

This document constitutes a translation of the Management Board's Report on the activities of the Company and the Capital Group of Stalexport Autostrady S.A. in 2020, which was originally issued in Polish. In case of ambiguities in interpretation of terminology, the Polish terminology should be treated as binding.



REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF THE COMPANY AND OF THE STALEXPORT AUTOSTRADY S.A. GROUP IN 2020

Mysłowice, 1 March 2021

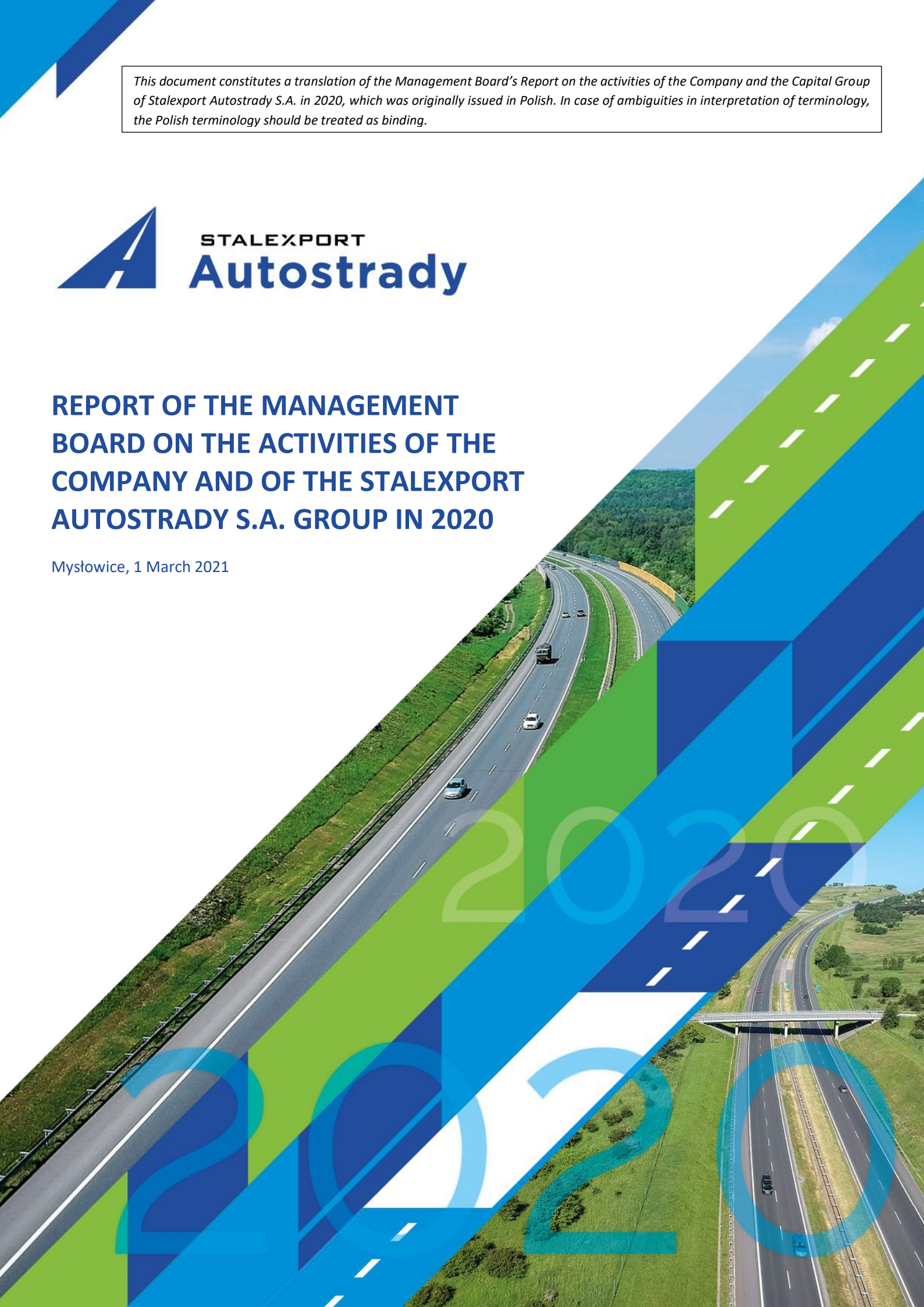


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/DEFINITIONS AND ABBREVIATIONS

The table below presents the definitions of the abbreviations used in this Report.

/	ADT	Average Daily Traffic
/	ASPI	Autostrade per l'Italia S.p.A. with its registered office in Rome (Italy)
/	Atlantia	Atlantia S.p.A. with its registered office in Rome (Italy)
/	Biuro Centrum	Biuro Centrum Sp. z o.o. with its registered office in Katowice
/	DPSN 2016	"Best Practice of GPW Listed Companies 2016" adopted by resolution No. 26/1413/2015 of the Supervisory Board of GPW on 13 October 2015 and entered into force on 1 January 2016.
/	Ernst & Young	Ernst & Young Audyty Polska spółka z ograniczoną odpowiedzialnością sp. k., with its registered office in Warsaw, at Rondo ONZ 1, entered on the list of entities authorised to audit financial statements kept by the National Chamber of Statutory Auditors under No. 130
/	GDDKiA	General Directorate for National Roads and Motorways
/	GPW	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
/	Capital Group, Stalexport Autostrady Group, Group	The Stalexport Autostrady S.A. Capital Group with its registered office in Mysłowice
/	Commercial Companies Code	Act of 15 September 2000 – Code of Commercial Companies and Partnerships (Polish Journal of Laws Dz.U of 2000 No. 94 item 1037 as amended)
/	Pavimental Polska	Pavimental Polska Sp. z o.o. with its registered office in Trzebinia (32-450), at ul. Słowackiego 49
/	Ordinance on current and periodic information	Ordinance of the Minister of Finance of 29 March 2018 concerning current and periodic information provided by issuers of securities and the conditions for considering as equivalent information required by the law of a non-member state as equivalent (Dz.U. of 2018, item 757).
/	SAM, Concessionaire	Stalexport Autostrada Małopolska S.A. with its registered office in Mysłowice
/	Report	Report of the Management Board on the activities of the Company and of the Stalexport Autostrady S.A. Group in 2020,
/	Stalexport Autoroute	Stalexport Autoroute S. à r.l. with its registered office in Luxembourg

/	Stalexport Autostrady, Company, Issuer	Stalexport Autostrady S.A. with its registered office in Mysłowice
/	Concession Agreement	The Concession Agreement dated 19 September 1997 on construction by adaptation of the A4 motorway on the following section: Katowice (Murckowska Junction, 340.2 km) – Kraków (Balice Junction, 401.1 km) to the toll motorway standards and motorway operation on this section, including modifications made on the basis of subsequent amendments, the rights and obligations under which were transferred in their entirety from Stalexport Autostrady to SAM on 28 July 2004
/	Act on Auditors	Act of 11 May 2017 on statutory auditors, auditing firms and public supervision (Dz.U. of 2017, item 1089)
/	Act on Offering	Act of 29 July 2005 on public offer and the conditions for introducing financial instruments to the organised trading system, and on public companies (Dz.U. of 2005, item 1539, uniform text)
/	UOKiK	Office of Competition and Consumer Protection
/	VIA4	VIA4 Spółka Akcyjna with its registered office in Mysłowice
/	General Meeting	General Meeting of Shareholders

/ PART 1

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD OF STALEXPORT AUTOSTRADY



**Dear Sir, Dear Madam,
Dear Shareholders,**

I believe that last year's events came as a huge surprise to all of us. The coronavirus pandemic influenced the functioning of all branches of industry, changed earlier patterns of action and of thinking about business undertakings, as well as changed the method of working in many organisations.

These changes and consequences of the pandemic obviously also had an impact on our activity. While in January 2020, we still recorded an increase by approx. 5% in traffic intensity vs January 2019 on the section of the A4 Katowice–Kraków managed by us, a small decline appeared already in February. In March 2020, traffic intensity compared to the same month of 2019 went down by more than 33%, and in April by as much as over 60%, i.e. to an average level of 17.7 thousand vehicles per day. This is more or less the traffic intensity we had on the A4 motorway back in 2001! The decline in average annual traffic intensity was finally 20%, i.e. the level of 36.5 thousand vehicles per day, and toll revenue went down by 17.8% to PLN 285,619 thousand (in 2019: PLN 347,424 thousand). In 2020, the revenues of the Stalexport Autostrady Capital Group amounted to PLN 289,545 thousand and, in relation to the decline in traffic intensity described above, they were approx. 18% lower than in 2019 (PLN 351,487). Despite the revenue decrease, the Group's net profit in 2020 increased to the amount of approx. PLN 91.5 million, i.e. by over PLN 11 million vs 2019.

This is explained above all by Payments to the State Treasury resulting from the obligations of the concessionaire of the A4 Katowice–Kraków motorway, i.e. Stalexport Autostrada Małopolska S.A., set forth in the Concession Agreement. They constitute the SAM's cost resulting from the State Treasury's share of the profits from the motorway project. Payments to the State Treasury amounted to PLN 44.6 million net in the whole of 2020, i.e. over PLN 44 million net less than in 2019. The basis for said calculation is the amount of funds to be distributed, which are calculated after the project costs have been covered and after transfers have been made to the required reserve accounts. These payments are recognised as general and administrative expenses.

In 2020, we continued the repairs and modernisation works on the section of the A4 motorway managed by us. The most important ones included the completion of the renovation of the flyover in Mysłowice, the start of works related to the modernisation of culverts under the motorway pavement, continuation of modernisation of motorway drainage that ensures groundwater protection, and resurfacing works. In the years 2019–2020, we renovated a total of approx. 36.5 km of motorway pavement. Resurfacing will be continued in 2021 on a short section (approx. 3 km).

Investment expenditures in 2020 amounted to PLN 41.5 million, and the costs of resurfacing works and linear drainage system reconstruction amounted to over PLN 27.5 million.

We continue to carry out activities aimed at providing more rapid service to motorists at the toll plazas. I would like to remind you at this point that the A4Go electronic toll collection system has been in operation since 2016. So far, we have issued more than 44 thousand on-board units. Since mid-2019, videotolling has been in operation, i.e. toll

collection based on number-plate recognition, using mobile applications. Apart from the Autopay application, the SkyCash application has also been functioning since July 2020, and another application i.e. IKO of the PKO BP bank can be used since February 2021. Currently, automatic transactions account for approx. 32% of all transactions at the toll gates on the A4 Katowice–Kraków motorway.

These automatic payments methods not only make it possible to drive through the toll gates rapidly and less expensively, but at the time of the pandemic, they also assure a very high level of safety for the drivers, who have no contact in that case with the toll collection staff.

We continue to seek to make sure that as many users of the A4 Katowice–Kraków motorway as possible use these methods. The fact that the toll is much lower in this case is definitely a significant incentive for them. On 1 October 2020, the toll rates for category 1 vehicles (passenger vehicles and motorcycles) changed. Passenger car drivers paying traditionally using cash or bank card currently pay a toll rate of 12 PLN at each of the two toll plazas, while for those using automatic methods, this is only 8 PLN at each toll plaza. We have also maintained substantial reductions for drivers of category 2, 3, 4 and 5 vehicles paying using automatic methods.

In 2020, we launched a new customer service website for A4Go users, offering a number of options facilitating toll purchase and control. A new solution here is postpaid, i.e. toll payment using a bank card connected with the on-board device, without having to purchase a prepaid toll package.

Last year, we completed the process of reducing the costs of functioning and simplification of the Group's structure by way of a cross-border merger of Stalexport Autostrady S.A. with Stalexport Autoroute S. à r.l., with its registered office in Luxembourg. The company Stalexport Autostrady S.A. took over the entire equity of Stalexport Autoroute (both assets and liabilities). In February 2020, the District Court Katowice-Wschód entered the cross-border merger in the register of entrepreneurs.

The separate result of Stalexport Autostrady S.A. in terms of sales revenues did not differ substantially from the revenues obtained in 2019, amounting to approx. PLN 3.5 million. These are mostly revenues from the lease of office space in the building in Katowice co-owned by the Company. The separate net profit amounted to approx. PLN 157.6 million vs a loss recorded in 2019 (PLN -829 thousand) after restatement of the 2019 result in relation to the cross-border merger mentioned above. The level of net profit in 2020 results above all from financial revenues, i.e. dividend paid by the subsidiary concession company SAM to Stalexport Autostrady in the amount of approx. PLN 131.2 million, accrued interim dividend from SAM in the amount of PLN 22.3 million and dividend paid by the subsidiary VIA4 S.A. (operator of the A4 Katowice–Kraków motorway) in the amount of approx. PLN 10.7 million.

I invite you to read the financial statements of Stalexport Autostrady S.A. and of the Stalexport Autostrady Group as well as the Management Board's report on the activities of the Company and of the Group in 2020.

I would like to thank all shareholders and partners for their interest in Stalexport Autostrady and in its Capital Group. I would furthermore like to thank members of the Supervisory Boards for their work for our companies and for supporting our activities.

My thanks also go to the management staff and to all the employees across the Group for their commitment and diligent work in the difficult year that 2020 was. I hope that I can count on that also in 2021 and in the following years.

Enjoy your reading!

Yours faithfully,

President of the Management Board
CEO

Emil Wąsacz

/ PART 2

BASIC INFORMATION ON THE COMPANY AND ON THE STALEXPORT AUTOSTRADY GROUP

2.1. STALEXPORT AUTOSTRADY S.A.

ul. Piaskowa 20
41-404 Mysłowice
tel. +(48) 32 762 75 45

Management Board:

Emil Wąsacz -
President of the Management
Board, CEO
Mariusz Serwa –
Vice-President of the Management
Board, CFO

Company reg. no. KRS: 0000016854

Tax ID NIP: 634-013-42-11

Statistical no. REGON: 271936361

Share capital:

PLN 185,446,517.25

(paid-up in full)

www.stalexport-autostrady.pl

Stalexport Autostrady S.A. plays the primary role in the Group which focuses on the modernisation and expansion of motorway infrastructure. The Company was the first Polish company to be granted, in 1997, a concession to implement the pioneering project with regard to the operation, alteration and adaptation of the Katowice–Kraków section of the A4 motorway to toll motorway requirements.

In 2004, the concession was transferred to an entity established specifically for the purpose of implementing the provisions of the Concession Agreement, i.e. Stalexport Autostrada Małopolska S.A.

Since mid-2006, the Company has been part of the Italian Atlantia group. In 2018, Atlantia, together with the Spanish construction group ACS and its German subsidiary Hochtief, took control of the Spanish group Abertis. The Atlantia group is a leader with regard to electronic toll collection systems on motorways, it manages a network of approximately 14,000 km of toll motorways, in countries such as Italy, Spain, France, Argentina as well as Brazil, Chile, India and Poland, and also manages the Fiumicino and Ciampino airports in Italy and three airports in France: Nice, Cannes-Mandelieu, and Saint Tropez.

For more information about the Atlantia group, visit its web page at www.atlantia.it.

Apart from the activities associated with the construction and operation of toll motorways, Stalexport Autostrady also leases out office space in a building it co-owns, located in Katowice.

2.2. STALEXPORT AUTOSTRADY GROUP

The business of the Company and of the entities belonging to its Capital Group focus primarily on motorway activities. They include operation and maintenance of the Katowice–Kraków section of the A4 motorway. These activities are carried out through the SAM and VIA4 companies.

Additionally, in relation to the fact that Stalexport Autostrady Capital Group co-owns an office building in the centre of Katowice, it provides services related to the leasing of office and parking spaces. These activities are carried out by the Company itself as the co-owner of the property, as well as by its affiliate Biuro Centrum Sp. z o.o. as the property managing entity.

The chart below presents the organisational structure of the Stalexport Autostrady Group, broken down into:

(i) the core area of activities, i.e. the motorway segment, and (ii) other activities.

FIGURE 1 | ORGANISATIONAL CHART OF THE STALEXPORT AUTOSTRADY GROUP AS AT 31 DECEMBER 2020



The Company's own compilation

2.3. ENTITIES COVERED BY THE CONSOLIDATION AND THE METHODS OF THEIR CONSOLIDATION

Stalexport Autostrady is the parent company and it draws up the consolidated financial statements. The entities covered by consolidation as at 31 December 2020, except the parent entity, are described in the following table.

TABLE 1 | ENTITIES BEING PART OF THE GROUP AS AT 31 DECEMBER 2020 (EXCEPT THE COMPANY)

Company name	Registered office	Main area of activity	Company status	Share in capital and in total number of votes	Date of taking control/ Acquisition date	Consolidation method
Stalexport Autostrada Małopolska S.A.	Mysłowice	Motorway construction and operation	Subsidiary	100%	1998	Full method
VIA4 S.A.	Mysłowice	Motorway operation	Subsidiary	55%	1998	Full method
Biuro Centrum Sp. z o.o.	Katowice	Real estate administration	Affiliate	40.63%	1994	Equity method
Petrostal S.A. in liquidation *	Warsaw	Inactive	Subsidiary	100%*	2005	-

*entity not covered by consolidation due to existing limitations regarding control exercise

Source: The Company's own compilation

The table below includes basic consolidated data of Stalexport Autostrady Group as well as separate data regarding the three major entities belonging to the Group, i.e. Stalexport Autostrady, SAM and VIA4. Apart from the results achieved by the said companies in 2020, for the purpose of comparison, the results are also included achieved by the companies in the corresponding period of the previous year, while as regards the balance sheet data, figures are presented as at 31 December 2020 and as at 31 December 2019.

TABLE 2 | BASIC FINANCIAL DATA OF SELECTED ENTITIES FROM THE GROUP [FIGURES IN PLN'000]

balance sheet data	Group		Stalexport Autostrady		SAM		VIA4	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019****	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Non-current assets	1,003,802	918,245	76,870	78,362	994,609	907,429	15,306	16,324
Current assets	428,419	403,807	345,485	197,257	97,314	189,244	14,128	24,314
Total equity	865,879	795,764	414,836	269,765	508,251	572,618	10,785	20,954
Non-current payables	405,373	344,696	5,520	4,231	402,591	344,267	11,029	11,243
Current payables	160,969	181,592	1,999	1,623	181,081	179,788	7,620	8,441
Net debt***	-726,145	-626,920	-307,965	-183,346	-387,717	-424,054	13,036	3,786
performance data	2020	2019	2020	2019****	2020	2019	2020	2019
Revenues from sales	289,545	351,487	3,463	3,767	285,619	347,424	45,651	49,109
Gross profit/loss from sales	193,476	262,390	-1,132	-114	175,470	240,957	15,458	19,204
EBITDA*	159,070	186,158	-6,009	-3,226	151,566	173,925	14,835	16,707
EBIT	100,291	129,153	-6,662	-3,878	94,350	118,388	11,898	13,822
Result on financial activities	-1,368	-4,518	165,505	3,752	-1,594	-6,818	-312	-384
Net profit/loss	91,456	80,396	157,577	-829	89,152	70,646	9,322	10,822
EBIT margin**	35%	37%	-192%	-103%	33%	34%	26%	28%
ROE	11%	10%	38%	0%	18%	12%	86%	52%

*EBITDA = EBIT + depreciation and amortisation

**EBIT margin = EBIT / revenue from sales

*** Net debt = total liabilities – provision for capital expenditures – derivatives (net of deferred tax impact) – non-current deposits – cash and cash equivalents

**** Figures restated due to the merger with a subsidiary – see note 5 to the separate financial statements

Source: The Company's own compilation

2.4. DESCRIPTION OF OTHER COMPANIES OF THE STALEXPORT AUTOSTRADY GROUP

2.4.1. STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A.

ul. Piaskowa 20
41-404 Mysłowice
tel. +(48) 32 762 75 55

Management Board:
Emil Wąsacz – President of the
Management Board
Mariusz Serwa – Vice-President
of the Management Board, CFO
Paweł Kocot – Member of the
Management Board

KRS: 0000026895
NIP: 634-22-62-054
REGON: 273796214

Share capital:
PLN 66,753,000
(paid-up in full)

Ownership structure:
100% – Stalexport Autostrady

www.autostrada-a4.pl

SAM was established on the basis of the notarial deed of 19 December 1997 as a company which at that time was intended as a special purpose vehicle in the project consisting in the management of the A4 motorway on the Katowice–Kraków section.

The activities provided for in the Company's Statutes include management of motorway projects as well as all the tasks resulting from the applicable Concession Agreement, which encompasses management of construction, adaptation to the requirements of a toll motorway and operation of the A4 motorway Katowice–Kraków section (the aforementioned concession was initially granted to Stalexport Autostrady, and subsequently transferred to SAM pursuant to the decision of the Minister of Infrastructure of 28 July 2004).

Pursuant to the Concession Agreement, SAM was authorised to collect lease fees and toll for using the above-mentioned motorway section. In line with the provisions of this Concession Agreement, the entity is, in exchange, obliged to provide ongoing maintenance of the motorway and continue other necessary investment tasks.

SAM finances its operations with the revenue generated from toll collection and other revenue, including the received lease fees.

For the implementation of the assumed investment programme, on the other hand, SAM obtained external financing in the amount of up to PLN 380 million under the Project Loan Agreement entered into on 28 December 2005 with the Financing Banks.

On 30 September 2019, SAM made a full prepayment of the outstanding debt under the Project Loan Agreement. Subsequently, SAM performed all the factual and legal actions to have the collateral for the debt under the Project Loan Agreement deleted from the relevant registers.

Selected financial data of SAM are presented in Table no. 2.

2.4.2. VIA4 S.A.

ul. Piaskowa 20

41-404 Mysłowice
tel. +(48) 32 762 73 50

Management Board:
Henri Skiba – President of the
Management Board
Mieczysław Skołożyński
– Vice-President of the
Management Board

KRS: 0000162861
NIP: 634-22-98-951
REGON: 276194390

Share capital:
PLN 500,000
(paid-up in full)

Ownership structure:
55% – Stalexport Autostrady
45% – Egis Road Operation S.A.
(France)

www.via4.pl

The company VIA4 was established on the basis of the notarial deed of 14 May 1998. The business of VIA4 consists in activity related to the operation of the A4 toll motorway on the Katowice–Kraków section. The entity effectively renders its services to its only customer, namely SAM as the entity managing this motorway section pursuant to the Concession Agreement.

For the services it performs, the entity receives lump-sum remuneration, the value of which depends mainly on the level of traffic on the motorway and on the inflation rate.

The main tasks performed by VIA4 comprise the services consisting in ongoing operation and maintenance of the A4 toll motorway section (Katowice–Kraków), including: operation of the toll collection system; management of motorway traffic; maintenance, i.e. keeping the motorway facilities in proper technical condition; comprehensive maintenance of the entire motorway right-of-way; winter maintenance of the motorway; management and consulting, in particular with respect to future repairs and renovation of the road surface and projects related to road standard improvement.

VIA4 also carries out equally important tasks related to safety and road traffic: 24/7 motorway patrols, which in cooperation with the Motorway Management Centre ensure possibly quick incident detection; operation of the SOS telephone system along the motorway right-of-way; cooperation with the police and other services in order to ensure unobstructed traffic flow on the motorway in case of collisions, accidents or other incidents.

Selected financial data of VIA4 are presented in Table no. 2.

2.4.3. BIURO CENTRUM SP. Z O.O.

ul. Mickiewicza 29
40-085 Katowice
tel. +(48) 32 207 22 08

Management Board:
Damazy Ćwikowski
– President of the Management Board
Dorota Karolak
– Vice-President of the Management Board

KRS: 0000087037
NIP: 634-01-10-03422
REGON: 272254793

Share capital:
PLN 80,000
(paid-up in full)

Ownership structure:
59.37% – WĘGLOKOKS S.A.
40.63% – Stalexport Autostrady
www.biurocentrum.com.pl

The Biuro Centrum company was established on the basis of the notarial deed of 9 June 1994.

The main business of Biuro Centrum consists in management and maintenance of the office and conference building in Katowice at ul. Mickiewicza 29 co-owned by Stalexport Autostrady (40.47%) and Węglkokoks S.A. (59.53%).

Biuro Centrum guarantees high standards and professionalism in all services concerning property management and maintenance. It has modern organisational, technical and office facilities in place.

The supplementary activities of Biuro Centrum include catering services in the “Pod wieżami” restaurant run by the Company.

/ PART 3

INFORMATION SIGNIFICANT FOR THE ASSESSMENT OF THE FINANCIAL POSITION (CURRENT AND PREDICTED), ASSETS AND FINANCIAL RESULT OF THE GROUP AND THEIR CHANGES, AND INFORMATION SIGNIFICANT FOR THE ASSESSMENT OF THE ISSUER'S AND OF ITS GROUP'S ABILITY TO FULFIL THEIR OBLIGATIONS

3.1. STALEXPORT AUTOSTRADY

3.1.1. PRESENTATION OF FINANCIAL RESULTS

The table below shows the Company's basic financial results achieved in 2020 and comparative figures for the previous year (2019).

TABLE 3 | SELECTED ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME OF STALEXPORT AUTOSTRADY IN 2020 AND 2019 (SEPARATE FIGURES)

PLN '000	2020	2019*	Change [%]
Revenues from sales	3,463	3,767	-8%
Cost of sales	-4,595	-3,881	18%
Gross loss on sales	-1,132	-114	893%
Other operating revenue	94	59	59%
General and administrative expenses	-5,614	-3,815	47%
Other operating expenses	-6	-10	-40%
Reversal of loss/(Losses) on impairment of trade receivables and other receivables	-4	2	-300%
Loss on operating activities (EBIT)	-6,662	-3,878	72%
Financial revenue	165,634	3,868	4,182%
Financial expenses	-129	-116	11%
Balance on financial activities	165,505	3,752	4,311%
Profit before taxation	158,843	-126	126,166%
Income tax	-1,266	-703	80%
Net profit	157,577	-829	19,108%

* Figures restated due to the merger with a subsidiary – see note 5 to the separate financial statements

Source: The Company's own compilation based on the Company's separate financial statements

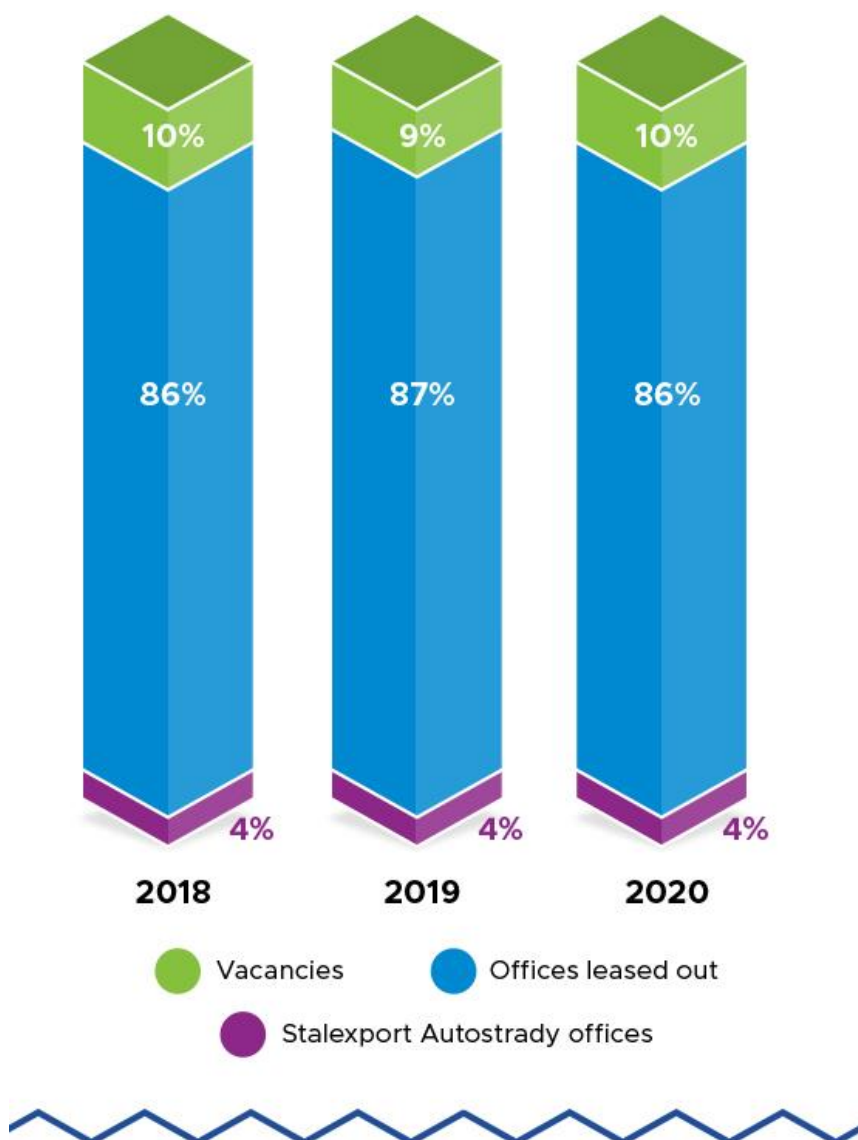
The amount of net profit generated in 2020 was mainly a result of positive financial operations described in more detail in paragraph 3.1.1.3 of the Report.

3.1.1.1. AMOUNT AND STRUCTURE OF OPERATING REVENUE

Stalexport Autostrady runs its motorway business through its subsidiaries. Thus, the separate **revenue from sales** generated by the Company includes mainly revenue from services related to the lease of space in the office building in Katowice at ul. Mickiewicza 29 and of parking spaces located next to that office building. In relation to this, in 2020, Stalexport Autostrady generated total revenue in the amount of PLN 3,258 thousand versus PLN 3,358 thousand in the previous year.

Stalexport Autostrady is a co-owner of the office building in Katowice at ul. Mickiewicza 29 As part of the co-ownership, the Company has at its sole disposal office space of 4,734 m² (and additionally 212 m² of conference rooms), of which 183 m² as at the end of 2020 was occupied by Stalexport Autostrady for its own needs (the same amount as in 2019).

FIGURE 2 | STRUCTURE OF UTILISATION OF OFFICE SPACE IN THE PROPERTY IN KATOWICE AT UL. MICKIEWICZA 29



Source: The Company's own compilation

Currently, the amount of office space not leased out fluctuates around the minimum level possible from the technical point of view that results from a natural turnover of lessees and preparation (refurbishment or redecoration) of spaces in order to lease them out again to third parties.

The plan for this year is to continue the efforts in order to maintain the current office space occupancy while maintaining the optimum rent rates.

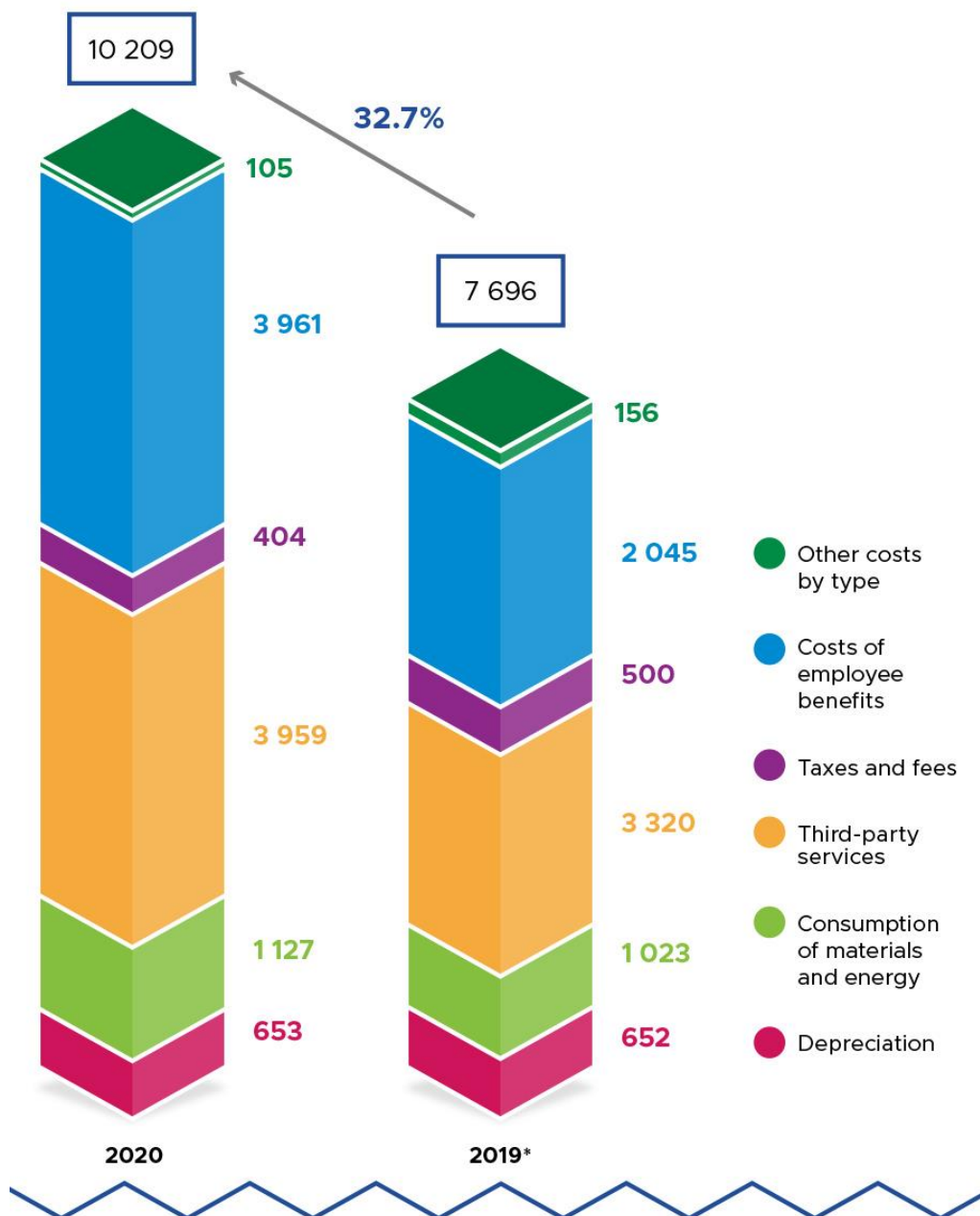
The Company generated other sales revenue amounting to PLN 205 thousand mainly from the provision of services for related entities, including mainly work related to IT services.

In total, other revenue in 2020 went down by PLN 204 thousand vs the previous year, which results from the lower revenues obtained from other services.

3.1.1.2. AMOUNT AND STRUCTURE OF OPERATING EXPENSES

In 2020, the expenses incurred by Stalexport Autostrady – including the cost of sales as well as general and administrative expenses – increased by 32.7%.

FIGURE 3 | STRUCTURE OF COSTS OF THE COMPANY'S OPERATING ACTIVITIES BY TYPE [PLN'000]



* Figures restated due to the merger with a subsidiary – see note 5 to the separate financial statements

Source: The Company's own compilation (in PLN '000)

The largest item of costs by type incurred by Stalexport Autostrady represents costs of employee benefits (up by 93.7% vs 2019), including mainly costs of remuneration of the Management Board, described more extensively in notes 26 and 31.3 to the Company's separate financial statements.

The second largest item in the structure of costs by type incurred by Stalexport Autostrady is represented by outsourced services (including, but not limited to property administration, repair, maintenance and cleaning service, property security, rental, lease of office space and consultancy services). These costs increased by approx. 19.2% in 2020 vs 2019.

In 2020, consumption of materials and energy increased by approx. 10.2% vs the previous year. Depreciation in 2020 was at a similar level as in 2019, while taxes and fees were lower (by 19.2%). Other costs by type decreased by 32.7%. In 2020, other operating expenses amounted to PLN 6 thousand.

3.1.1.3. FINANCIAL OPERATIONS

The financial operations of the Company significantly affect the net profit/loss generated by Stalexport Autostrady. This is a consequence of the nature of the activity carried out by the Company (managing the Group). This activity makes it possible to accumulate funds that can subsequently be used for the implementation of future motorway projects or to pay dividend.

The figures in this area of operation are influenced to the greatest extent by financial revenue which in 2020 comprised the following:

- dividend received from subsidiaries (PLN 164,148 thousand);
- interest related to investments consisting in depositing financial resources with banks (PLN 1,382 thousand);
- interest related to finance lease (PLN 88 thousand);
- interest related to investments in debt instruments (PLN 16 thousand).

In 2020, total financial revenue amounted to PLN 165,634 thousand and was higher by PLN 161,766 thousand vs the previous year, mainly as a result of higher dividend from subsidiaries.

In turn, the amount of financial expenses in 2020 was influenced in a decisive manner by interest on liabilities measured at depreciated cost, including interest on lease liabilities, in the amount of PLN 117 thousand.

3.1.2. ASSETS AND FINANCIAL POSITION

The assets and the financial position of Stalexport Autostrady were presented on the basis of the synthetic statement of financial position shown in the table below. It takes into account the structure of assets and liabilities of the Company and the year-on-year dynamics for particular items.

TABLE 4 | SYNTHETIC REPORT ON THE STATEMENT OF FINANCIAL POSITION OF STALEXPORT AUTOSTRADY AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2019 – SEPARATE FIGURES

in PLN'000			<i>Dynamic</i>	<i>Structure</i>	
	31 Dec 2020	31 Dec 2019*	2020/2019	31 Dec 2020	31 Dec 2019
Non-current assets	76,870	78,362	-2%	18%	28%
Current assets	345,485	197,257	75%	82%	72%
Total shareholders' equity	414,836	269,765	54%	98%	98%
Non-current payables	5,520	4,231	30%	1%	2%
Current payables	1,999	1,623	23%	0%	1%
Balance sheet total	422,355	275,619	53%	100%	100%

* Figures restated due to the merger with a subsidiary – see note 5 to the separate financial statements

Source: The Company's own compilation

3.1.2.1. ASSETS

As far as the structure of **non-current assets** is concerned, the main item consists in the shares of the subsidiary conducting the motorway business, i.e. SAM (PLN 66,753 thousand). The decrease in the value of non-current assets reported in the analysed period was mainly due to a decrease in the value of deferred income tax assets by PLN 1,213 thousand (in 2019, a decrease by PLN 421 thousand) and of an investment property item (down by PLN 557 thousand). On the other hand, in 2020 the value of finance lease receivables increased by PLN 459 thousand (in 2019: a decrease by PLN 1,017 thousand). The amount of non-current assets was also influenced by a decrease in tangible fixed assets by PLN 73 thousand and in other long-term investments by PLN 108 thousand (in 2019: a decrease by PLN 86 thousand and an increase by PLN 30 thousand, respectively).

The amount of **current assets** is determined by the amount of short-term investments (including debt instruments measured at depreciated cost, in the amount of PLN 179,977 thousand and shares held for sale in the amount of PLN 1,087 thousand) and cash and cash equivalents (PLN 135,506 thousand) that may be used in the implementation of future motorway projects. In 2020, a part of cash was allocated to the purchase of the debt instruments mentioned above. An analysis of the current assets described above shows that their total value as at the end of 2020 amounted to PLN 316,570 thousand, vs PLN 190,774 thousand as at the end of the previous year, meaning an increase by PLN 125,796 thousand.

Other significant items of Stalexport Autostrady's current assets that can be distinguished include trade and other receivables in the amount of PLN 27,770 thousand (up by PLN 22,623 thousand), as well as short-term lease finance receivables in the amount of PLN 1,086 thousand (down by PLN 250 thousand).

3.1.2.2. LIABILITIES

In 2020, retained earnings increased within the equity structure, amounting to PLN 159,467 thousand as at the end of the year (increase by PLN 147,532 thousand vs 2019). Other reserve and supplementary capitals decreased by PLN 1,967 thousand vs the end of 2019, to PLN 62,695 thousand. The above is a consequence of the net profit achieved by the Company for the reporting period in the amount of PLN 157,777 thousand, as well as of payment of dividend in the amount of PLN 12,363 thousand (PLN 1,966 thousand from other supplementary capital and PLN 10,397 thousand from the net profit for the financial year 2019).

As at 31 December 2020, the Company's total payables amounted to PLN 7,519 thousand and increased by PLN 1,665 thousand vs 31 December 2019, as a result of an increase in payables related to employee benefits as well as in trade and other payables, respectively by PLN 1,326 thousand and PLN 378 thousand.

3.2. THE GROUP

3.2.1. PRESENTATION OF FINANCIAL RESULTS

The following table includes basic financial results of the Stalexport Autostrady Group generated in 2020 along with comparative data for the previous year.

TABLE 5 | SELECTED ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME OF THE STALEXPORT AUTOSTRADY GROUP IN 2020 AND 2019 – CONSOLIDATED

PLN '000	2020	2019	Change [%]
Revenues from sales	289,545	351,487	-18%
Cost of sales	-96,069	-89,097	8%
Gross profit on sales	193,476	262,390	-26%
Other operating revenue	8,103	6,313	28%
General and administrative expenses	-101,033	-139,033	-27%
Other operating expenses	-225	-514	-56%
Reversal of losses/(Losses) on impairment of trade receivables and other receivables	-30	-3	-900%
Profit on operating activities (EBIT)	100,291	129,153	-22%
Financial revenue	4,141	11,360	-64%
Financial expenses	-5,509	-15,878	-65%
Balance on financial activities	-1,368	-4,518	-70%
Share in profit of affiliates	-272	137	-299%
Profit before taxation	98,651	124,772	-21%
Income tax	-7,195	-44,376	-84%
Net profit	91,456	80,396	14%

*Data restated in relation to the change of approach with regard to Concession Fees – see note 5.2 to the Group's consolidated financial statements.

Source: The Company's own compilation

In 2020, the Group's sales revenues were 18% lower than in the previous year. This results mainly from the restrictions introduced by state authorities and institutions, related to social and economic activities, in connection with the spreading of the SARS-CoV-2 coronavirus and to the number of COVID-19 cases.

The gross profit from sales decreased by 26% vs the previous year. The gross profit dynamic was fundamentally driven by the decrease in sales revenues mentioned earlier. On the other hand, own costs of sales were 8% higher vs 2019.

Apart from the factors described above, net profit was significantly influenced (with a 14% increase) by the recognition, by SAM, of “Payments to the State Treasury” as deductible expenditures, including with regard to payments made in previous years.

3.2.1.1. AMOUNT AND STRUCTURE OF OPERATING REVENUE

The financial results of Stalexport Autostrady Group are influenced mainly by the Group’s motorway activity consisting in the management and operation of the toll section of the A4 Katowice–Kraków motorway. This activity is carried out through the Group’s subsidiary SAM, under the Concession Agreement it signed, in force until 2027.

The traffic intensity on the concession section of the motorway – particularly as far as heavy goods vehicles are concerned – largely depends on the pace of development of the economy, measured by the gross domestic product (GDP) level.



In 2020, Average Daily Traffic (ADT) on the concession section of the A4 motorway Katowice–Kraków amounted to 36,467 vehicles and was 20% lower than the traffic level recorded in 2019 (45,569 vehicles). In 2020, toll revenue amounted to PLN 285,619 thousand, i.e. it was 17.8% lower than in 2019 (PLN 347,424 thousand).

As far as passenger cars are concerned, Average Daily Traffic decreased from 38,349 thousand vehicles in 2019 to 29,806 vehicles in 2020 (down by 22.3%). Toll revenue from passenger cars amounted to PLN 171,090 thousand in 2020, i.e. it decreased by 23.4% versus 2019 (PLN 223,462 thousand). The difference between the dynamic of change in toll revenue vs the dynamic of change in average daily traffic of passenger vehicles is a consequence of two factors, i.e. the introduction, in early 2020, of preferential rates for all automatic toll collection methods and the change of the toll rate from 1 October 2020 (from 10 PLN to 12 PLN in the case of the regular rate and from 7 PLN to 8 PLN in the case of the preferential rate).

As far as heavy goods vehicles are concerned, Average Daily Traffic decreased by approx. 7.7%, i.e. from 7,220 vehicles in 2019 to 6,662 vehicles in 2020. Toll revenue from heavy goods vehicles in 2020 amounted to PLN 114,529 thousand, i.e. it decreased by 7.6% compared to 2019 (PLN 123,962 thousand). In the case of heavy goods vehicles, the change in toll rates took place in the previous year, i.e. from 1 March 2019 (from 18 PLN to 20 PLN and from 30 PLN to 35 PLN), and from the start of 2020, similarly as for passenger vehicles, preferential rates were introduced for automatic toll collection methods.



The tables below show the Average Daily Traffic (ADT) and the toll revenue in 2020 vs 2019, with the relevant dynamics.

TABLE 6 | AVERAGE DAILY TRAFFIC (ADT)

ADT	2020	2019	Change
Passenger cars 	29,806	38,349	-22.3%
Heavy goods vehicles 	6,662	7,220	-7.7%
Total	36,467	45,569	-20.0%

Source: The Company’s own compilation

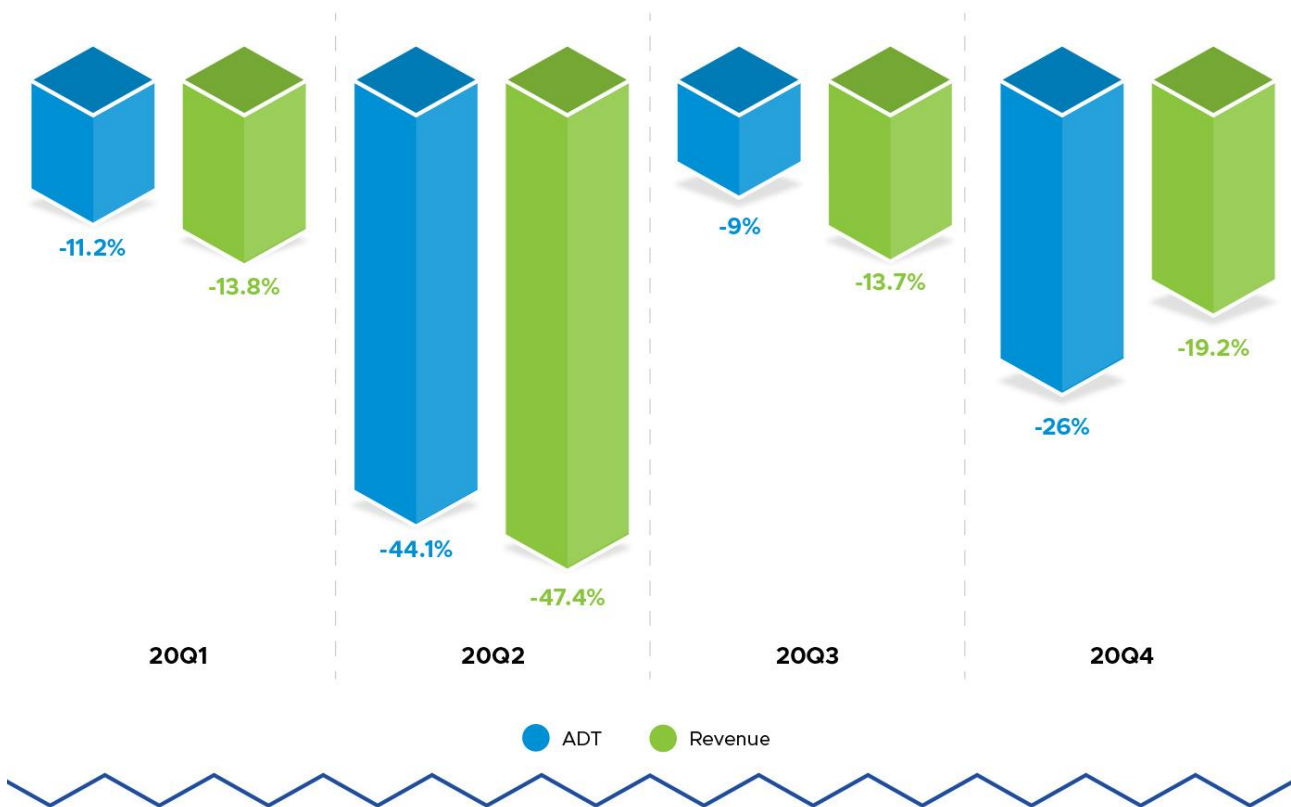
TABLE 7 | TOLL REVENUE

[PLN '000]	2020	2019	Change
Passenger cars 	171,090	223,462	-23.4%
Heavy goods vehicles 	114,529	123,962	-7.6%
Total	285,619	347,424	-17.8%

Source: The Company's own compilation

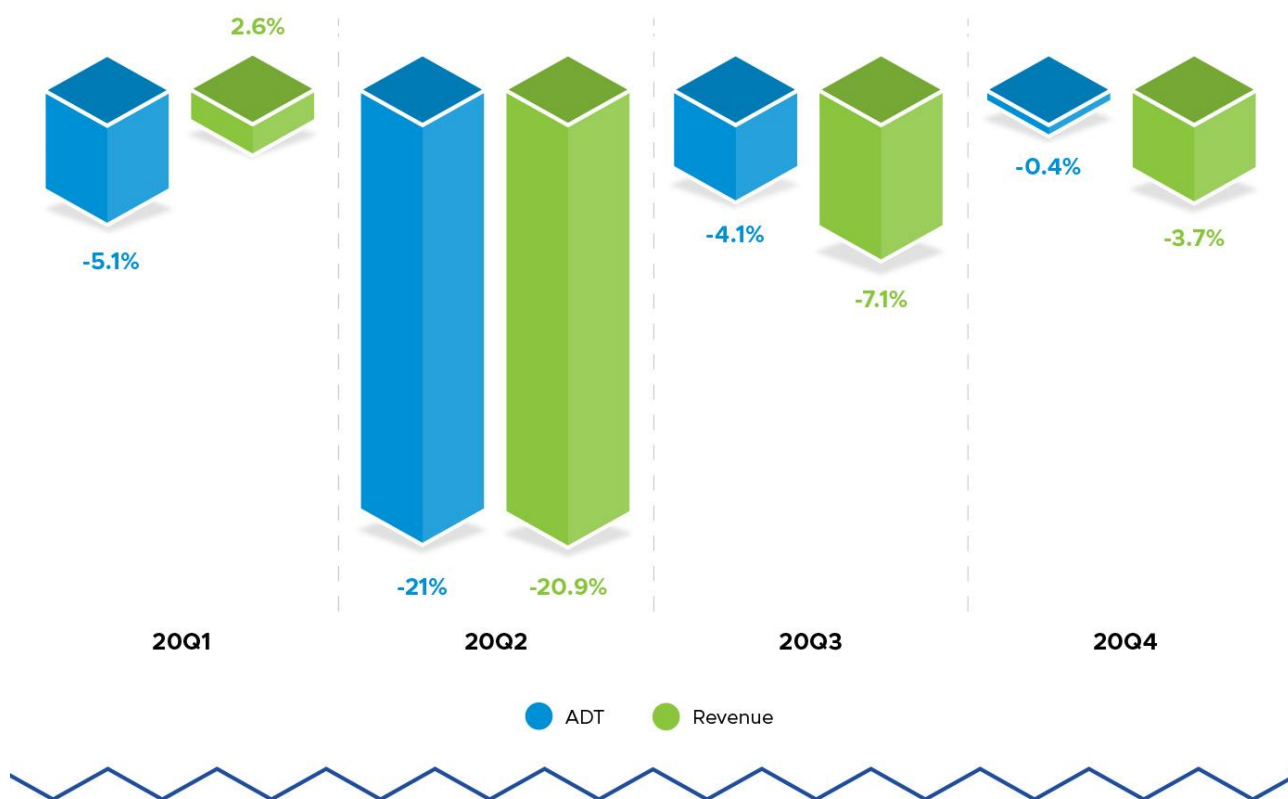
The following figures show the dynamics of Average Daily Traffic (ADT) and of toll revenue in 2020 vs 2019 on a quarterly basis, separately for passenger cars and heavy goods vehicles.

FIGURE 4 | DYNAMICS OF ADT AND OF TOLL REVENUE FOR PASSENGER CARS IN 2020 VS 2019 (QUARTER ON QUARTER OF THE PREVIOUS YEAR)



Source: The Company's own compilation

FIGURE 5 | DYNAMICS OF ADT AND OF TOLL REVENUE FOR HEAVY GOODS VEHICLES IN 2020 VERSUS 2019 (QUARTER ON QUARTER OF THE PREVIOUS YEAR)



Source: The Company's own compilation

The decreases in traffic and revenues observed in 2020 vs 2019 are a consequence of the restrictions introduced by state authorities and institutions, related to social and economic activities, in connection with the spreading of the SARS-CoV-2 coronavirus and to the number of COVID-19 cases.

Apart from toll collection, the Group also obtained revenue from sales related to motorway operation in the amount of PLN 667 thousand, including PLN 652 thousand in compensation for damaged motorway infrastructure.

Apart from the motorway activity, revenue from sales of the Stalexport Autostrady Group in the amount of PLN 3,259 thousand was related to the lease of space in the office building in Katowice, at ul. Mickiewicza 29, and to the provision of other services. Compared to 2019, the amount of revenue unrelated to motorway activities decreased slightly.

In 2020, other operating revenue amounted to PLN 8,103 thousand and included revenue from the lease of rest and service areas (PLN 7,347 thousand), compensation and contractual penalties obtained, reimbursement of fees and costs of court proceedings (PLN 372 thousand) and other (PLN 318 thousand).

3.2.1.2. AMOUNT AND STRUCTURE OF OPERATING EXPENSES

In 2020, the operating expenses of the Stalexport Autostrady Group amounted to PLN 197,327 thousand and were 13.7% lower than in the same period of the previous year (PLN 228,644 thousand), mainly due to the lower amount of the item Payments to the State Treasury (PLN 44,610 thousand in the current period, vs PLN 88,800 thousand in the previous period).

In 2020, the costs of operating activities consisted of the following:

- cost of sales in the amount of PLN 96,069 thousand. The value of this cost group was approx. 7.8% higher than in the previous year (PLN 89,097 thousand), mainly as a result of the increase in the cost of establishing provisions for motorway resurfacing (PLN 6,781 thousand);
- general and administrative costs in the amount of PLN 101,033 thousand, whose value decreased by PLN 38,000 thousand (27.3%) vs the same period in the previous year (including as a result of recognising "Payments to the State Treasury" in the amount of PLN 44,610 thousand);
- other operating expenses in the amount of PLN 225 thousand, driven predominantly by donations made (PLN 100 thousand).

3.2.1.3. FINANCIAL OPERATIONS

In 2020, the Group generated a negative balance on financial activities in the amount of PLN 1,368 thousand, i.e. the financial revenue generated (PLN 4,141 thousand) was lower than the financial expenses incurred (PLN 5,509 thousand).

The financial revenue was mainly influenced by interest on deposits in the amount of PLN 3,957 thousand.

Financial expenses were mainly influenced by the discounting of provisions in the total amount of PLN 2,351 thousand, of which: PLN 2,260 thousand related to the provisions for Phase II investment works on the A4 motorway, and PLN 91 thousand related to the resurfacing provision. At this point, it is worth mentioning that in line with the International Accounting Standards as well as the International Financial Reporting Standards, the provisions indicated above are recognised by the Group in the financial statements at their present value. The relevant figure reflects, therefore, the nominal value of the given liability or of the expected expenditure, discounted as at the day the financial statements are prepared, using the market interest rate.

A significant item among other financial expenses concerned the discounting of liabilities related to Concession Fees (PLN 2,738 thousand).

The negative balance on financial activities recorded in 2020 (PLN 1,368 thousand) was at a lower level compared to the balance recorded in the previous year (PLN 4,518 thousand). This was driven mainly by the decrease in financial expenses as a result of the complete repayment in 2019 of the liabilities under the Project Loan Agreement entered into by SAM.

3.2.2. ASSETS AND FINANCIAL POSITION

The following table contains the synthetic statement of financial position of the Group and its structure as at 31 December 2020. For the sake of comparison, the figures reflecting particular items and their structure as at the end of 2019 have also been included.

TABLE 8 | SYNTHETIC REPORT ON STALEXPORT AUTOSTRADY'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2019 – CONSOLIDATED FIGURES

in PLN'000	31 Dec 2020	31 Dec 2019	Dynamic		Structure	
			2020/2019		31 Dec 2020	31 Dec 2019
Non-current assets	1,003, 802	918,245	9%		70%	69%
Current assets	428,419	403,807	6%		30%	31%
Shareholders' equity	865,879	795,764	9%		60%	60%
Non-current payables	405,373	344,696	18%		28%	26%
Current payables	160,969	181,592	-11%		11%	14%
Balance sheet total	1,432, 221	1,322, 052	8%		100%	100%

Source: The Company's own compilation

3.2.2.1. ASSETS

The largest item in **non-current assets** consisted of intangible assets, amounting at the end of 2020 to PLN 483,081 thousand, and consisting virtually entirely of concession intangible assets. Their value increased by PLN 44,904 thousand vs the end of 2019. This increase resulted from the following: (i) amortisation of concession intangible assets and other intangible assets (PLN 50,726 thousand), (ii) increase in concession intangible assets as a result of revaluation (PLN 92,118 thousand), and (iii) acquisition (PLN 3,512 thousand). The second largest item was represented by other non-current investments, whose value as at the end of 2020 increased to the amount of PLN 457,068 thousand vs PLN 417,794 thousand as at the end of 2019. This resulted mainly from the effect of the increase in the cash accumulated by SAM in reserve accounts created in line with the provisions of the Concession Agreement for the purpose of completion of the tasks specifically provided for in the Agreement (including mainly financing of the investment programme being implemented). These funds are invested in bank deposits or in debt instruments guaranteed by banks.

Tangible fixed assets (PLN 31,126 thousand) and deferred income assets (whose value increased to the amount of PLN 25,929 thousand as at the end of 2020) constituted other significant items of non-current assets. Deferred income tax assets included items related, among others, to property, plant and equipment as well as the provisions established, set off against the deferred tax provision, related mainly to concession intangible assets.

The largest item in the structure of **current assets** was represented by cash (PLN 229,863 thousand, down by PLN 143,005 thousand) and by short-term investments (PLN 181,065 thousand, up by PLN 179,491 thousand), including debt instruments in the amount of PLN 179,978 thousand). Trade receivables and other receivables constituted another significant item of current assets (PLN 13,932 thousand); they decreased by PLN 12,369 thousand, mainly as a result of the decrease in VAT receivables. Apart from that, inventories (PLN 3,209 thousand) increased by PLN 145 thousand vs 2019.

3.2.2.2. LIABILITIES

As at 31 December 2020, the Group's total **payables and provisions** amounted to PLN 566,342 thousand, of which 72% were non-current items. The main items of payables and provisions included the following:

- PLN 425,643 thousand: provisions for capital expenditures within Phase II of the investments being implemented on the managed section of the A4 motorway;
- PLN 67,045 thousand: trade payables and other payables (including mainly Payments to the State Treasury in the amount of PLN 29,730 thousand, as well as the current portion of Concession Fee payables in the amount of PLN 3,315 thousand);
- PLN 21,619 thousand: income tax payables;
- PLN 20,164 thousand: other non-current payables, including mainly PLN 10,688 thousand in relation to Concession Fees;
- PLN 8,390 thousand: provision established for planned motorway resurfacing;
- PLN 7,978 thousand: value of the toll for the A4 Katowice–Kraków motorway sold in the form of the prepaid KartA4 proximity cards and of the A4Go onboard devices, but unused;
- PLN 7,085 thousand: payables related to employee benefits;
- PLN 5,144 thousand: prepayment related to lease of rest and service areas (MOP) and land for fibre optic cables (concerns the Katowice–Kraków section of the A4 motorway);

3.2.2.3. THE COMPANY'S AND THE GROUP'S MAIN DOMESTIC AND FOREIGN INVESTMENTS, INCLUDING IN PARTICULAR SECURITIES, FINANCIAL INSTRUMENTS, INTANGIBLE FIXED ASSETS AND REAL ESTATE, INCLUDING EQUITY INVESTMENTS MADE OUTSIDE THE GROUP OF ITS RELATED ENTITIES WITH A DESCRIPTION OF THE FINANCING METHODS

Capital expenditures incurred by the Group in 2020 amounted to PLN 41,536 thousand and included mainly construction works carried out on the Katowice–Kraków section of the A4 motorway managed by the Group. Said expenditure was related mainly to renovation of bridges and to drainage of the Silesian section of the motorway. Other capital expenditure of the Group pertains mainly to the purchase of the equipment required for the purpose of ongoing motorway maintenance, replacement of office equipment and means of transportation. The above-mentioned value of capital expenditure also includes the Independent Engineer's costs and design costs.

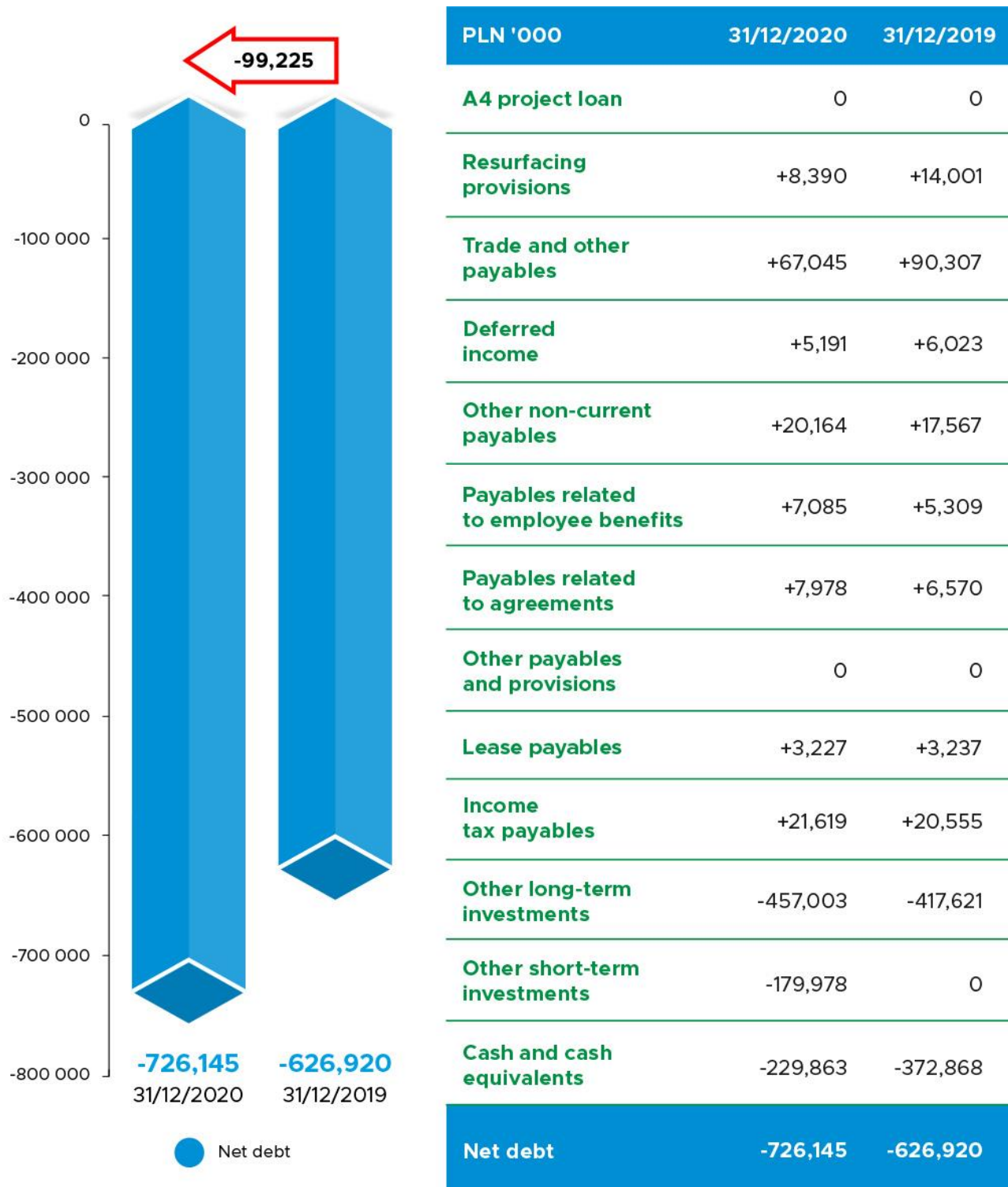
All the above-mentioned investment activities of the Group were allowed for in the capital expenditure budget for 2020 and had been approved earlier by the Supervisory Board of Stalexport Autostrady. At this point, it is worth emphasising that financing of the investment tasks resulting from the Concession Agreement entered into by SAM is secured with own funds generated from the operation of the A4 motorway (toll).

3.2.2.4. NET DEBT

Excluding from the liabilities the provisions for Phase II construction works, the Group's net debt as at the end of 2020 decreased by the amount of approx. PLN 99,225 thousand. The Group's net debt is fundamentally driven by cash in long-term and short-term deposits as well as by other short-term investments.

The detailed method of calculation of this ratio and its value in the years 2019–2020 are presented below.

FIGURE 6 | NET DEBT OF THE GROUP (CONSOLIDATED FIGURES) – BALANCE AS AT 31 DECEMBER 2019 AND AS AT 31 DECEMBER 2020



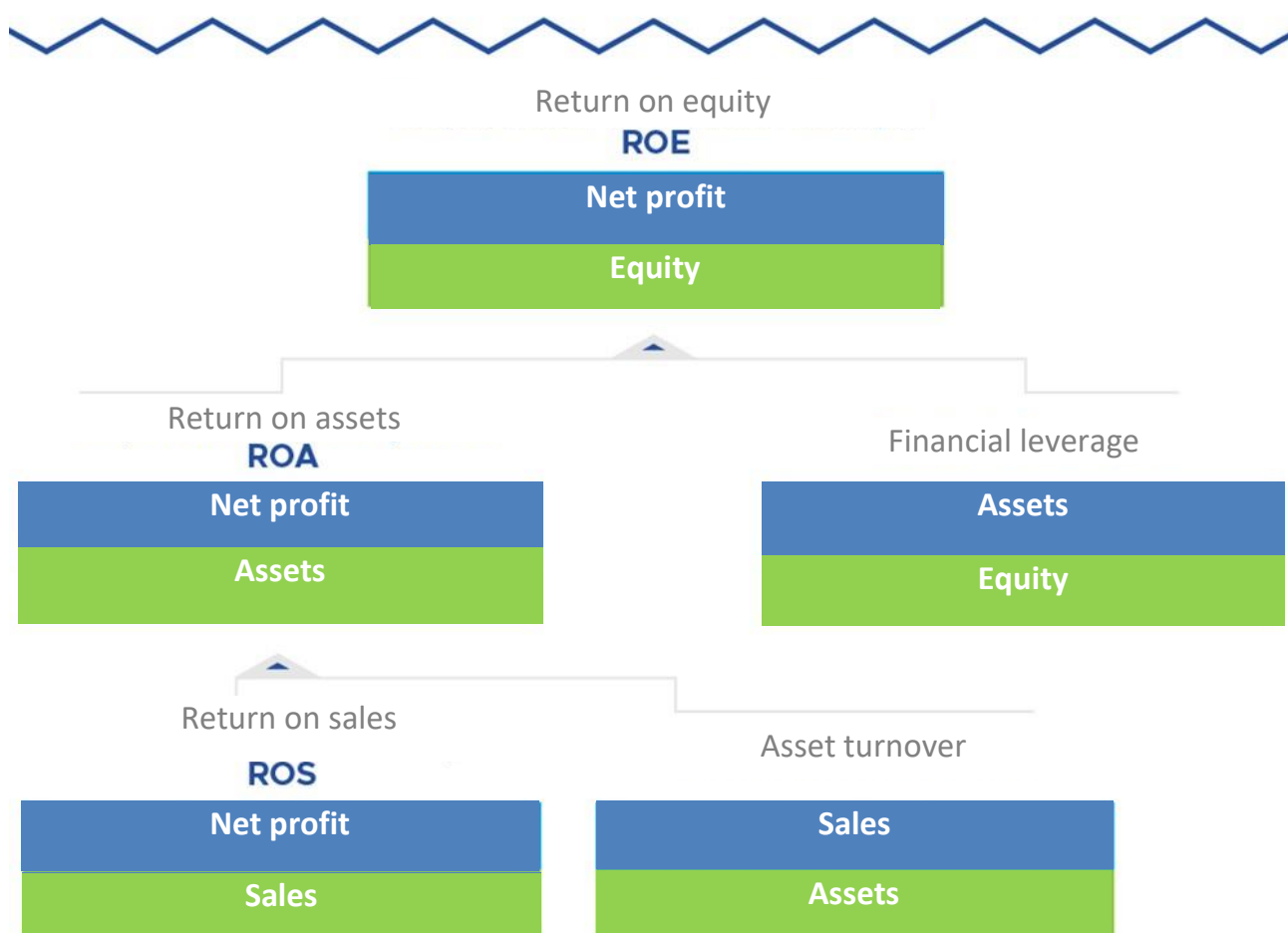
Source: The Company's own compilation

3.2.3. DUPONT ANALYSIS

The DuPont method is based on the assumption that the profitability and the growth rate of a company depend mostly on the efficiency of operational management, investment management, and financing strategy.

The starting point for the analysis is an assessment of the Company's equity performance using the basic value metric, i.e. ROE (calculated as net profit to equity). Subsequently, the ratio was decomposed, making it possible to extend the analysis to the following areas: return on sales, asset management, and finance management.

FIGURE 7 | DUPONT ANALYSIS DIAGRAM



Source: The Company's own compilation based on Sierpińska M., Jachna T. 2000: Ocena przedsiębiorstwa wg standardów światowych

According to the DuPont model, ROE depends on the margins achieved (return on sales – ROS), on asset efficiency (asset turnover), and on the degree of financial leverage. The table below presents a calculation of the ROE value and of the ratios influencing the annual rate of return on equity.

TABLE 9 | RETURN ON EQUITY (ROE), INCLUDING DECOMPOSITION OF THE RATIO – CALCULATIONS FOR THE YEARS 2018-2020

Ratio	2020	2019	2018
Return on equity (ROE)	10.6%	10.1%	23.1%
Return on assets (ROA)	6.4%	6.1%	14%
Return on net sales (ROS)	31.6%	22.9%	55.3%
Asset Turnover	0.2	0.27	0.25
Financial Leverage	1.65	1.66	1.65

ROE = net profit/equity

ROA = net profit/total assets

ROS = net profit/sales revenue

Asset turnover=revenue on sales/total assets

Financial leverage=total assets/equity

Source: The Company's own compilation

In the Group's case, ROE is influenced to a significant extent by the return on sales (ROS), which was 31.6% in the analysed period. The increase of the ratio vs 2019 results mainly from the lower Payments to the State Treasury, taken into account in the general and administrative expenses.

ROE is also influenced by the level of applied Financial Leverage, which makes it possible for the company to hold assets significantly exceeding its equity. In the Group's case, financial leverage for the last 3 years was on a similar level, between 1.65 and 1.66.

The Group's revenue is characterised by a relatively high degree of stability and predictability, which is possible owing to the multiannual contract related to the management of the A4 motorway Katowice–Kraków toll section (Concession Agreement). The activity pursued makes it possible to generate a relatively high margin, which is confirmed by the sales margin ratios of over 50% (66.8% in 2020) as well as EBIT of over 30% (34.6% in 2020).

TABLE 10 | PROFITABILITY OF THE STALEXPORT AUTOSTRADY GROUP IN THE YEARS 2018–2020 ON THE INDIVIDUAL LEVELS OF THE ACTIVITY CONDUCTED

Ratio	2020	2019	2018
Sales margin	66.8%	74.7%	84.2%
EBITDA margin	54.9%	53.0%	88.4%
EBIT margin	34.6%	36.7%	72.9%

Sales margin = gross profit on sales / sales revenue

EBITDA margin = (profit/loss on operating activities excluding depreciation /sales revenue

EBIT margin = operating profit / sales revenue

Source: The Company's own compilation

The Asset Turnover ratio is one of the drivers of ROE, apart from return on sales and finance management efficiency. It shows the efficiency of the investment policy pursued by the Company's Management Board as well as the performance of the individual asset items.

The analysis of the Capital Group's asset turnover was carried out on the basis of the ratios presented in the table below.

TABLE 11 | STALEXPORT AUTOSTRADY GROUP'S PERFORMANCE RATIOS IN THE YEARS 2018–2020

Ratio	2020	2019	2018
Asset Turnover	0.2	0.27	0.25
Working Capital Turnover	1.08	1.58	1.49
Receivables Turnover	20.78	13.36	9.01
Liabilities Turnover	0.51	0.67	0.64

Asset turnover ratio = sales revenue / total assets

Working capital turnover = sales revenue / (current assets – short-term liabilities and provisions)

Receivables turnover = sales revenue / short-term receivables

Liabilities turnover = sales revenue / liabilities

Source: The Company's own compilation

In the period discussed here, asset, working capital and liabilities turnover ratios decreased vs the period 2018–2020, while the receivables turnover ratio increased. In the first case, the clear trend results mainly from the revenue decrease, and in the second case from the decrease in the value of receivables vs 2019.

An analysis of the liquidity and debt ratios included in the table below makes it possible to assess the level of risk related to repayment of current liabilities. The first two ratios compare current payables to current assets which can be used to repay those liabilities. The other ratios reflect the Group's debt.

TABLE 12 | STALEXPORT AUTOSTRADY GROUP'S LIQUIDITY AND DEBT RATIOS IN THE YEARS 2018–2020

Ratio	2020	2019	2018
Current liquidity	2.66	2.22	2.34
Quick liquidity	1.52	2.21	2.22
Debt to assets	0.4	0.4	0.4
Debt to equity	0.65	0.66	0.65
Long-term debt	0.47	0.43	0.44

Current liquidity ratio = current assets/short-term liabilities

Quick liquidity ratio = (short-term receivables + short-term investments + cash) / short-term liabilities

Debt to assets ratio = liabilities / total assets

Debt to equity ratio = liabilities / equity

Long-term debt ratio = long-term liabilities / equity

In order to calculate the ratios described above, the values of receivables, inventories and liabilities as at the end of each year were used.

Source: The Company's own compilation

In the analysed period, the current liquidity ratio increased, while the remaining indices were at a similar level as in the previous year, and were generally much above one, which is universally considered a safe level. Additionally, it should be pointed out that the Group keeps, in accordance with the Concession Agreement, cash in reserve accounts to cover future liabilities for which provisions were established. These funds are recorded as other non-current investments, so they are not included in the calculations of the above liquidity ratios. Debt ratios also remained at a similar level as in the previous year.

/ PART 4

ANALYSIS OF THE CORE MARKET OF THE COMPANY'S AND OF THE GROUP'S OPERATION

Taking into account the condition of the road infrastructure and development needs, the Ministry of Infrastructure developed the “Programme for Construction of National Roads for the Years 2014–2023 (with a perspective until 2025)” (hereinafter referred to as the “Programme”).

On 8 September 2015, the Programme was approved by way of a resolution of the Council of Ministers. The Ministry of Infrastructure and Construction updated the Programme in 2017, and the changes were approved by way of resolutions of the Council of Ministers, respectively of 25 May 2017, 20 June 2017, 12 July 2017, 24 September 2019, and 16 June 2020.

The updated document defines the objectives and priorities, both in terms of investments and of road network maintenance. The Programme indicates the material scope scheduled to be implemented in the years 2014–2023 as far as new road investments are concerned. The estimated level of capital flow for their implementation under the National Road Fund is estimated, after the update, at PLN 163.9 billion. This amount is allocated to the implementation of investment tasks consisting in the construction of motorways, expressways and bypasses of certain towns or cities.

Apart from the financing under the National Road Fund, the Programme provides for the construction of motorway sections in the off-budget (commercial) system, but still under the control of the public party, mostly through a special purpose vehicle operating in the road sector. In the initial Programme, this was potentially supposed to concern the construction of certain sections of the motorways A1, A2 and A18. However, in relation to the need to complete the A1 Tuszyn–Częstochowa section in the financial perspective until 2023, a decision was made, as part of the successive updates to the Programme, to implement it in the traditional formula, i.e. within the framework of the National Road Fund. Neither the initial Programme, nor the updated one, however, assumes financing motorways in the classic public-private partnership (PPP) formula.

If any new invitations to public tender being of interest to Stalexport Autostrady are issued, the Company will analyse them, and if they are verified positively and meet the strategic objectives of the Group, the Company will decide to participate in such tenders.

The Company does not exclude the option of equity investment in some of the existing concession projects in Poland either, if another participant of the respective projects considers withdrawal from them or if any of the consortiums look for additional partners with regard to capital support.

/ PART 5

OTHER INFORMATION ON THE STALEXPORT AUTOSTRADY GROUP

5.1. INFORMATION ON AGREEMENTS SIGNIFICANT FOR THE GROUP'S ACTIVITY, INCLUDING AGREEMENTS BETWEEN SHAREHOLDERS AS WELL AS INSURANCE, COLLABORATION AND COOPERATION AGREEMENTS THE COMPANY IS AWARE OF

On 29 January 2020, SAM issued a letter of approval for Pavimental Polska (hereinafter the "Contractor"). The issuing of said letter of approval means that the Contracting Authority accepted the Contractor's tender submitted in the procedure related to the performance of the lump-sum contract "MPA12-2019 – Modernisation of 12 culverts located in the right-of-way of the concession section of the A4 motorway Katowice–Kraków" (hereinafter the "Contract").

Along with the letter of approval issued by the Contracting Authority, the agreement was sent to be signed by the Contractor (signed by the Contracting Authority on 29 January 2020) concerning the performance of the Contract, whose provisions are consistent with the form presented in the tender procedure documents.

The value of the Contract is PLN 7,304,621.15 (hereinafter: Approved Net Contractual Amount). Under the Contract, 12 culverts under the A4 motorway Katowice–Kraków carriageway will be modernised.

According to clause 27.2 of the instructions for bidders, the Contracting Authority's notification of acceptance of a tender in the letter of approval will be considered tantamount to conclusion of the Contract, until the Contracting Authority and the Contractor sign the agreement.

The General Conditions for the above-mentioned Contract will be provided by the "Conditions of Contract for Construction for Building and Engineering Works Designed by the Employer", first ed. 1999, published by Fédération Internationale des Ingénieurs-Conseils (FIDIC), copy in Polish (fourth English-Polish edition, unchanged, 2008). The General Conditions of Contract will be complemented by the Specific Conditions of Contract. The General Conditions of Contract remain in force unless the Specific Conditions of Contract provide otherwise. The General and the Specific Conditions of the Contract together form the Conditions of Contract.

The agreement provides for the following contractual penalties (liquidated damages) for the Contractor:

- delay damages – the liquidated damages limit under Clause 8.7 of the Conditions of Contract is 10% of the Approved Net Contractual Price,
- damages for failure to remedy defects by the fixed date – the liquidated damages limit under Clause 11.4 of the Conditions of Contract is 10% of the Approved Net Contractual Price,
- damages for unjustified traffic hindrances – the liquidated damages limit under Clause 8.13 of the Conditions of Contract is 2% of the Approved Net Contractual Price,

On 25 June 2020, SAM issued a letter of approval for Pavimental Polska (hereinafter the "Contractor"). The issuing of said letter of approval means that SAM accepted the Contractor's tender submitted in the procedure related to the implementation of the lump-sum contract F2b-12-2020 "Alteration of A4 motorway drainage – Part IV" (hereinafter the "Contract"). The value of the Contract is PLN 64,729,676.67 (hereinafter: Approved Net Contractual Amount).

Under the contract, a 11,34 km section of the A4 Katowice–Kraków motorway drainage system will be altered.

On the same day, SAM and the Contractor signed an agreement related to the performance of the Contract, whose provisions are consistent with the form presented in the tender procedure documents.

The General Conditions for the implementation of said Contract will be provided by the "Conditions of Contract for Construction for Building and Engineering Works Designed by the Employer", first ed. 1999, published by Fédération

Internationale des Ingénieurs-Conseils (FIDIC), copy in Polish (fourth English-Polish edition, unchanged, 2008). The General Conditions of Contract will be complemented by the Specific Conditions of Contract. The General Conditions of Contract remain in force unless the Specific Conditions of Contract provide otherwise. The General and the Specific Conditions of the Contract together form the Conditions of Contract.

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- damages for failure to remedy defects by the fixed date – the liquidated damages limit under Clause 11.4 of the Conditions of Contract is 10% of the Approved Net Contractual Price,
- damages for unjustified traffic hindrances – the liquidated damages limit under Clause 8.13 of the Conditions of Contract is 2% of the Approved Net Contractual Price,

In the reporting period and until the date of this Report, no other agreements significant for the Group's activity were entered into.

5.2. INFORMATION ON CHANGES IN ORGANISATIONAL OR CAPITAL RELATIONS OF THE GROUP WITH OTHER ENTITIES

On 28 February 2020, the District Court Katowice-Wschód in Katowice, 8th Commercial Department of the National Court Register entered the cross-border merger of the Issuer with Stalexport Autoroute in the register of entrepreneurs.

The cross-border merger of the companies took place pursuant to the conditions determined in the merger plan agreed upon and accepted on 30 September 2019 by the Management Boards of the merging companies, i.e. by way of acquisition, by Stalexport Autostrady, of the total equity of Stalexport Autoroute without an increase of the share capital of Stalexport Autostrady pursuant to the procedure set forth in Art. 516(1) in conjunction with Art. 492 § 1 point 1 and Art. 515 of the Commercial Companies Code and Art. 278 of the Luxembourg Law of 10 August 1915 on commercial companies, as amended.

Pursuant to the provisions of Art. 494 § 1 of the Commercial Companies Code, the Issuer assumed as of the date of the merger, i.e. as of 28 February 2020, all the rights and obligations of Stalexport Autoroute, which was dissolved without liquidation in accordance with the laws of Luxembourg.

The purpose of the merger of the Issuer with Stalexport Autoroute was to simplify the structure of the Stalexport Autostrady group and to lower the costs of its functioning by ending the economic activities of Stalexport Autoroute.

Apart from the cross-border merger described above, no changes in the Group's organisation occurred in the reporting period, including changes as a result of merger of entities, acquisition or loss of control over subsidiaries and long-term investments, or the division, restructuring or discontinuation of activities.

5.3. INFORMATION ON CONCLUSION BY THE COMPANY OR BY ITS SUBSIDIARY OF ONE OR MORE TRANSACTIONS WITH RELATED PARTIES, IF CONCLUDED ON TERMS OTHER THAN MARKET TERMS

All transactions concluded by the Company or its subsidiaries with related parties were carried out on market terms. However, the Company's Management Board would like to point to several significant transactions between the Company or its subsidiaries and related parties:

- The **Operation and Maintenance Agreement** which was initially entered into in 1998 by and between Stalexport Autostrady and VIA4. The current agreement was entered into **by and between SAM and VIA4** on 22 March 2006.

The Operation and Maintenance Agreement was entered into for the term of the Concession Agreement (until 2027) and concerns strictly defined works connected with the A4 concession project, including toll collection services and current maintenance and operation of the motorway (including winter maintenance). The contractual level of the operator's remuneration in the term of the Agreement separates in a long term the risk of impact of frequent market price fluctuations on maintenance and operation costs as well as ensures continuity of services and operation through the many years of implementation of the investment project. In 2020, the value of the transactions between SAM and VIA4 under the above-mentioned Agreement amounted to PLN 44,823 thousand.

Considering the specificity and the scope of the above-mentioned agreement and the fact that the market for services of that kind is very limited, it is difficult to compare the provisions of the Operation and Maintenance Agreement to the terms which it is possible to obtain on what is referred to as the free market.

Nevertheless, in the opinion of the Company's Management Board, the above-mentioned Agreement was entered into on market terms and its provisions do not differ from the terms which might have been obtained if it had been signed with an entity not belonging to the Group.

- The **Agreement on Operation Services** related to the office facility located in Katowice at ul. Mickiewicza 29 of 1 March 2000, as amended, concluded between **Biuro Centrum** and the co-owners of the office building, including the **Company**, and the **Car Park Management Agreement** related to the car park located next to the said office building of 1 October 2009 concluded between the **Company and Biuro Centrum**.

The Company incurred maintenance costs and costs related to security and functioning of the said office facility and car park, and all the expenses mentioned above were made through Biuro Centrum. The total amount of said expenses in 2020 attributable to the Company was PLN 3,777 thousand.

- **Contract between SAM and Pavimental Polska Sp. z o.o.** (the entity belongs to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Polska Sp. z o.o.) **for the renovation of the M48 bridge structure supports.**

The contractor for this contract was selected on the basis of a tendering procedure during which tenders from three entities were received: (i) Pavimental Polska Sp. z o.o. (ii) Freyssinet Polska Sp. z o.o. and (iii) the consortium of DROG-BUD Sp. z o.o. and BTH FORMAT Andrzej Karapyta. As a result of the tender committee work with the participation of the Independent Engineer, the tender submitted by the consortium of Pavimental Polska Sp. z o.o. obtained the highest score. The contract was entered into for the amount of PLN 21,300 thousand on 4 July 2017, and the time set for completion of the works envisaged by the contract is up to 860 days from the initial date, i.e. 18 July 2017.

The construction works started after the mobilisation period. Five variation orders were issued until the end of 2019, increasing the total contract value to PLN 22,169 thousand. The total net value of works invoiced by the contractor on account of that contract amounts to PLN 22,169 thousand (i.e. 100% of the current contract value), of which PLN 12 thousand invoiced in 2020, when the contract was completed.

Taking into consideration the procedure for the selection of the entity to implement the above-mentioned contract, in the opinion of the Company's Management Board its terms should be deemed market terms.

- **Software Service Agreement between SAM, VIA4 and Autostrade-Tech S.p.A.** (this entity is a member of the Atlantia Group which holds 100% of the shares of Autostrade-Tech S.p.A.)

After the expiry in 2018 of the period of support and maintenance under the WUPO contract, support and maintenance services for the toll collection system are performed on the basis of the Software Service Agreement of 30 November 2018, under which SAM is authorised to commission investment tasks related to the development of the toll collection system from other parties. In 2020, under said agreement, works were continued, among other things, related to further implementation of videotolling, automation of dedicated lanes and an integrating module between the toll collection system and the e-commerce system. The value of the investment expenditures for the tasks contracted out under the Software Service Agreement in 2020 amounted to PLN 4,237 thousand.

In the opinion of the Company's Management Board, the said services were performed in accordance with market terms not diverging from the terms which could have been obtained had the services been rendered by an entity not belonging to the Group.

- **Contract between SAM and the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o.** (the entities belong to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Polska Sp. z o.o.) **for the renovation of the M09L and M09P bridge structures and replacement of expansion devices on the M54 structure.**

The contractor in this case was selected on the basis of a tendering procedure. The contract was entered into for the amount of PLN 8,694 thousand on 21 November 2018, and the time set for completion of the works envisaged by the contract is 700 days from the initial date, i.e. from 31 December 2018.

In 2019, the mobilisation period ended and works commenced. 10 variation orders were issued until the end of 2020, increasing the total contract value to PLN 11,989 thousand. The total net value of works invoiced by the contractor on account of that contract amounted to PLN 11,989 thousand (i.e. 100 % of the contract value), of which PLN 5,123 thousand concerned works settled in 2020.

Taking into consideration the procedure for the selection of the entity to implement the above-mentioned contract, in the opinion of the Company's Management Board its terms should be deemed market terms.

- **Contract between SAM and Pavimental Polska Sp. z o.o.** (the entities belong to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Polska Sp. z o.o.) on **resurfacing on motorway sections with a total length of 42.4 km, performance of bridge works related to resurfacing and reconstruction of a part of the linear drainage system in the median strip.**

The contractor in this case was selected on the basis of a tendering procedure. The contract was entered into for the amount of PLN 49,689 thousand on 4 February 2019, and the time set for completion of the works envisaged by the contract is 600 days from the initial date, i.e. from 25 February 2019.

In 2019, the mobilisation period ended and works commenced. 15 variation orders were issued until the end of 2020, increasing the total contract value to PLN 59,828 thousand. The total net value of works invoiced by the contractor on account of this contract amounts to PLN 54,921 thousand (i.e. 91.8 % of the contract value), of which the amount of PLN 27,529 thousand concerns works settled in 2020.

Taking into consideration the procedure for the selection of the entity to implement the above-mentioned contract, in the opinion of the Company's Management Board its terms should be deemed market terms.

- **Contract between SAM and Pavimental Polska Sp. z o.o.** (the entities belong to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Polska Sp. z o.o.) on the **alteration of the A4 motorway drainage – Part III covering the alteration of drainage for one catchment area in the Małopolskie voivodeship.**

The contractor in this case was selected on the basis of a tendering procedure. The contract was entered into for the amount of PLN 15,003 thousand on 9 July 2019, and the time set for completion of the works envisaged by the contract is 620 days from the initial date, i.e. from 19 August 2019.

In 2019, the mobilisation period ended and works commenced. Three variation orders were issued until the end of 2020, increasing the total contract value to PLN 15,820 thousand. The total net value of works invoiced by the contractor on account of this contract amounts to PLN 11,812 thousand (i.e. 74.7% of the contract value), of which the amount of PLN 11,084 thousand concerns works settled in 2020.

Taking into consideration the procedure for the selection of the entity to implement the above-mentioned contract, in the opinion of the Company's Management Board its terms should be deemed market terms.

- **Contract between SAM and Pavimental Polska Sp. z o.o.** (the entities belong to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Polska Sp. z o.o.) **for the modernisation of 12 culverts located in the right-of-way of the concession section of the A4 motorway Katowice–Kraków.**

The contractor in this case was selected on the basis of a tendering procedure. The contract was entered into for the amount of PLN 7,305 thousand on 29 January 2020, and the time set for completion of the works envisaged by the contract is 660 days from the initial date, i.e. from 26 February 2020.

In 2020, the mobilisation period ended and works commenced. The total net value of the works invoiced by the contractor on account of this contract amounts to PLN 3,183 thousand (i.e. 43.6% of the contract value) and concerns entirely works settled in 2020.

Taking into consideration the procedure for the selection of the entity to implement the above-mentioned contract, in the opinion of the Company's Management Board its terms should be deemed market terms.

- **Contract between SAM and Pavimental Polska Sp. z o.o.** (the entities belong to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Polska Sp. z o.o.) **for the performance of running repairs of pavement of an access road and of circulation roads and parking areas in the area of the "Rudno" Maintenance Centre located in the right-of-way of the concession section of the A4 motorway Katowice–Kraków.**

The contractor in this case was selected on the basis of a tendering procedure. The contract was entered into for the amount of PLN 704 thousand on 20 June 2020.

In 2020, the mobilisation period ended the works commenced and were completed in their entirety. The total net value of the works invoiced by the contractor on account of this contract amounts to PLN 704 thousand (100% of the contract value) and concerns entirely works settled in 2020.

Taking into consideration the procedure for the selection of the entity to implement the above-mentioned contract, in the opinion of the Company's Management Board its terms should be deemed market terms.

- **Contract between SAM and Pavimental Polska Sp. z o.o.** (the entities belong to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Polska Sp. z o.o.) on the

alteration of the A4 motorway drainage – Part IV covering the alteration of drainage for 13 catchment areas in the Małopolskie voivodeship.

The contractor in this case was selected on the basis of a tendering procedure. The contract was entered into for the amount of PLN 64,730 thousand on 25 June 2020, and the time set for completion of the works envisaged by the contract is 800 days from the initial date, i.e. from 27 July 2020.

In 2020, the mobilisation period ended and works commenced. The total net value of the works invoiced by the contractor on account of this contract amounts to PLN 2,950 thousand (i.e. 4.5% of the contract value) and concerns entirely works settled in 2020.

Taking into consideration the procedure for the selection of the entity to implement the above-mentioned contract, in the opinion of the Company's Management Board its terms should be deemed market terms.

5.4. INFORMATION REGARDING AGREEMENTS ON CREDITS AND LOANS INCURRED AND TERMINATED IN THE FINANCIAL YEAR

In 2020, the Company, just like other entities from the Group, did not incur any new loans or credit. No credit or loan agreement was terminated in that period either.

5.5. INFORMATION ON LOANS GRANTED IN THE FINANCIAL YEAR, INCLUDING LOANS GRANTED TO RELATED PARTIES

In 2020, the Company, just like the other entities from the Capital Group, did not grant any loans to related parties or to entities not belonging to the Group.

5.6. INFORMATION ON SURETIES AND GUARANTEES GRANTED AND RECEIVED IN THE FINANCIAL YEAR, INCLUDING ONES GRANTED TO RELATED PARTIES

In 2020, the Company did not grant or receive any sureties or guarantees. As at the end of 2020, the Company did not have any contingent liabilities either.

In 2020, SAM obtained performance guarantees related to construction works and guarantees securing trade receivables resulting from agreements with issuers of fleet and fuel cards and with the provider of the electronic toll collection service.

5.7. INFORMATION ON ISSUANCE OF SECURITIES INCLUDING DESCRIPTION OF THE USE OF THE PROCEEDS FROM THE ISSUE BY THE COMPANY

In 2020, the Company, just like the other entities from the Group, did not issue any securities.

5.8. EXPLANATION OF DIFFERENCES BETWEEN THE FINANCIAL RESULTS PRESENTED IN THE ANNUAL REPORT AND PREVIOUSLY PUBLISHED FINANCIAL RESULT FORECASTS FOR THE FINANCIAL YEAR

Neither the Company nor the Group published any financial result forecasts for 2020.

5.9. EVALUATION (WITH JUSTIFICATION) OF THE MANAGEMENT OF RISK AND FINANCIAL RESOURCES, TAKING INTO ACCOUNT THE ABILITY TO REPAY LIABILITIES INCURRED AND DETERMINATION OF POTENTIAL THREATS AND ACTIONS THE STALEXPORT AUTOSTRADY GROUP HAS TAKEN OR INTENDS TO TAKE TO PREVENT SUCH THREATS

Currently, there are no threats related to the liquidity risk. The free funds held by the Company are fully sufficient to pay off the remaining liabilities and may be used to finance future motorway projects. Currently, free funds are kept in bank deposits or in debt securities guaranteed by a bank, which generates additional financial revenue.

5.10. INVESTMENT PLANS FEASIBILITY ASSESSMENT

The amount of the funds held and the predicted cash flows from operating activities make it possible to determine the absence of threats to the timely performance by the Group of the investment works defined in the Concession Agreement.

Detailed information concerning the construction works currently in progress can be found in note 35 to the Group's consolidated financial statements.

5.11. ASSESSMENT OF THE FACTORS AND EXTRAORDINARY EVENTS AFFECTING THE COMPANY'S AND THE GROUP'S OPERATING RESULTS IN THE REPORTING PERIOD, WITH DETERMINATION OF THE DEGREE OF IMPACT OF THESE FACTORS OR EXTRAORDINARY EVENTS ON THE ACHIEVED RESULT

Information on extraordinary events and factors is included in paragraph 3.2, while their impact on the activities of the Company and of the Group is described in paragraph 6.1.

5.12. INFORMATION ON EVENTS SIGNIFICANTLY INFLUENCING THE COMPANY'S AND THE GROUP'S ACTIVITY, OCCURRING IN THE REPORTING PERIOD AND AFTER ITS END

After fulfilling the conditions set out in the Concession Agreement, in 2020 SAM recognised the net amount of PLN 44,610 thousand (vs PLN 88,000 thousand and PLN 5,912 thousand in 2019 and in 2018, respectively) related to "Payments to the State Treasury", representing the State Treasury's share in the profits from the project on the concession section of the A4 motorway, of which it paid PLN 14,880 thousand (net) in 2020.

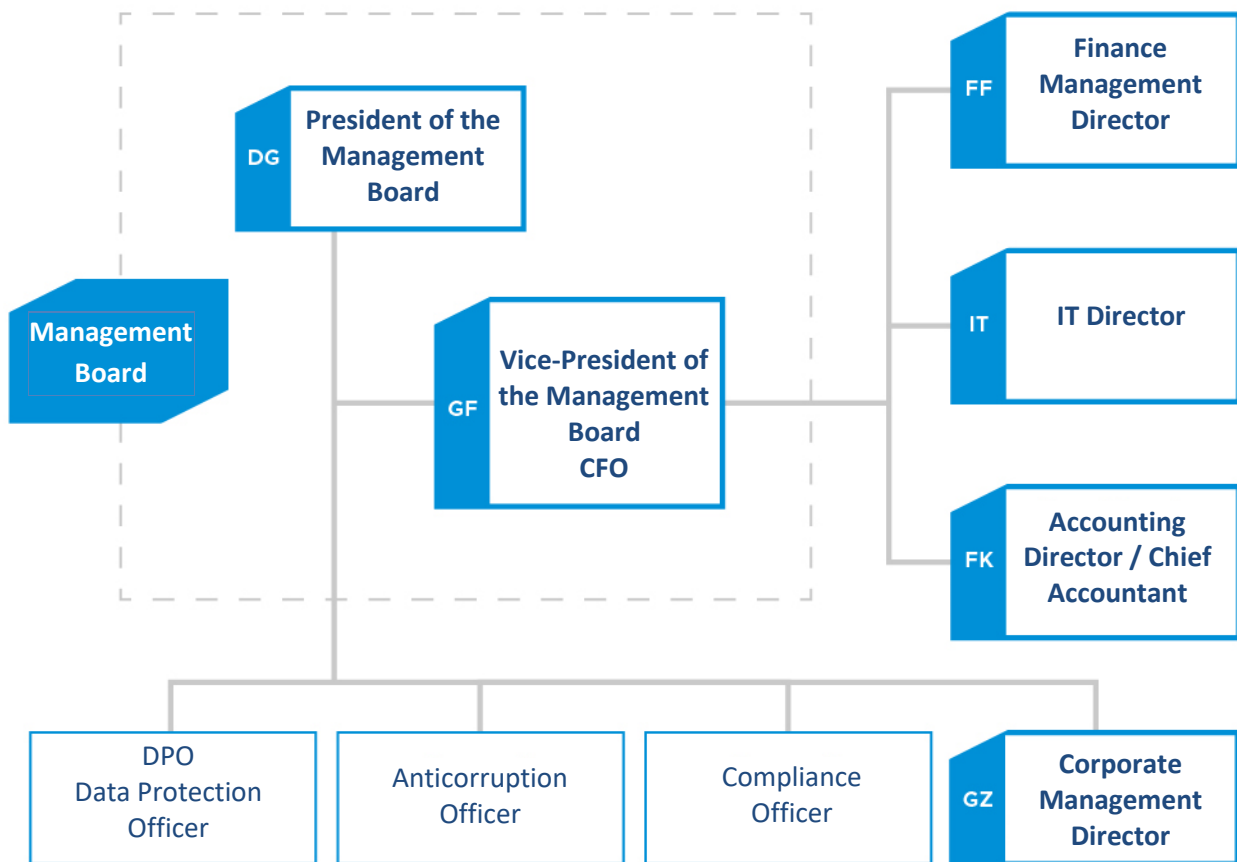
On 1 September 2020, SAM obtained, from the First Silesian Tax Office in Sosnowiec, the amount of PLN 1,123 thousand as a refund of overpaid corporate income tax for 2018, determined on the basis of a request submitted by SAM in June 2020. On 27 November 2020, SAM obtained, from the First Silesian Tax Office in Sosnowiec, the amount of PLN 16,872 thousand as a refund of overpaid corporate income tax for 2019, determined on the basis of a request submitted by SAM in September 2020. Both requests were a consequence of a change in the company's approach with regard to the possibilities of recognising "Payments to the State Treasury" as deductible expenses. Classification of the above payments and of those to be recognised in subsequent periods as tax deductible expenses has had a positive impact and will continue to influence in the future the Group's consolidated financial results.

5.13. CHANGES TO THE BASIC PRINCIPLES OF MANAGEMENT OF THE COMPANY’S BUSINESS AND INFORMATION SIGNIFICANT FOR THE ASSESSMENT OF THE EMPLOYMENT SITUATION OF THE STALEXPORT AUTOSTRADY GROUP -

Organisational structure of Stalexport Autostrady

The Company’s organisational structure did not change in 2020. The Company’s organisational chart as at 31 December 2020 is presented in the figure below.

FIGURE 8 | ORGANISATIONAL CHART OF STALEXPORT AUTOSTRADY S.A. AS AT 31 DECEMBER 2020



Source: The Company’s own compilation

Headcount at the Company as at 31 December 2020 was 25 (6⅘ FTE), meaning that employment decreased vs 31 December 2019, when the company had 26 employees (7⅘ FTE).

The structure of the Group together with a description of the entities it includes is presented in part 2 of the Report.

(i) Employment in the Group

As at 31 December 2020, the Stalexport Autostrady Group had 329 employees, including 5 executive officers (members of management boards) and 22 middle management employees (directors and managers). For the sake of comparison, as at 31 December 2019, the Stalexport Autostrady Group had 335 employees, including 5 executive officers (members of management boards) and 21 middle management employees (directors and managers).

The decrease in headcount recorded in the Group as at 31 December 2020 vs 31 December 2019 (in persons), amounting to approx. 1.79%, results from the decrease in headcount in the group of toll collection staff and road workers (VIA4).

5.14. INFORMATION REGARDING AGREEMENTS BETWEEN THE COMPANY AND THE MANAGING PERSONS PROVIDING FOR COMPENSATION IF THEY RESIGN OR ARE MADE REDUNDANT WITHOUT AN IMPORTANT REASON OR IF THEY ARE DISMISSED OR MADE REDUNDANT BECAUSE OF THE COMPANY'S MERGER BY ACQUISITION

The agreements with members of the Management Board performing such functions in 2020 provide for the following:

- in the case of Emil Wąsacz – a 6 months' severance pay if he is dismissed before the end of the term of office;
- in the case of Mariusz Serwa – payment of an additional benefit corresponding to 6 months' remuneration in the case of termination of the contract by the Company, except termination for reasons attributable to the managing person.

5.15. CHANGES IN THE COMPOSITION OF MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY AND OF THE GROUP IN THE REPORTING PERIOD

Stalexport Autostrady

The changes in the composition of management and supervisory bodies of the Company are described in paragraph 7.14.

SAM

(i) Management Board:

No changes occurred in the composition of the Management Board of SAM in the reporting period and until the date of preparation of the Report. It functioned in the following composition:

- Emil Wąsacz – President of the Management Board,
- Mariusz Serwa – Vice-President of the Management Board,
- Paweł Kocot – Member of the Management Board.

(ii) Supervisory Board:

The following changes occurred in the composition of the Supervisory Board in the reporting period and until the date of preparation of the report.

From 1 January 2020 to 15 March 2020 the Supervisory Board of SAM functioned in the following composition:

- Costantino Ivoi – Chairman of the Supervisory Board,
- Flavio Ferrari – Deputy Chairman of the Supervisory Board,
- Stefano Rossi – Secretary of the Supervisory Board.

On **20 February 2020**, Mr Flavio Ferrari handed in his resignation, effective as of 15 March 2020.

On **26 March 2020**, Mr Costantino Ivoi handed in his resignation.

On **27 March 2020**, the General Meeting of SAM appointed Mr Stefano Bonomolo and Mr Massimo di Casola as members of the Supervisory Board.

On **29 July 2020**, the Supervisory Board was constituted – the Supervisory Board appointed the following:

- Stefano Bonomolo – as Chairman of the Supervisory Board,
- Massimo di Casola – as Deputy Chairman of the Supervisory Board,
- Stefano Rossi – as Secretary of the Supervisory Board,

and it continued to be composed of the above persons until the date of preparation of the report.

VIA 4

(i) Management Board:

No changes occurred in the composition of the Management Board in the reporting period and until the date of preparation hereof. It continued to be composed of the following persons:

- Henri Skiba – President of the Management Board,
- Mieczysław Skołyżyński – Vice-President of the Management Board.

(ii) Supervisory Board

The following changes occurred in the composition of the Supervisory Board in the reporting period and until the date of preparation of the report.

From 1 January 2020 to 15 March 2020 the Supervisory Board functioned in the following composition

- Mariusz Serwa – Chairman of the Supervisory Board,
- Emmanuelle Freneat – Deputy Chairman of the Supervisory Board,
- Krzysztof Bernatowicz,
- Massimo di Casola,
- Carlo Ciattoni,
- Flavio Ferrari.

Mr Flavio Ferrari handed in his resignation as member of the Supervisory Board of VIA4 S.A. as of **15 March 2020**, and on **31 March 2020**, Stalexport Autostrady S.A. appointed Mr Andrea Wolski as member of the Board.

On 19 January 2021, Mr Andrea Wolski handed in his resignation from the function, and **on 10 February 2021**, Stalexport Autostrady S.A. appointed Mr Stefano Bonomolo as member of the Board.

The Supervisory Board operating in the period from **10 February 2021** until the date of preparation of the report was composed of the following persons:

- Mariusz Serwa – Chairman of the Supervisory Board,
- Emmanuelle Freneat – Deputy Chairman of the Supervisory Board,
- Krzysztof Bernatowicz,
- Stefano Bonomolo,
- Massimo di Casola,
- Carlo Ciattoni.

BIURO CENTRUM

The following changes occurred in the composition of the Management Board and Supervisory Board of Biuro Centrum in the reporting period and until the date of preparation hereof.

(i) Management Board

From 1 January 2020 to 5 March 2020 it was composed of the following persons:

- Ryszard Krzeszowiak – President of the Management Board,

- Andrzej Kluba – Vice-President of the Management Board,

and in the period from **30 March 2020** until the date of preparation of the Report:

- Damazy Ćwikowski – President of the Management Board,
- Dorota Karolak – Vice-President of the Management Board.

In the period from **5 and 30 March 2020**, the Chairman of the Supervisory Board was delegated to perform the functions of President of the Management Board.

(ii) Supervisory Board

From **1 January 2020 until 31 August 2020** it was composed of the following persons:

- Krzysztof Rewers – Chairman of the Supervisory Board,
- Katarzyna Bijak – Deputy Chairman of the Supervisory Board,
- Monika Raiwa – Secretary of the Supervisory Board.

The mandates of said Supervisory Board members expired on 31 August 2020. On the same day, Ms Katarzyna Bijak was appointed for another term of office. On 9 November 2020, members of the Supervisory Board were appointed by Węglokoks S.A. Thus, in the period from 9 November 2020 until the date of preparation hereof, the Supervisory Board was composed of the following persons (the Board was constituted on 25 November 2020):

- Krzysztof Rewers – Chairman of the Supervisory Board,
- Katarzyna Bijak – Deputy Chairman of the Supervisory Board,
- Aleksandra Kwiatek-Deka – Secretary of the Supervisory Board.

5.16. REMUNERATION OF THE MANAGING AND SUPERVISING PERSONS OF STALEXPORT AUTOSTRADY

Pursuant to the Statutes of Stalexport Autostrady, the rules for the Management Board members' remuneration payment are defined by the Supervisory Board. In 2020, the total remuneration paid to the Company's managing persons, i.e. members of the Management Board, amounted to PLN 856,18 thousand. The total remuneration of the Company's managing persons obtained for being members of subordinated entities' bodies in the same period amounted to PLN 1,204.30 thousand. Detailed information regarding the amount of remuneration of the Company's managing persons in 2020 is presented in the table below.

TABLE 13 | REMUNERATION PAID IN 2020 TO PERSONS MANAGING THE COMPANY [PLN'000 '000 PLN]

No.	Given name and surname	Function in the Company	Remuneration, rewards or benefits paid within the Company	Remuneration amounts received as members of subordinated entities' bodies	TOTAL
1.	Emil Wąsacz	President of the MB, CEO	644.23	552.13	1,196.36
2.	Mariusz Serwa	Vice-President of the MB, CFO	211.95	652.17	864.12
	TOTAL		856.18	1,204.30	2,060.48

Source: The Company's own compilation

The remuneration amounts presented in the table above include the payment of the amount of PLN 167.48 thousand on account of the annual reward paid in 2020 and concerning 2019, covered by a provision charged to 2019.

The provision for the Management Board's annual reward for 2020, on the other hand, in the amount of PLN 581.68 thousand, and additionally the provision for payment of the three-year incentive plan (concerning the period from January 2019 until December 2021) in the amount of PLN 1,138.50 thousand, were charged to 2020.

Pursuant to the Statutes of Stalexport Autostrady, the rules for the Supervisory Board members' remuneration payment are defined by the General Meeting.

In 2020, the total remuneration paid to the members of the Company's Supervisory Board amounted to PLN 107.46 thousand. Detailed information regarding the amount of remuneration paid to individual persons being members of the Supervisory Board of Stalexport Autostrady in that period is presented in the table below.

TABLE 14 | REMUNERATION PAID IN 2020 TO MEMBERS OF THE COMPANY'S SUPERVISORY BOARD [PLN'000]

No.	Given name and surname	Function in the Supervisory Board of Stalexport Autostrady	Remuneration amount
1.	Roberto Mengucci	Chairman	did not receive remuneration
2.	Tomasz Dobrowolski	Deputy Chairman	65.83
3.	Stefano Rossi	Secretary	did not receive remuneration
4.	Stefano Bonomolo	Member	did not receive remuneration
5.	Nicola Bruno	Member	did not receive remuneration
6.	Massimo di Casola	Member	did not receive remuneration
7.	Flavio Ferrari	Member	did not receive remuneration
8.	Aleksander Galos	Member	7.57
9.	Andrzej Kaczmarek	Member	9.73
10.	Marco Pace	Member	did not receive remuneration
11.	Krzysztof Rogala	Member	24.33
	TOTAL		107.46

Source: The Company's own compilation

There are no incentive or bonus programmes based on the Company’s capital, including programmes based on senior bonds, convertible bonds, warrants (in cash, in kind or any other form), paid, due or potentially due to the Company’s managing and supervising persons.

5.17. INFORMATION ON ALL PAYABLES RESULTING FROM PENSIONS AND SIMILAR BENEFITS FOR FORMER MANAGING OR SUPERVISING PERSONS OR FORMER MEMBERS OF ADMINISTRATIVE BODIES AND ON PAYABLES INCURRED IN RELATION TO SUCH PENSIONS

There are no payables in the Company or in the Group resulting from pensions and similar benefits for former managing or supervising persons or former members of administrative bodies, or any payables incurred in relation to such pensions.

5.18. INFORMATION ON THE COMPANY’S OWN SHARES

The Company does not hold any of its own shares.

5.19. INFORMATION ON THE COMPANY’S BRANCH OFFICES

The Company does not have branch offices.

5.20. THE COMPANY’S SHARES AND THE RELATED COMPANIES’ SHARES HELD BY PERSONS MANAGING AND SUPERVISING STALEXPORT AUTOSTRADY

The number and nominal value of shares of Stalexport Autostrady and of related parties held by persons managing and supervising the Company is provided based on representations made by the relevant persons. The figures as at 31 December 2020 and as at the date of preparation of this Report are presented in the table below.

TABLE 15 | NUMBER AND NOMINAL VALUE OF SHARES OF STALEXPORT AUTOSTRADY AND OF RELATED PARTIES HELD BY PERSONS MANAGING AND SUPERVISING THE COMPANY (AS AT 31 DECEMBER 2020 AND AS AT THE DATE OF PREPARATION OF THE REPORT)

No.	Given name and surname	Name of person/entity	Number of shares [units]	Nominal value
1.	Emil Wąsacz	Stalexport Autostrady	59,000	PLN 44,250
2.	Roberto Mengucci	Atlantia	27,354	no nominal value
3.	Nicola Bruno	Atlantia	75	no nominal value
4.	Stefano Bonomolo	Atlantia	862	no nominal value
5.	Massimo di Casola	Atlantia	75	no nominal value

Source: The Company’s own compilation based on representations made by the persons managing and supervising the Company

5.21. INFORMATION ON AGREEMENTS THE COMPANY IS AWARE OF (INCLUDING THOSE ENTERED INTO AFTER THE BALANCE SHEET DATE), WHICH IN THE FUTURE MAY RESULT IN CHANGES IN PROPORTIONS OF THE SHARES HELD BY THE EXISTING SHAREHOLDERS AND BONDHOLDERS

The Company is not aware of any agreements concluded, as a result of which changes may take place in the future in the proportions of shares held by the existing shareholders.

5.22. INFORMATION ON THE CONTROL SYSTEM REGARDING EMPLOYEE SHARE SCHEMES

No employee share schemes function in Stalexport Autostrady or in other companies from the Group.

5.23. INFORMATION ON THE CONTRACT WITH THE AUDITING FIRM ON THE AUDIT OR REVIEW OF FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

(i) Stalexport Autostrady

In accordance with the powers stipulated in the Statutes of the Company, the Supervisory Board entrusted the audit of the financial statements of the Company and of the consolidated financial statements of the Stalexport Autostrady S.A. Group for 2020 to Ernst & Young Audyty Polska spółka z ograniczoną odpowiedzialnością sp. k., entered on the list of entities authorised to audit financial statements under number 130.

On 4 June 2018, the Company signed a contract with Ernst & Young on the audit and review of the financial statements in the years 2018–2020.

On 29 January 2021, the Company signed an amendment to said contract with Ernst & Young, according to which the scope of services was extended by adding the performance of procedures in relation to the evaluation of the annual report on remuneration of the Management Board and of the Supervisory Board for the years 2019–2020. Said procedures are considered financial auditing services.

The total remuneration of Ernst & Young for the audit and review of the financial statements for 2020 was set at the net amount of PLN 97.5 thousand, including remuneration for work related to the following:

- review of the interim separate and consolidated financial statements of Stalexport Autostrady for the period of 6 months ended on 30 June 2020: PLN 30 thousand;
- audit of the annual separate and consolidated financial statements of the Company for 2020: PLN 67.5 thousand.

Remuneration for the performance of procedures in relation to the evaluation of the annual report on the remuneration of the Management Board and of the Supervisory Board for the years 2019–2020 was set at the amount of PLN 20 thousand.

The limit for additional costs subject to reimbursement in relation to the above services was set at 10%.

The total remuneration of Ernst & Young for the audit and review of the financial statements for 2019, in turn, amounted to PLN 90 thousand (net), including remuneration for work related to the following:

- review of the interim separate and consolidated financial statements of Stalexport Autostrady for the period of 6 months ended on 30 June 2019: PLN 30 thousand;
- audit of the annual separate and consolidated financial statements of the Company for 2019: PLN 60 thousand.

The limit for additional costs subject to reimbursement was set at 10% and the actual additional costs amounted to PLN 3 thousand.

(ii) SAM

In accordance with the powers stipulated in the Statutes of SAM, the audit of the financial statements of SAM for 2020 was entrusted to the Ernst & Young Company by the company's Supervisory Board.

On 6 June 2018, SAM signed a contract with Ernst & Young concerning the following:

- review of the Condensed financial statements or audit of the condensed financial statements for the periods of 6 months ending on 30 June 2018, 30 June 2019, and 30 June 2020;
- audit of the financial statements for the periods of 12 months ending on 31 December 2018, 31 December 2019, and 31 December 2020;

The total remuneration of Ernst & Young for the audit of the financial statements for 2020 was set at the net amount of PLN 70 thousand, including remuneration for the following:

- audit of the condensed financial statements for the period of 6 months ended on 30 June 2020: PLN 30 thousand;
- audit of the financial statements for the period of 12 months ended on 31 December 2020: PLN 40 thousand.

The limit for additional costs subject to reimbursement was set at 10%.

The total remuneration of Ernst & Young for the audit of the financial statements for 2019 was set at the net amount of PLN 70 thousand, including remuneration for the following:

- audit of the condensed financial statements for the period of 6 months ended on 30 June 2019: PLN 30 thousand;
- audit of the financial statements for the period of 12 months ended on 31 December 2019: PLN 40 thousand.

The limit for additional costs subject to reimbursement was set at 10% and the actual additional costs amounted to PLN 2 thousand.

(iii) VIA4

In accordance with the powers stipulated in the Statutes of VIA4, the audit of the financial statements of VIA4 for 2020 was entrusted to Ernst & Young by the Supervisory Board (by way of resolution no. 19/2018 of 11 May 2018). On 7 June 2018, VIA4 signed a contract with Ernst & Young on the audit of the financial statements in the years 2018–2020.

The total remuneration of Ernst & Young for the audit of the financial statements for 2020 was set at the net amount of PLN 65 thousand, including remuneration for work related to the following:

- audit of the interim financial statements for the period of 6 months ended on 30 June 2020: PLN 25 thousand;
- audit of the annual financial statements for 2020: PLN 40 thousand.

The limit for additional costs subject to reimbursement was set at 10%, not more than PLN 6.5 thousand.

The total remuneration of Ernst & Young for the audit of the financial statements for 2019 amounted to PLN 65 thousand (net), including remuneration for work related to the following:

- audit of the interim financial statements for the period of 6 months ended on 30 June 2019: PLN 25 thousand;
- audit of the annual financial statements for 2019: PLN 40 thousand.

The limit for additional costs subject to reimbursement was set at 10% and the actual additional costs amounted to PLN 2.76 thousand.

(iv) **Biuro Centrum**

In accordance with the powers determined in the Articles of Association of Biuro Centrum, the Supervisory Board entrusted the audit of the financial statements of Biuro Centrum for 2020 to PKF Consult Sp. z o.o. Spółka Komandytowa with its registered office in Warsaw, entered in the list of auditing firms under the number 477 and entered in the register of entrepreneurs kept by the District Court for the capital city of Warsaw, 13th Commercial Department of the National Court Register, under the number KRS 0000579479.

The contract on the audit of the separate financial statements of Biuro Centrum for 2020 was entered into on 12 November 2020. The remuneration due in relation to this to PKF Consult Sp. z o.o. Spółka Komandytowa will amount to PLN 13.2 thousand (net).

The contract on the audit of the separate financial statements of Biuro Centrum for 2019 was entered into on 31 October 2019 with the company DB Audyt Sp. z o.o. The remuneration which DB Audyt Sp. z o.o. received in relation to this amounted to PLN 8 thousand (net).

5.24. INFORMATION ON SIGNIFICANT PROCEEDINGS BEFORE THE COURT, THE AUTHORITY COMPETENT FOR ARBITRATION PROCEEDINGS OR A PUBLIC ADMINISTRATION AUTHORITY

Neither the Company nor any other entities of the Group are parties to any significant proceedings in course before a common court, an arbitration court or public administration authorities.

/ PART 6

INFORMATION ON THE STRATEGY ADOPTED FOR THE DEVELOPMENT OF THE COMPANY AND OF ITS GROUP AND ON ACTIVITIES UNDERTAKEN TO IMPLEMENT THAT STRATEGY IN THE PERIOD COVERED BY THE REPORT WITH A DESCRIPTION OF THE PROSPECTS FOR DEVELOPMENT OF THE COMPANY'S BUSINESS AT LEAST IN THE FOLLOWING YEAR ALONG WITH A DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS, AND CHARACTERISATION OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE STALEXPORT AUTOSTRADY GROUP

6.1. INFORMATION ON THE STRATEGY ADOPTED FOR THE DEVELOPMENT OF THE COMPANY AND OF ITS GROUP AND ON ACTIVITIES UNDERTAKEN TO IMPLEMENT THAT STRATEGY IN THE PERIOD COVERED BY THE REPORT WITH A DESCRIPTION OF THE PROSPECTS FOR DEVELOPMENT OF THE COMPANY'S BUSINESS AT LEAST IN THE FOLLOWING YEAR

The strategy for external development of Stalexport Autostrady consists in the possible implementation of potential projects related to road infrastructure. The Road Construction Programme creates a potential market for the Company and for entities belonging to the Group. However, it should be emphasised that the road infrastructure area is a sector heavily dependent on the State regulator. As a result of this, the number of tender procedures related to projects of interest for the Company and the possibility of their implementation under the PPP formula is the consequence of the public party's policy on road engineering and of the condition of the national budget. It also needs to be mentioned at this point that the Company, analysing the public party's policy on a systematic basis, is also interested in other projects related to the broadly conceived road infrastructure.

As far as the internal development strategy is concerned, the Group has been making and will continue to make efforts to improve the quality of services provided to the motorway users by way of improvements of the toll collection system, allowing the customers to diversify the range of toll payment methods. These efforts are intended to improve the flow capacity at the toll plazas and to shorten the transaction time. An example of such activities undertaken on the part of the Stalexport Autostrady Group was the pioneer project (among toll motorway concessionaires in Poland) implemented in 2016, consisting in the introduction of an electronic toll collection system using the microwave technology (in accordance with EU directives) under the commercial name of "A4Go", making it possible to drive through the toll plazas operated on the A4 Katowice–Kraków section more conveniently and faster compared to using traditional payment methods. It was possible to implement this project thanks to the experience of the companies from the Atlantia group, an international leader in the electronic toll collection sector.

Drawing further on this experience, in 2019 the Group undertook actions aimed at introducing more electronic payment forms. As a result of these actions, videotolling using the AutoPay application was introduced in July 2019. In late June/early July 2020, this function was also made available through the SkyCash application, and a newer and more user-friendly online store was launched for "A4Go" (www.a4go.pl). Work is also in progress as well as talks with other partners for the purpose of further expansion of access to electronic forms of payment. The technological solutions applied may in the future enable users of the National Toll Collection System (KSPO) to travel on the motorway section managed by the Group – this is referred to as domestic interoperability. The introduction of this functionality is subject to appropriate arrangements with the Public Party, which is the owner of KSPO. The Group hopes that the Public Party will introduce legal, technical and organisational solutions to ensure interoperability at the domestic level.

6.2. DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS, AND CHARACTERISATION OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE COMPANY AND OF THE STALEXPORT AUTOSTRADY GROUP

The fundamental risks and threats and the external and internal factors significant for the operation of the Group and of the Company can be divided into three basic areas related to the following:

- **the A4 Katowice–Kraków project in progress.**

Within this scope, risks as well as the economic and financial factors related to the general economic situation and to the current situation on the construction works market, as well as risks of political and legal nature prevail.

The **overall economic situation** in Poland has an impact mainly on the number of vehicles using the A4 motorway (this factor affects mainly the heavy goods vehicle traffic), and thus on the level of revenue from toll collection generated by the Concessionaire. The Group reduces this risk by means of an adequate (optimal) pricing policy and by taking actions aimed at improving the customer service quality on the motorway section managed by the Group by the improvement of the toll collection system currently in progress, allowing the customers to diversify the available range of toll payment methods.

As far as the **construction works market** is concerned, a buoyant mood on that market increases the prices of construction services and decreases the profitability of the A4 Katowice–Kraków project, while in the period of downturn on that market, the Group can negotiate more favourable conditions for the execution of the necessary works, thus keeping more funds available to the shareholders. The Company seeks to reduce the risk within this area by active management, within the scope of powers granted to it under the Concession Agreement, of the schedule of the construction works planned and carried out.

Institutional and legal instability of the environment regulating the infrastructure sector in Poland is the main factor from the **political and legal risk** group. The Company seeks to counteract these risks for instance by promoting best practices and solutions aimed at creating an appropriate legal framework for the execution of infrastructure projects and by actively participating in the public debate regarding new legislative solutions. This risk group also includes the potential actions aimed at amending the existing law, which may affect the revenue or expense level of the A4 Katowice–Kraków project. It is worth emphasising at this point that the Concession Agreement includes provisions which make it possible to claim compensation from the State Treasury if the public party performs activities that adversely affect the profitability of the A4 Katowice–Kraków project.

Additional risks are also related to the **decision of the Polish Office of Competition and Consumer Protection (hereinafter UOKiK)** of 2008, in which the Office stated, among other things, that the Concessionaire's practice restricted competition by "imposing unfair prices for using the toll section of the motorway in the amount specified in the price list, despite repair works being carried out at the same time on that section, resulting in major traffic disruption" and ordered that these practices be ceased. When performing future repair works causing substantial traffic disruption, the Concessionaire should take into account the provisions of that decision in its toll rate policy. The Company reduced this risk by introducing the following documents: (i) Rules of performance of works causing traffic disruption on the motorway, and (ii) Principles of charging reduced toll rates if construction/repair works are being performed between the toll plazas leading to the failure to meet the motorway standard.

- **lease of office space and investment of own funds held.**

Within this scope, the risks that should be mentioned are related to the overall economic situation and to the investment climate, as well as to the market interest rate risk.

The **overall economic situation** in Poland directly affects the office space lease market and thus the size of the vacant (not leased) space and the rent rates. The Company reduces this risk by applying a flexible pricing policy and by making other efforts to increase the attractiveness of the office space and to improve the safety of its users. Furthermore, the Company makes constant efforts to win new lessees.

As a result of the revenue structure and of the nature of the business, the Company's financial results are burdened by an **interest rate risk**. This risk is related to the volatility of the financial markets and manifests itself in changes in the value of money. Stalexport Autostrady reduces this risk by diversifying the terms of the deposits in which the Company invests its funds.

- **all activities generally performed by the Group.**

The institutional and legal instability of the environment mentioned above affects not only the implementation of the A4 Katowice–Kraków project, but also all of the Company's and of the Group's activities, with particular emphasis on the functioning of Stalexport Autostrady as a public company. The Company seeks to counteract these risks by constantly monitoring all changes to legal regulations (both national and EU ones), by using consultancy services provided by companies specialising in the given fields, by participation of the Management Board and of the employees responsible for the given area of the Company's business in training courses and conferences related to the new regulations, and by implementing appropriate procedures and best practices, both in the Company and in the entire Group.

Apart from the risks described above, which have accompanied the Company's business for many years now, a new **risk related to the spread of the SARS-CoV-2 coronavirus and of COVID-19 infections** appeared in 2020.

The SARS-CoV-2 pandemic reduced vehicle traffic on the A4 motorway and reduced revenues from toll collection. The company took a number of steps to maintain business continuity - incl. introduced partial remote work and limited the scope of direct contacts between employees, provided personal protection measures for employees, commissioned tests for the detection of the virus among staff.

The SARS-CoV-2 pandemic did not break the supply chain of goods and services for the Company and the Group's companies and did not cause a lack of resources, including personnel, conditioning their functioning. As at the time of preparing this report, the Company does not identify any threats to the continuity of its operations.

The results of the spread of the SARS-CoV-2 coronavirus and of COVID-19 infections have had and may continue to have a significant impact on the Group's future operational and financial results as well as on the Group's business due to the fact that the vast majority of the Group's revenues is represented by toll revenues from the section of the A4 motorway Katowice–Kraków, managed by SAM. Thus, the Group's results will be impacted by all changes in traffic on said motorway section caused by the spread of the SARS-CoV-2 coronavirus and of COVID-19 infections, which may be influenced by the following, among other things:

- a) guidelines and restrictions of state bodies and institutions aimed at reducing the spread of the SARS-CoV-2 coronavirus, including among other things introducing restrictions in passenger and heavy goods vehicle traffic in the national territory or for international road transport by the Polish state or by neighbouring countries
- b) macroeconomic consequences of the pandemic for the Polish economy, including prospects for a return to positive GDP increase values.

The actual extent of the future impact of the consequences of the spread of the SARS-CoV-2 coronavirus (or another virus with similar effects) and of COVID-19 infections on the Company's and on the Group's business is unknown in the Management Board's opinion, and depends on factors which are beyond the Company's control.

The remaining information about external and internal factors significant for the operation of Stalexport Autostrady and of the Group is included in part 3 and part 4 of this Report.

/ PART 7

REPRESENTATION OF THE MANAGEMENT BOARD OF STALEXPORT AUTOSTRADY ON THE COMPANY'S COMPLIANCE WITH CORPORATE GOVERNANCE RULES

7.1. INTRODUCTION

In compliance with the obligation resulting from §70(4)(5) of the Ordinance on current and periodic information, the Stalexport Autostrady Management Board publishes this statement of compliance by the Company with the corporate governance rules specified in the DPSN 2016 collection in the period from 1 January until 31 December 2020.

7.2. CORPORATE GOVERNANCE RULES THE COMPANY IS SUBJECT TO AND THEIR PUBLIC AVAILABILITY

The Management Board of Stalexport Autostrady represents that the corporate governance rules the Company was subject to in 2020, i.e. the DPSN 2016, are publicly available on the following web pages:

- of the Warsaw Stock Exchange (www.corp-gov.gpw.pl);
- of the Polish Association of Stock Exchange Issuers (www.seg.org.pl);
- of the Company (www.stalexport-autostrady.pl).

7.3. CORPORATE GOVERNANCE RULES THE COMPANY WAS ALLOWED TO DECIDE TO APPLY VOLUNTARILY AND THEIR PUBLIC AVAILABILITY

The corporate governance rules which the Company decided voluntarily to comply with comprise the following documents in force at the Atlantia S.p.A Capital Group:

- Code of Ethics,
- Compliance Program,
- Anti-Bribery Policy.

The above documents were accepted for application subject to the provision that they shall be in force without any changes, unless their provisions are contrary to the Polish law.

All the above documents are available on the Company's web page (www.stalexport-autostrady.pl).

7.4. ALL INFORMATION CONCERNING THE CORPORATE GOVERNANCE PRACTICES APPLIED BY THE COMPANY EXCEEDING THE REQUIREMENTS PROVIDED FOR BY THE NATIONAL LAW, TOGETHER WITH INFORMATION ON THE CORPORATE GOVERNANCE PRACTICES APPLIED BY THE COMPANY

In relation to the functioning of a Compliance Officer in the Company, the "Whistleblowing Procedure" in force in the Atlantia Group was adopted in the Company, which applies when the principles set forth in the Code of Ethics are infringed, subject to the provision that the adopted procedure shall be in force without any changes unless its provisions are contrary to the Polish law.

The whistleblowing procedure is available on the Company's web page (www.stalexport-autostrady.pl).

7.5. EXTENT TO WHICH THE COMPANY DEPARTED FROM THE PROVISIONS OF THE ABOVE-MENTIONED CORPORATE GOVERNANCE RULES, IDENTIFICATION OF THOSE PROVISIONS AND EXPLANATION OF THE REASONS FOR THE DEPARTURE

Pursuant to §29(3) of the Rules of Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange], Stalexport Autostrady submitted, on 8 January 2016, report no. 1/2016, via the Electronic Information Database (EBI), concerning the non-observance of specific rules included in the DPSN 2016 collection.

According to said report, Stalexport Autostrady did not apply 3 recommendations: VI.R.1., VI.R.2, VI.R.3 and 4 specific rules: I.Z.1.9, II.Z.8, III.Z.3, VI.Z.1, however, recommendation VI.R.3 and rule II.Z.8 were observed from 20 May 2016. The rules and recommendations the Company departed from are presented in the table below, with an explanation of the reasons for the departure.

TABLE 16 | RULES AND RECOMMENDATIONS FROM WHICH THE COMPANY DEPARTED WITH AN EXPLANATION OF THE REASONS FOR THE DEPARTURE

Rule / recommendation number	Rule / recommendation contents	Reasons for the Company's departure from observance of the individual rule/recommendation
I.Z.1.9	Information on dividend planned and paid by the company in the period of the last 5 financial years, including data concerning the record date, the payment dates and the dividend amounts: in total and per share,	As far as planned dividend is concerned, the Company does not intend to observe that rule, due to the fact that the planning of dividend of significant value by Stalexport Autostrady depends on possibilities and schedule for receiving dividends from the Group's companies.
III.Z.3.	The rules of independence set forth in generally recognised, international standards of professional practice for internal audit apply to the person in charge of the internal audit function and to the other persons responsible for the performance of its tasks.	This rule is not observed, except the function of compliance supervision, for which a Compliance Officer was appointed in the Company.
VI.Z.1.	Incentive programmes should be structured in such a way as to make sure, among other things, that the level of remuneration of members of the company's management board and of its key managers depends on the company's actual, long-term financial position and on the long-term increase of value for shareholders and stability of the enterprise's functioning.	The Company has appropriate (long-term) incentive programmes in place for the Management Board members. The Company did not introduce a similar incentive programme for key managers not being members of the Management Board.

<p>VI.R.1.</p>	<p>Remuneration of members of the company's bodies and key managers should result from the remuneration policy adopted</p>	<p>On 19 June 2020, the Company's General meeting adopted a policy of remuneration of Members of the Management Board and of the Supervisory of Stalexport Autostrady, and at a subsequent General Meeting on 24 November 2020, a slight modification to the policy was made.</p> <p>The Company does not have, on the other hand, a policy of remuneration of key managers in place. Remuneration of the managerial staff is determined on the basis of the Remuneration Rules drafted in accordance with the Labour Code requirements. This circumstance makes the rules of remuneration in the Company transparent and thus this does not lead to a risk or to any potential adverse effects of failure to apply the rule.</p>
<p>VI.R.2.</p>	<p>The remuneration policy should be closely linked to the company's strategy, its short- and long-term goals, long-term interests and results, and it should also take into account solutions aimed at avoiding discrimination for any reason.</p>	<p>The policy of remuneration of members of the Management Board and of the Supervisory Board of Stalexport Autostrady meets the requirements set forth in this rule.</p> <p>However, the Company does not have a remuneration policy for key managers in place, as indicated in the comment on recommendation VI.R.1. Nevertheless, the rules of remuneration of managerial staff adopted in the Company meet the requirements of recommendation VI.R.1.</p>

Source: The Company's own compilation

7.6. DESCRIPTION OF THE BASIC ATTRIBUTES OF THE COMPANY'S SYSTEMS OF INTERNAL CONTROL AND RISK MANAGEMENT AS REGARDS THE PROCESS OF DRAWING UP SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Stalexport Autostrady is responsible for the internal control system and its effectiveness. The system of internal control and risk management with regard to the process of drawing up financial statements involves the procedures for drawing up and approval of financial statements in force in Stalexport Autostrady. The system makes it possible to monitor the liabilities and to control the costs and the achieved results on a systematic basis. The financial data underlying the financial statements and the periodic reports come from the accounting and financial system IMPULS in which documents are recorded in line with the Company's accounting policy based on the International Accounting Standards.

The financial statements are drawn up by the financial and accounting staff under the control of the Company's Chief Accountant and they are subsequently verified by the Vice-President of the Management Board – CFO in cooperation with the Finance Management Director and their final contents are approved by the Management Board by way of a resolution.

The financial statements approved by the Management Board are audited by a statutory auditor selected by the Supervisory Board of the Company. Subsequently, pursuant to § 18(2)(1) of the Company's Statutes, the Supervisory Board, following the recommendation of the Audit Committee, verifies each year whether the audited financial statements of the Company and of the Group are consistent with the books and documents and whether they reflect the real situation, and notifies the shareholders of the results of this verification in its annual report.

The Company systematically monitors changes required under external laws and regulations concerning the stock exchange reporting requirements and prepares to implement them suitably in advance.

7.7. SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY SIGNIFICANT BLOCKS OF SHARES AND THE NUMBER OF SHARES HELD BY THESE SHAREHOLDERS, THEIR PERCENTAGE SHARE IN THE SHARE CAPITAL, THE NUMBER OF VOTES RELATED TO THOSE SHARES AND THEIR PERCENTAGE SHARE IN THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY

The shareholders holding, according to the best knowledge of the Company, at least 5% of the total number of votes at the Stalexport Autostrady General Meeting as at 31 December 2018 and as at the date of this Report are listed in the table below.

TABLE 17 | LIST OF STALEXPOR AUTOSTRADY SHAREHOLDERS HOLDING SIGNIFICANT BLOCKS OF THE COMPANY'S SHARES (AS AT 31 DECEMBER 2020 AND AS AT THE DATE OF THE REPORT)

Name of person/entity	Number of ordinary bearer shares [units]	Share in the share capital [%]	Number of votes at the General Meeting [units]	Share in the total number of votes at the General Meeting [%]
Atlantia	151,323,463	61.20%	151,323,463	61.20%

Source: The Company's own compilation based on notifications received by the Company from shareholders pursuant to Articles 69 and 69a in relation to Article 87 of the Act on public offering, on the conditions governing the introduction of financial instruments to organised trading and on public companies

7.8. HOLDERS OF ANY SECURITIES GIVING SPECIAL CONTROL RIGHTS AND A DESCRIPTION OF THESE RIGHTS

No shares of Stalexport Autostrady provide shareholders with special control rights towards the Company.

7.9. INFORMATION ON ALL LIMITATIONS REGARDING EXERCISING THE VOTING RIGHT, SUCH AS THE LIMITATION OF EXERCISING THE VOTING RIGHT BY THE HOLDERS OF A SPECIFIED PART OR NUMBER OF VOTES, TIME LIMITATIONS REGARDING EXERCISING THE VOTING RIGHTS OR PROVISIONS UNDER WHICH THE CAPITAL RIGHTS RELATED TO THE SECURITIES ARE SEPARATED FROM THE HOLDING OF SECURITIES

The shares of Stalexport Autostrady are not subject to any limitations as far as exercising the right to vote related to the shares is concerned.

7.10. INFORMATION ON ALL LIMITATIONS REGARDING TRANSFERRING THE OWNERSHIP RIGHTS TO THE COMPANY'S SECURITIES

The shares of Stalexport Autostrady are not subject to any limitations as far as the transfer of the ownership right is concerned.

7.11. DESCRIPTION OF THE RULES OF APPOINTING AND DISMISSING MANAGING PERSONS AND THEIR POWERS, IN PARTICULAR THE RIGHT TO DECIDE ON THE ISSUANCE OR BUYBACK OF SHARES

Pursuant to §10 of the Statutes of Stalexport Autostrady, the Management Board is composed of 1 to 3 persons. The President of the Management Board is appointed by the Supervisory Board and other members of the Management Board are appointed by the Supervisory Board upon a motion of the President of the Management Board.

The powers of the Management Board are defined by the Statutes of the Company and by the Regulations of the Management Board issued on the basis of those Statutes, as well as by the Commercial Companies Code and by other generally applicable laws. The Statutes of Stalexport Autostrady and the Regulations of the Management Board are available on the corporate web page of Stalexport Autostrady (www.stalexport-autostrady.pl).

7.12. AMENDMENTS TO THE COMPANY'S STATUTES

Amendments to the Statutes of the Company are made in accordance with the rules specified in the Commercial Companies Code. The Statutes of Stalexport Autostrady do not stipulate otherwise in this respect, except §5(2) which concerns material change of the objects of the Company. In such a case, the Statutes do not stipulate the necessity to buy out the shareholders that do not agree to the amendment.

7.13. THE GENERAL MEETING'S RULES OF PROCEDURE AND ITS BASIC POWERS WITH A DESCRIPTION OF THE RIGHTS OF SHAREHOLDERS AND THE WAY OF EXERCISING SUCH RIGHTS, IN PARTICULAR THE RULES RESULTING FROM THE REGULATIONS OF THE GENERAL MEETING IF SUCH REGULATIONS WERE ADOPTED, UNLESS INFORMATION IN THIS RESPECT RESULTS DIRECTLY FROM THE LAW

General meetings of Stalexport Autostrady are held in line with the rules described in the Commercial Companies Code, in the Statutes and in the "Regulations on participation in the General Meeting of Stalexport Autostrady S.A. with its registered office in Mysłowice using means of electronic communication" (hereinafter the "Regulations of the e-General Meeting"), passed by the Supervisory Board on 21 May 2020 and they do not differ from the rules applied by other GPW listed companies. In particular, apart from the shareholders, the members of the Management Board and of the Supervisory Board of the Company as well as guests, including experts invited by the body convening the General Meeting, may attend the General Meeting. A representative of the Company's statutory auditor attends the General Meetings whose agenda comprises financial matters of the Company, and provides explanations during such Meetings.

General Meetings are convened in the manner and according to the rules stipulated in the generally applicable provisions. This means that the notice convening the General Meeting is published on the web page of Stalexport Autostrady (www.stalexport-autostrady.pl) not later than 26 days before the date of the general meeting. Moreover, in accordance with § 19 of the Ordinance on current and periodic information, the Company provides, in the form of a current report, all the information related to the convening of the General Meeting, required by that regulation.

The shareholders holding shares of Stalexport Autostrady on the 16th day before the date of the General Meeting, which is the record date, are entitled to take part in the General Meeting. The basis for permitting a shareholder to attend the

General Meeting is the placing of that shareholder on the list made available to the Company by Krajowy Depozyt Papierów Wartościowych S.A. not later than one week before the date of the General Meeting.

General Meetings are held in the Company's registered office or in Katowice and the specific rules of procedure are specified for them in the Regulations of the General Meeting of Stalexport Autostrady. The Regulations of the General Meeting currently in force are available on the corporate web page of Stalexport Autostrady. The above-mentioned Regulations specify in particular the scope of rights of the shareholders (in relation to the most important right that is exercised by them, i.e. participation in the General Meeting) and the way such rights are exercised, the rules of appointing the Chairman of the General Meeting, the tasks of the Chairman of the General Meeting and his duties.

Pursuant to Article 406⁵ of the Commercial Companies Code, if those convening the Meeting so decide, participation in the General Meeting is possible using means of electronic communication and comprises: (i) bidirectional communication in real time between all the persons participating in the General Meeting, located in a place different than the venue of the General Meeting, and (ii) the voting right exercised personally or by proxy before or during the General Meeting. In this case, participation in the General Meeting involves using a dedicated IT platform, with the shareholder having the possibility of exercising the voting right by way of an instant text messaging service.

The specific rules of participation in the General Meeting using means of electronic communication are set forth in the Regulations of the e-General Meeting and in the notice convening the General Meeting.

The current Regulations on participation in the General Meeting using means of electronic communication are available on the corporate web page of Stalexport Autostrady.

Pursuant to §24 of the Company's Statutes, resolutions of the General Meeting are required in particular for:

- 1) approval, upon review, of the Management Board's report on the Company's activities and of the financial statements for the previous financial year;
- 2) distribution of profit/covering of losses;
- 3) acknowledgement of the fulfilment of duties by Management Board and Supervisory Board members;
- 4) disposal/lease of the enterprise or of its organised part and establishment of a limited right in rem over them;
- 5) issuing of convertible bonds or senior bonds;
- 6) review and approval of the financial statements of the Stalexport Autostrady Group;
- 7) amendment to the Company's Statutes, including change of the objects of the Company, share capital increase or decrease and redemption of shares;
- 8) material change of the objects of the Company;
- 9) dissolution and liquidation of the Company;
- 10) Company's merger, demerger and transformation;
- 11) appointment of members of the Supervisory Board after their number has been determined for the given term of office and their dismissal;
- 12) determination of the remuneration rules for the appointed members of the Supervisory Board.

7.14. DESCRIPTION OF THE OPERATION OF THE MANAGING, SUPERVISORY OR ADMINISTRATIVE BODIES OF THE COMPANY AND OF THEIR COMMITTEES, WITH AN INDICATION OF THE COMPOSITION AND OF CHANGES TAKING PLACE IN THEM OVER THE LAST FINANCIAL YEAR

(i) Management Board

Pursuant to §10 of the Company's Statutes, the Management Board is composed of 1 to 3 persons. The President of the Management Board is appointed by the Supervisory Board, and the other members of the Management Board are appointed by the Supervisory Board at the request of the President of the Management Board. The joint term of office

of the Management Board members lasts three consecutive years, and their mandates expire on the day of holding of the General Meeting approving the financial statements for the last full financial year of performance of the function of Management Board member.

In the reporting period (and until the date of preparation of the Report), the composition of the Company's Management Board did not change and was as follows:

- Emil Wąsacz – President of the Management Board,
- Mariusz Serwa – Vice-President of the Management Board.



Emil Wąsacz – President of the Management Board



Mariusz Serwa – Vice-President of the Management Board

The Management Board operates on the basis of applicable provisions of the law, including the Commercial Companies Code and the Statutes passed by the General Meeting. Moreover, pursuant to the Company's Statutes, the Management Board adopted its own Regulations, setting forth its detailed rules of procedure. They are available on the corporate web page of Stalexport Autostrady (www.stalexport-autostrady.pl).

(ii) Supervisory Board

Pursuant to §14 of the Company's Statutes, the Supervisory Board is composed of 5 to 9 persons appointed for a joint term of office of three years. The General Meeting appoints and dismisses members of the Supervisory Board having previously determined their number for the given term of office.

On 3 April 2019, the Ordinary General Meeting of Stalexport Autostrady decided that the Supervisory Board of Stalexport Autostrady of the tenth term (2019–2021) would also be composed of seven members and appointed the Supervisory Board composed of the following:

1. Nicola Bruno,
2. Tomasz Dobrowolski,
3. Flavio Ferrari,
4. Aleksander Galos,

5. Roberto Mengucci,
6. Marco Pace,
7. Stefano Rossi.

On 19 April 2019, the Supervisory Board appointed:

1. Roberto Mengucci – as Chairman of the Supervisory Board,
2. Tomasz Dobrowolski – as Deputy Chairman of the Supervisory Board,
3. Stefano Rossi – as Secretary of the Supervisory Board.

On 20 February 2020, Mr Flavio Ferrari handed in his resignation as a member of the Supervisory Board of the Company, effective as of 15 March 2020.

On 20 March 2020, Mr Aleksander Galos handed in his resignation as a member of the Supervisory Board of the Company, effective as of 26 March 2020, due to the reasons described in Article 129(3)(8) of the Act of 11 May 2017 on statutory auditors, auditing firms and public supervision (Dz.U. 2019.0.1421).

On 19 June 2020, the Company's Ordinary General Meeting appointed Mr Stefano Bonomolo and Mr Krzysztof Rogala as members of the Supervisory Board of Stalexport Autostrady.

On 5 August 2020, the Company received the resignation of Mr Marco Pace as member of the Supervisory Board and as member of the Audit Committee effective as of 30 September 2020.

On 12 October 2020, Mr Krzysztof Rogala resigned as member of the Supervisory Board.

The Extraordinary General Meeting held on 18 November 2020 appointed Mr Andrzej Kaczmarek and Mr Massimo Di Casola as members of the Supervisory Board of Stalexport Autostrady.

The Supervisory Board operates on the basis of applicable provisions of the law, including the Commercial Companies Code and the Statutes passed by the General Meeting. Moreover, pursuant to the Company's Statutes, the Supervisory Board adopted its own Regulations, constituting its rules of procedure. They are available on the corporate web page of Stalexport Autostrady (www.stalexport-autostrady.pl).

(iii) Supervisory Board Committees

In the reporting period, they were composed of the following members:

a) from 1 January 2020 to 15 March 2020

Remuneration Committee:

- Flavio Ferrari – Chairman,
- Tomasz Dobrowolski – Deputy Chairman,
- Aleksander Galos.

Audit Committee:

- Tomasz Dobrowolski – Chairman,
- Marco Pace – Deputy Chairman,
- Aleksander Galos.

b) from 15 March 2020 to 26 March 2020

Remuneration Committee:

- Tomasz Dobrowolski – Deputy Chairman,
- Aleksander Galos.

Audit Committee:

- Tomasz Dobrowolski – Chairman,
- Marco Pace – Deputy Chairman,
- Aleksander Galos.

c) from 27 March 2020 to 26 July 2020

Remuneration Committee:

- Tomasz Dobrowolski – Deputy Chairman.

Audit Committee:

- Tomasz Dobrowolski – Chairman,
- Marco Pace – Deputy Chairman.

d) from 27 July 2020 to 30 September 2020

Remuneration Committee:

- Stefano Bonomolo – Chairman,
- Tomasz Dobrowolski – Deputy Chairman,
- Krzysztof Rogala.

Audit Committee:

- Tomasz Dobrowolski – Chairman,
- Marco Pace – Deputy Chairman,
- Krzysztof Rogala.

e) from 30 September 2020 to 12 October 2020

Remuneration Committee:

- Stefano Bonomolo – Chairman,
- Tomasz Dobrowolski – Deputy Chairman,
- Krzysztof Rogala.

Audit Committee:

- Tomasz Dobrowolski – Chairman,
- Nicola Bruno – Deputy Chairman,
- Krzysztof Rogala.

f) from 12 October 2020 to 23 November 2020

Remuneration Committee:

- Stefano Bonomolo – Chairman,
- Tomasz Dobrowolski – Deputy Chairman.

Audit Committee:

- Tomasz Dobrowolski – Chairman,
- Nicola Bruno – Deputy Chairman.

g) **from 23 November 2020 until the date of preparation hereof**

Remuneration Committee:

- Stefano Bonomolo – Chairman,
- Tomasz Dobrowolski – Deputy Chairman,
- Andrzej Kaczmarek.

Audit Committee:

- Tomasz Dobrowolski – Chairman,
- Nicola Bruno – Deputy Chairman,
- Andrzej Kaczmarek.

The Supervisory Board's committees operate pursuant to the regulations adopted by the Supervisory Board forming Enclosures to the Regulations of the Supervisory Board. These Regulations are also available from the corporate web page of the Company (www.stalexport-autostrady.pl).

(iv) **Detailed information concerning the Audit Committee and the selection and work of the auditing firm**

- **Persons meeting the statutory criteria of independence**

Mr Tomasz Dobrowolski and Mr Andrzej Kaczmarek (as well as Mr Aleksander Galos and Mr Krzysztof Rogala, in the period of performing the functions of Supervisory Board member) meet (met) the criteria of independence envisaged for independent Audit Committee members, set forth in Article 129(3) of the Act of 11 May 2017 on statutory auditors, auditing firms and public supervision (Dz.U. of 2017, item 1089), and §3(5) of the Regulations of the Audit Committee, and the **criteria of independence envisaged for independent Remuneration Committee members**, as defined by Annex II to Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, as well as by the guidelines included in the DPSN 2016.

- **Persons who have knowledge and skills in the field of accounting or auditing of financial statements, with an indication of how they acquired them**

Mr Nicola Bruno and Mr Andrzej Kaczmarek (as well as the previous members of the Audit Committee, i.e. Mr Aleksander Galos, Mr Marco Pace and Mr Krzysztof Rogala) have knowledge and skills in the field of accounting or auditing of financial statements (which they confirmed by submitting the appropriate declarations, and which result from their education (Mr Nicola Bruno and Mr Marco Pace), and from experience and many years of professional practice (Mr Nicola Bruno, Mr Marco Pace, Mr Andrzej Kaczmarek, Mr Krzysztof Rogala, and Mr Aleksander Galos). Detailed information concerning the qualifications and experience of the Supervisory Board members mentioned above is available on the Company's corporate web page (www.stalexport-autostrady.pl).

- **Persons who have knowledge and skills with regard to the sector in which the Issuer operates, with an indication of how they acquired them**

Mr Tomasz Dobrowolski, Mr Nicola Bruno and Mr Andrzej Kaczmarek (as well as previous members of the Audit Committee, i.e. Mr Aleksander Galos, Mr Marco Pace and Mr Krzysztof Rogala) have knowledge and skills with regard to the sector in which the Company operates, which they acquired in the course of their professional career, for instance

during work or performance of services for other entities from the Atlantia Group. Detailed information concerning the qualifications and experience of the Supervisory Board members mentioned above is available on the Company's corporate web page (www.stalexport-autostrady.pl).

- **Information whether the auditing firm which audited the Issuer's financial statements performed permitted services other than auditing and whether, in relation to that, the independence of that auditing firm was assessed and whether consent was given to the performance of such services**

On 1 June 2018, the Audit Committee assessed the independence of the auditing firm (Ernst & Young) and consented to the performance, for Stalexport Autostrady by Ernst & Young, of the following permitted services other than auditing:

- a) performing reviews of condensed separate interim financial statements of Stalexport Autostrady for the periods of 6 months ending on 30 June 2018, 30 June 2019 and 30 June 2020, drawn up in accordance with the IFRS/IAS;
- b) performing reviews of condensed consolidated interim financial statements of the Stalexport Autostrady Group for the periods of 6 months ending on 30 June 2018, 30 June 2019 and 30 June 2020, drawn up in accordance with the IFRS/IAS;
- c) performing reviews with regard to the consolidated financial information of the Stalexport Autostrady Group drawn up as at 30 June 2018, 30 June 2019 and 30 June 2020, in accordance with the accounting policy of the Atlantia S.p.A. Group.

On 11 January 2021, the Audit Committee assessed the independence of the auditing firm (Ernst & Young) and expressed its consent to the performance for Stalexport Autostrady by Ernst & Young of permitted services other than auditing, i.e. evaluation of the report on remuneration of Management Board and Supervisory Board Members for the years 2019–2020 within the scope of placing information in said report required under Article 90g, paragraphs 1–5 and 8 of the Act on public offering, on the conditions governing the introduction of financial instruments to organised trading and on public companies.

- **Main assumptions of the policy developed to select the auditing firm to perform the audit and the policy of performance, by the auditing firm performing the audit, by entities related to that auditing firm and by a member of the auditing firm's network, of permitted services other than auditing**

On 16 October 2017, the Audit Committee and the Company's Supervisory Board, operating pursuant to:

- Act of 11 May 2017 on statutory auditors, auditing firms and public supervision (Dz.U. of 2017, item 1089) and
- Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC,

adopted the following documents for application :

- Policy of selecting the statutory auditor/auditing firm to carry out the audit of the financial statements of Stalexport Autostrady S.A.,
- Policy of performance, for Stalexport Autostrady S.A., of permitted services other than auditing by the statutory auditor/auditing firm carrying out the audit, by their related entities or by a member of the auditing firm's network,
- Procedure of selecting the statutory auditor/auditing firm to carry out the audit of the financial statements of Stalexport Autostrady S.A.

The above documents are available on the corporate web page of Stalexport Autostrady (www.stalexport-autostrady.pl).

The Company is guided by the following principles when selecting the statutory auditor/auditing firm:

1. The Company assesses the proposals submitted by statutory auditors/auditing firms in accordance with the criteria set forth in the tender documentation on the basis of transparent and non-discriminatory selection criteria and prepares a report containing the conclusions from the selection procedure, approved by the Audit Committee.
 2. The Company does not restrict the possibilities of presenting a proposal to the auditing firms and in no way does it exclude from participation in the procedure auditing firms that obtained less than 15% of their total remuneration related to audit from entities of public interest in Poland in the preceding calendar year, or exclude the possibility of entrusting the audit of financial statements to more than one auditing firm.
 3. The Company is free to determine the selection procedure and may conduct direct negotiations with the interested auditing firms during the selection procedure.
 4. It is considered unacceptable and invalid in the procedure of selection of statutory auditors/auditing firms to include, in the contracts entered into by the Company with third parties, any clauses that restrict the possibility of selecting the statutory auditor/auditing firm, for the purposes of auditing the Company. The Company is obliged to notify directly and immediately the competent authorities about any attempts made by third parties to impose such a contractual clause or to influence the Supervisory Board's decision concerning the selection of the statutory auditor/auditing firm in any other inappropriate manner.
- **Information whether the recommendation concerning the selection of the auditing firm to perform the audit complied with the conditions in force, and if the selection of the auditing firm did not involve renewal of a contract on the auditing of financial statements – whether the recommendation was made following a selection procedure organised by the Issuer that met the criteria in force**

In 2020, no new auditing firm was chosen, nor was the contract with the previous auditor renewed.

- **Number of Audit Committee meetings held**

In the financial year, the Audit Committee held two meetings attended by Ernst & Young and adopted one resolution.

(v) Proxies

Pursuant to Article 371 §4 of the Commercial Companies Code, proxies are appointed by the Management Board. In the reporting period, the Company did not have any proxies.

/ PART 8

CONCLUSION

Concluding the presentation of the Report, we would like to emphasise that the Stalexport Autostrady Capital Group, operating in the motorway sector, has sound financial bases that guarantee the stability of its business, as well as provide opportunities for implementation of future projects related to the construction and management of motorways.

1 March 2021

Date

Emil Wąsacz

President of the Management Board, CEO

*Signed with a qualified
electronic signature*

1 March 2021

Date

Mariusz Serwa

Vice-President of the Management Board, CFO

*Signed with a qualified
electronic signature*

/ PART 9

MANAGEMENT BOARD'S REPRESENTATIONS AND INFORMATION

- 9.1. **MANAGEMENT BOARD'S REPRESENTATION SETTING FORTH THAT, ACCORDING TO THEIR BEST KNOWLEDGE, THE ANNUAL FINANCIAL STATEMENTS AS WELL AS THE COMPARABLE DATA HAVE BEEN DRAWN UP IN LINE WITH THE APPLICABLE ACCOUNTING STANDARDS AND THEY GIVE A TRUE, FAIR AND CLEAR VIEW OF THE COMPANY'S ASSETS AND FINANCIAL POSITION AND OF ITS FINANCIAL RESULT, AND THAT THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE COMPANY GIVES A TRUE PRESENTATION OF THE COMPANY'S DEVELOPMENT, ACHIEVEMENTS AND POSITION, INCLUDING A DESCRIPTION OF THE MAJOR THREATS AND RISKS**

Representation

We hereby represent that, according to our best knowledge, the annual financial statements of the Company for 2020 and the comparable data have been drawn up in line with the applicable accounting standards and they give a true, fair and clear view of Stalexport Autostrady's assets and financial position as well as of its financial profit or loss.

At the same time, we represent that the annual Management Board's Report on the Activities of Stalexport Autostrady S.A. in 2020 gives a true presentation of the Company's development, achievements and position, including a description of the major risks and threats.

1 March 2021

Date

Emil Wąsacz

President of the Management Board, CEO

1 March 2021

Date

Mariusz Serwa

Vice-President of the Management Board, CFO

9.2. MANAGEMENT BOARD’S REPRESENTATION SETTING FORTH THAT, ACCORDING TO THEIR BEST KNOWLEDGE, THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS WELL AS THE COMPARABLE DATA HAVE BEEN DRAWN UP IN LINE WITH THE APPLICABLE ACCOUNTING STANDARDS AND THEY GIVE A TRUE, FAIR AND CLEAR VIEW OF THE GROUP’S ASSETS, FINANCIAL POSITION AND FINANCIAL RESULT, AND THAT THE MANAGEMENT BOARD’S REPORT ON THE ACTIVITIES OF THE GROUP GIVES A TRUE PRESENTATION OF THE GROUP’S DEVELOPMENT, ACHIEVEMENTS AND POSITION, INCLUDING A DESCRIPTION OF THE MAJOR THREATS AND RISKS

Representation

We hereby represent that, according to our best knowledge, the annual consolidated financial statements of the Company for 2020 and the comparable data have been drawn up in line with the applicable accounting standards and they give a true, fair and clear view of the Stalexport Autostrady Capital Group’s assets and financial position as well as of its financial profit or loss.

At the same time, we represent that the annual Management Board’s Report on the Activities of the Stalexport Autostrady S.A. Group in 2020 gives a true presentation of the Capital Group’s development, achievements and position, including a description of the major risks and threats.

1 March 2021

Date

Emil Wąsacz

President of the Management Board, CEO

1 March 2021

Date

Mariusz Serwa

Vice-President of the Management Board, CFO

9.3. MANAGEMENT BOARD’S INFORMATION, MADE ON THE BASIS OF THE SUPERVISORY BOARD’S REPRESENTATION CONCERNING THE SELECTION OF THE AUDITING FIRM TO AUDIT THE ANNUAL FINANCIAL STATEMENTS AND THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, IN ACCORDANCE WITH THE REGULATIONS, INCLUDING THOSE CONCERNING THE SELECTION AND THE PROCEDURE OF AUDITING FIRM SELECTION:

Acting on the basis of §70(1)(7) and §71(1)(7) of the Ordinance of the Minister of Finance of 29 March 2018 on current and periodic information transmitted by issuers of securities and on the conditions of considering as equivalent the information required under provisions of the law of a state other than a Member State, as well as of the representation of the Supervisory Board of Stalexport Autostrady, we hereby inform you that:

- a) the selection of the auditing firm performing the audit of the annual financial statements and of the annual consolidated financial statements was made in accordance with the regulations, including those concerning the selection and the procedure of selecting the auditing firm,
- b) the auditing firm and the members of the team performing the audit complied with the conditions required for the preparation of an impartial and independent report on the audit of the annual financial statements and of an impartial and independent report on the audit of the annual consolidated financial statements in accordance with the regulations in force, the standards of exercising the profession and the principles of professional ethics,
- c) the applicable regulations in force are complied with in the Company with regard to auditing firm and key statutory auditor rotation as well as the obligatory grace periods.
- d) The Issuer has a policy in place with regard to auditing firm selection and a policy with regard to the performance for the issuer by the auditing firm, an entity related to the auditing firm or a member of its network of additional services other than auditing, including services conditionally exempted from the prohibition of performance by the auditing firm.

1 March 2021

Date

Emil Wąsacz

President of the Management Board, CEO

1 March 2021

Date

Mariusz Serwa

Vice-President of the Management Board, CFO

ENCLOSURE

- Enclosure no. 1** Selected financial data of Stalexport Autostrady
- Enclosure no. 2** Selected financial data of the Stalexport Autostrady Capital Group

ENCLOSURE NO. 1 |
SELECTED FINANCIAL DATA OF STALEXPORT AUTOSTRADY

Financial data concerning the separate financial statements of Stalexport Autostrady for the period of 12 months ended on 31 December 2020

	PLN '000		EUR '000	
	2020	2019*	2020	2019*
Revenue	3,463	3,767	774	876
Loss on operating activities	(6,662)	(3,878)	(1,489)	(901)
Profit before taxation	158,843	(126)	35,502	(29)
Net profit for the period	157,577	(829)	35,219	(193)
Weighted average number of shares as at the end of the period (in thousands)	247,262	247,262	247,262	247,262
Earnings per ordinary share (in PLN/EUR)	0.64	(0.00)	0.14	(0.00)
Diluted earnings per ordinary share (in PLN/EUR)	0.64	(0.00)	0.14	(0.00)
Net cash from operating activities	(4,828)	(3,325)	(1,079)	(773)
Net cash from investment activities	(36,376)	14,251	(8,130)	3,313
Net cash from financial activities	(12,489)	(91,613)	(2,791)	(21,296)
Total net cash flow	(53,693)	(80,687)	(12,001)	(18,757)
	31 Dec 2020	31 Dec 2019*	31 Dec 2020	31 Dec 2019*
Total assets	422,355	275,619	91,522	64,722
Non-current assets	76,870	78,362	16,657	18,401
Current assets	345,485	197,257	74,865	46,321
Total payables	7,519	5,854	1,629	1,375
Non-current payables	5,520	4,231	1,196	994
Current payables	1,999	1,623	433	381
Total shareholders' equity	414,836	269,765	89,893	63,347
Share capital	185,447	185,447	40,185	43,547

* Figures restated due to the merger with the subsidiary – see note 5 to the separate financial statements

Source: The Company's own compilation

The selected financial data were converted into EUR in accordance with the following principles:

- the individual items of the consolidated statement of comprehensive income and of the consolidated cash flow statement the years 2020 and 2019 at the rate constituting the arithmetic mean of the average exchange rates published by the National Bank of Poland in force as at the last day of each month in the business period, i.e. respectively 4.4742 PLN/EUR and 4.3018 PLN/EUR;
- the individual items of assets and liabilities: at the average exchange rate published by the National Bank of Poland, as at the balance sheet date, i.e. respectively 4.6148 PLN/EUR as at 31 December 2020 and 4.2585 PLN/EUR as at 31 December 2019.

ENCLOSURE NO. 2 |
SELECTED FINANCIAL DATA OF THE STALEXPORT AUTOSTRADY CAPITAL GROUP

Financial data concerning the consolidated financial statements of Stalexport Autostrady for the period of 12 months ended on 31 December 2020

	PLN '000		EUR '000	
	2020	2019	2020	2019
Revenue	289,545	351,487	64,714	81,707
Profit on operating activities	100,291	129,153	22,415	30,023
Profit before taxation	98,651	124,772	22,049	29,005
Net profit for the period	91,456	80,396	20,441	18,689
Net profit attributable to the owners of the Parent Entity	87,261	75,526	19,503	17,557
Weighted average number of shares as at the end of the period (in thousands)	247,262	247,262	247,262	247,262
Earnings per share of the Parent Entity's owners (in PLN/EUR)	0.35	0.31	0.08	0.07
Diluted earnings per share of the Parent Entity's owners (in PLN/EUR)	0.35	0.31	0.08	0.07
Net cash from operating activities	133,662	226,628	29,874	52,682
Net cash from investment activities	(255,450)	(11,880)	(57,094)	(2,762)
Net cash from financial activities	(21,217)	(175,621)	(4,742)	(40,825)
Net cash flows, total	(143,005)	39,127	(31,962)	9,095
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Total assets	1,432,221	1,322,052	310,354	310,450
Non-current assets	1,003,802	918,245	217,518	215,626
Current assets	428,419	403,807	92,836	94,824
Total payables	566,342	526,288	122,723	123,585
Non-current payables	405,373	344,696	87,842	80,943
Current payables	160,969	181,592	34,881	42,642
Total shareholders' equity	865,879	795,764	187,631	186,865
Equity of the owners of the Parent Entity	861,026	786,335	186,579	184,651
Non-controlling shares	4,853	9,429	1,052	2,214
Share capital	185,447	185,447	40,185	43,547

Source: The Company's own compilation

The selected financial data were converted into EUR in accordance with the following principles:

- a) *the individual items of the consolidated statement of comprehensive income and of the consolidated cash flow statement the years 2020 and 2019 at the rate constituting the arithmetic mean of the average exchange rates published by the National Bank of Poland in force as at the last day of each month in the business period, i.e. respectively 4.4742 PLN/EUR and 4.3018 PLN/EUR;*
- b) *the individual items of assets and liabilities: at the average exchange rate published by the National Bank of Poland, as at the balance sheet date, i.e. respectively 4.6148 PLN/EUR as at 31 December 2020 and 4.2585 PLN/EUR as at 31 December 2019.*