at each stage of project execution. 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***

Ms 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 by the Supervisory Board's opinion.

Independent Members of the Supervisory Board have the right to convene a General Meeting or place certain matters on its agenda.

4. 5.2 Operation of the Supervisory Board

The Supervisory Board operates in accordance with the Rules of Procedure for the Supervisory Board adopted by the General Meeting, which defines its powers, organisation and manner of operation. Pursuant to the Rules of Procedure, the Supervisory Board performs its tasks collectively, at its meetings. Meetings are held as needed, but in any case at least once every two months, and are held at the Company's registered office. The Rules of Procedure permit holding Supervisory Board meetings by means of remote communication.

The Supervisory Board may adopt resolutions if at least half of all its members are present at a meeting, and all the members have been invited to participate in the meeting at least 7 Business Days in advance. However, in urgent matters the Chairman of the Supervisory Board, or under another member of the Supervisory Board duly authorised by the Chairman, may convene a meeting at a shorter notice. As a rule, resolutions of the Supervisory Board are adopted by an absolute majority of votes. If the numbers of votes for and against are equal, the Chairperson of the Supervisory Board has the casting vote.

Supervisory Board members may also participate in adopting resolutions by casting their votes in writing through another member of the Supervisory Board. Meetings may be held in writing. Meetings of the Supervisory Board may be held by means of direct remote communication. A detailed procedure for holding meetings and adopting resolutions using means of remote communication is provided for in the Rules of Procedure for the Supervisory Board. Meetings of the Supervisory Board are held as needed, but at least once every quarter.

At least two members of the Supervisory Board appointed by the General Meeting should be Independent Members of the Board, at least one of whom should have qualifications in accounting or financial auditing specified in the Act on Statutory Auditors. The independence criteria are set out in Art. 18.12 of the Company's Articles of Association.

(all data in PLN thousand, unless stated otherwise)

4. 5.3 *Composition of the Supervisory Board*

As at 31 December 2021 the composition of the Parent's supervisory bodies was as follows:

First name	Surname	Position held	Most recent appointment	End of term
Shimshon	Marfogel	Chairman of the Supervisory Board	30 June 2021	30 June 2024
Eytan	Levy	Deputy Chairman of the Supervisory Board	30 June 2021	30 June 2024
Oded	Setter	Member of the Supervisory Board	30 June 2021	30 June 2024
Guy	Shapira	Member of the Supervisory Board	30 June 2021	30 June 2024
Piotr	Chajderowski	Member of the Supervisory Board	30 June 2021	30 June 2024
Maciej	Matusiak	Member of the Supervisory Board	30 June 2021	30 June 2024

Shimshon Marfogel – ***Chairman of the Supervisory Board***

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.

In 2022, the number of meetings of the Audit Committee was the same as the number of meetings held by the Supervisory Board (two).

As at 31 December 2022, the Audit Committee was composed of the following persons

- Piotr Chajderowski
- Eytan Levy,
- Maciej Matusiak.

As at 31 December 2022, Maciej Matusiak and Piotr Chajderowski satisfied the requirements of Art. 129.1 of the Act on Certified Auditors (they had the required accounting or auditing qualifications) and the independence criteria set out in Art. 129.3 of the Act on Certified Auditors.

The Supervisory Board may also appoint, from among its members, a remuneration committee whose tasks would include drafting proposals for the remuneration of members of the Company's Management Board, and supervising implementation of the Company's incentive plans entitling their participants to subscribe for Company shares or instruments linked to Company shares. Such remuneration committee mays consist of two to three members, at least one should independent.

As at 31 December 2022, there was no remuneration committee at the Company's Supervisory Board.

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

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

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

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

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

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

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

(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 2022	
• Remuneration and other benefits:	
Radosław T. Krochta	699
Michael Shapiro	589
Tomasz Zabost	543
Marcin Dobieszewski	348
Monika Dobosz	240
Agieszka Góźdź	247
	2 666

Provision for variable remuneration of the Management Board in 2022:	
Radosław T. Krochta	2 372
Michael Shapiro	1 184
Tomasz Zabost	1 184
Marcin Dobieszewski	769
Monika Dobosz	1 184
Agnieszka Góźdź	1 184
	7 877

Provision used in the previous year for variable remuneration of the Management Board	
Radosław T. Krochta	3 703
Michael Shapiro	1 496
Tomasz Zabost	2 081
Marcin Dobieszewski	340
	7 620

Members of the Management Board received remuneration from the Company and the subsidiaries: (i) under employment contracts, (ii) for the provision of services to the Group, (iii) for serving on management boards, and (iv) on account of cash-settled share-based payments.

Remuneration of the Supervisory Board in 2021	
Maciej Matusiak	57
Eytan Levy	57
Shimshon Marfogel	57
Guy Shapira	57
Piotr Chajderowski	57
Oded Setter	57
	342

In 2022, the total amount of remuneration due to and received by members of the Supervisory Board was PLN 342 thousand.

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

Ms Agnieszka Góźdź provides services and serves as Management Board Member at the Company under a service contract.

As per the terms of the contract, in the event of contract termination, Ms Góżdż is entitled to receive remuneration during the notice period.

Mr Tomasz Zabost, Member of the Management Board, is employed under an employment contract. As per the terms of the contract, in the event of contract termination, Mr Zabost is entitled to receive remuneration during the notice period.

Ms Monika Dobosz, Member of the Management Board, is employed under an employment contract. As per the terms of the contract, in the event of contract termination, Ms Dobosz is entitled to receive remuneration during the notice period.

Mr Radosław T. Krochta, President of the Management Board, is employed under an employment contract. As per the terms of the contract, in the event of contract termination, Mr Krochta is entitled to receive remuneration during the notice period.

Mr Michael Shapiro, Vice President of the Management Board, is employed under an employment contract at MLP Pruszków I Sp. z o.o., a subsidiary.

As per the terms of the contract, in the event of contract termination, Mr Shapiro is entitled to receive remuneration during the notice period.

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. Specifically, Mr Levy owns a 100% interest in N Towards the Next Millennium Ltd., which holds a 33.33% (1/3) interest in RRN Holdings Ltd. RRN Holdings Ltd. holds 75% of the share capital of Cajamarca Holland B.V., which in aggregate results in the 10.67% interest in MLP Group S.A.'s share capital.

As at 31 December 2022, 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 2022, 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 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 2022, 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 efficiency and proper functioning of the internal control and risk management system are ensured through:

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

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

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

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

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

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

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

In accordance with the applicable laws, the 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 2022 and to review the interim financial statements prepared for the six months ended 30 June 2022. The audit and review engagement also inclues the year 2023.

The registered office of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt 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 2022, PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością spółka Audyt komandytowa did not provide any services other than audit and review of financial statements or consolidation packages.

The table below presents the fees paid to the auditor for the services performed.

as at	31 December 2022	31 December 2021
Audit of full-year financial statements	138	85
Audit of separate financial statements of subsidiaries	255	255
Review of consolidated and separate financial statements	30	30
Audit and review of group reports	312	165
Total fees	**735**	**535**

Signed with qualified electronic signature.

Radosław T. Krochta
President of the Management Board

Tomasz Zabost
Member 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, 17 March 2023