

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 2018, which was originally issued in Polish. In case of ambiguities in interpretation of terminology, the Polish terminology should be treated as binding.

Management Board's REPORT

on the activities of the Company
and the Capital Group of Stalexport
Autostrady S.A.
in 2018

Mysłowice, 27 February 2019



STALEXPORT
Autostrady



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DEFINITIONS AND ABBREVIATIONS

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

ADT	Average Daily Traffic
Atlantia	Atlantia S.p.A. with its registered office in Rome (Italy)
Financing Banks	Portigon AG (London Branch), Bank BGŻ BNP Paribas S.A., FMS Wertmanagement, KfW IPEX-Bank GmbH and PEKAO S.A.
Biuro Centrum	Biuro Centrum Sp. z o.o. with its registered office in Katowice
Deloitte	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. (formerly Deloitte Audyt Sp. z o.o.) with its registered office in Warsaw, Al. Jana Pawła II nr 22, entered on the list of entities authorised to audit financial statements kept by the National Chamber of Statutory Auditors under No. 73
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, EY Polska	Ernst & Young Audyt 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 Capital Group of Stalexport Autostrady S.A. with its registered office in Mysłowice
KSH, 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)
National Electronic Toll Collection System	The National Electronic Toll Collection System, in operation since 1 July 2011, i.e. the date of entry into force of the Act of 7 November 2008 amending the Act on Public Roads and certain other acts (Dz.U. No 218, item 1391). It replaced the system based on toll cards (referred to as vignettes), and since that time no other form of toll collection has been in operation on the sections of national roads indicated in the Ordinance of the Council of Ministers of 22 March 2011 on national roads or their sections on which electronic toll is collected, and on the electronic toll rates (uniform text Dz.U. of 2013, item 1263, as amended), other than collection using the viaBOX on-board unit

	(OBU) installed in the vehicle. Read more here: http://www.gitd.gov.pl/elektroniczny-pobor-oplat/informacje-ogolne-oplat
Independent Engineer	JPL Project Sp. z o.o. with its registered office in Warsaw
PPP	Public-Private Partnership
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	Management Board's Report on the activities of the Company and the Capital Group of Stalexport Autostrady S.A. in 2018
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 building through conversion of the A4 motorway section: Katowice (Murkowska 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
Project Loan Agreement	Agreement dated 28 December 2005, entered into between SAM and the banks, i.e. WESTLB BANK POLSKA S.A., Warsaw, WESTLB AG (London Branch), DEPFA BANK PLC, Dublin, Ireland, KfW Frankfurt, Germany and BANK BPH SPÓŁKA AKCYJNA, Warsaw. The object of the Loan Agreement was to grant a loan of PLN 380 million to finance the A4 toll motorway project on the Katowice-Kraków section (i.e. to finance the construction works of Phase IIa and to refinance the construction works of Phase I)
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 2016, item 1639, uniform text)
UOKiK	Office of Competition and Consumer Protection
VIA4	VIA4 Spółka Akcyjna with its registered office in Mysłowice

General Meeting

The General Meeting of Shareholders

PART 1

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD OF STALEXPORT AUTOSTRADY



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

I am glad to inform you that we have reasons to be satisfied when summing up the year 2018 at the Stalexport Autostrady Group, as it ended with an increase of both sales revenues and net profit.

The vast majority of the Group's revenues, which amounted in 2018 to PLN 336.5, were generated by toll collection on the A4 Katowice–Kraków motorway. Toll collection revenues increased in 2018 by 5.6%, to the level of PLN 332.4 million, which was influenced by the increase by 5.2% in traffic intensity, to the level of 45.3 thousand vehicles per day.

The Group's net profit, on the other hand, increased by 17.4% and amounted to PLN 186.4 million.

The improved financial result of the Stalexport Autostrady Group was also caused by the decrease in the level of costs of sales by PLN 18.3 million, to which the release of the provision for resurfacing contributed, as well as by the decrease of net financial expenses by PLN 10.5 million in relation to the generally lower level of liabilities.

Last year, the programme was continued involving upgrade and development of the motorway infrastructure on the A4 motorway Katowice–Kraków section, managed and operated by one of the Group's companies, Stalexport Autostrada Małopolska S.A.

Capital expenditures in the Group in 2018 amounted to over PLN 31 million. Investments were implemented mainly in the area of environmental protection: more noise barrier walls were built and the motorway drainage system, ensuring groundwater protection, was upgraded. Within the framework of maintenance works, motorway resurfacing was completed, and the cost of that in 2018 amounted to over PLN 10.1 million.

A major item in capital expenditures corresponded to the renovation of one of the bridge structures located on the section of the A4 motorway in the Małopolskie voivodeship.

In 2019, we are planning to complete the works on that bridge and start renovation of two more structures. Upgrade of motorway drainage will be continued. Replacement of the toll collection system IT infrastructure equipment is also planned for this year. The most important maintenance projects planned for the years 2019–2020 involves resurfacing on a section of 42.4 km.

When discussing the results of the Group, it is worthwhile pointing out that in 2018, Stalexport Autostrada Małopolska S.A. repaid the amounts due under the concession to the National Road Fund, constituting a refund of the loan which the State Treasury took out with the European Bank for Reconstruction and Development for motorway renovation completed even before the transfer of the concession for the A4 Katowice–Kraków. The said repayment was the condition whose fulfilment made it possible to pay, on 5 February 2019, to the sole shareholder of Stalexport Autostrada

Małopolska S.A., i.e. the company Stalexport Autoroute S.à r.l., of interim dividend as at the end of the financial year 2018 in the amount of PLN 10,908,000.

A very important aspect in the activities of the Group's companies consists in assuring efficient service to motorists at toll plazas, i.e. in increasing the capacity of the said toll plazas in relation to the constantly increasing traffic intensity. The A4Go electronic toll collection system has been in operation on the A4 Katowice–Kraków since mid-2016. Around 30 thousand onboard units are already in possession of motorway users, allowing them to drive through the toll plazas much more rapidly than if they used different payment methods, all the more so since with A4Go, one can use a dedicated toll collection lane.

In 2019, we are planning to launch what is referred to as video tolling, i.e. a service that makes it possible to collect toll from the customer's bank card assigned to the vehicle's registration plate, identified by a video camera at the toll gate.

As usual, we want to emphasise our interest in including the A4 motorway section we manage in the national toll collection system. Our position on this matter has remained unchanged for many years now. We want to make sure that Polish drivers can use the electronic toll collection system on all toll sections of roads using a single on-board device.

As far as the individual result of Stalexport Autostrady S.A. is concerned, sales revenues amounted to PLN 3.7 million. These revenues come mainly from the lease of office space in the building in Katowice co-owned by the Company.

Obviously, the decrease in net profit from PLN 73.2 million in 2017 to PLN 4.4 million last year has been very noticeable. It results from the smaller financial revenues of the Company, which, due to the condition mentioned above concerning the concession payment, did not obtain dividend in 2018 from its subsidiary Stalexport Autoroute S.à r.l., because the latter did not in turn obtain dividend from the company Stalexport Autostrada Małopolska S.A.

The dividend which Stalexport Autostrady S.A. received the year 2017 and the net profit which it recorded, on the other hand, made it possible to pay dividend to the shareholders of Stalexport Autostrady S.A. in accordance with the resolution of the Ordinary General Meeting of Shareholders of 4 April 2018. Under the said resolution, the amount of over PLN 71.7 million from the Company's profit for 2017 was allocated to the said dividend in the amount of PLN 0.29 per share, and over PLN 1.5 million was transferred to the supplementary capital. The dividend was paid to the Company's shareholders on 18 May 2018.

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 2018.

I would like to thank our shareholders and partners very much for their interest in our activities. I would furthermore like to thank members of the Supervisory Boards for their cooperation and commitment to the Group's development.

Finally, my thanks go to the management staff and to all the employees across the Group for their professionalism, commitment and good atmosphere at work.

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
fax +(48) 32 762 75 56

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

KRS [company reg. no.]: 0000016854
NIP [tax ID]: 634-013-42-11
REGON [statistical no.]: 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 upgrade and expansion of motorway infrastructure. The Company was the first Polish company to be granted, in 1997, in 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 Capital Group. The Group operates in 16 countries. It 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, Brazil, Chile, India and Poland, as well as the Fiumicino and Ciampino airports in Italy and three airports in France: Nice, Cannes-Mandelieu, and Saint Tropez, which serve over 60 million passengers every year.

In 2018, Atlantia, together with the Spanish construction company ACS and its German subsidiary Hochtief, took control of the Spanish group Abertis which manages toll motorways in countries that include Spain, France, Italy, Chile, Brazil and Argentina, and conducts activity related to electronic toll collection in many countries.

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.

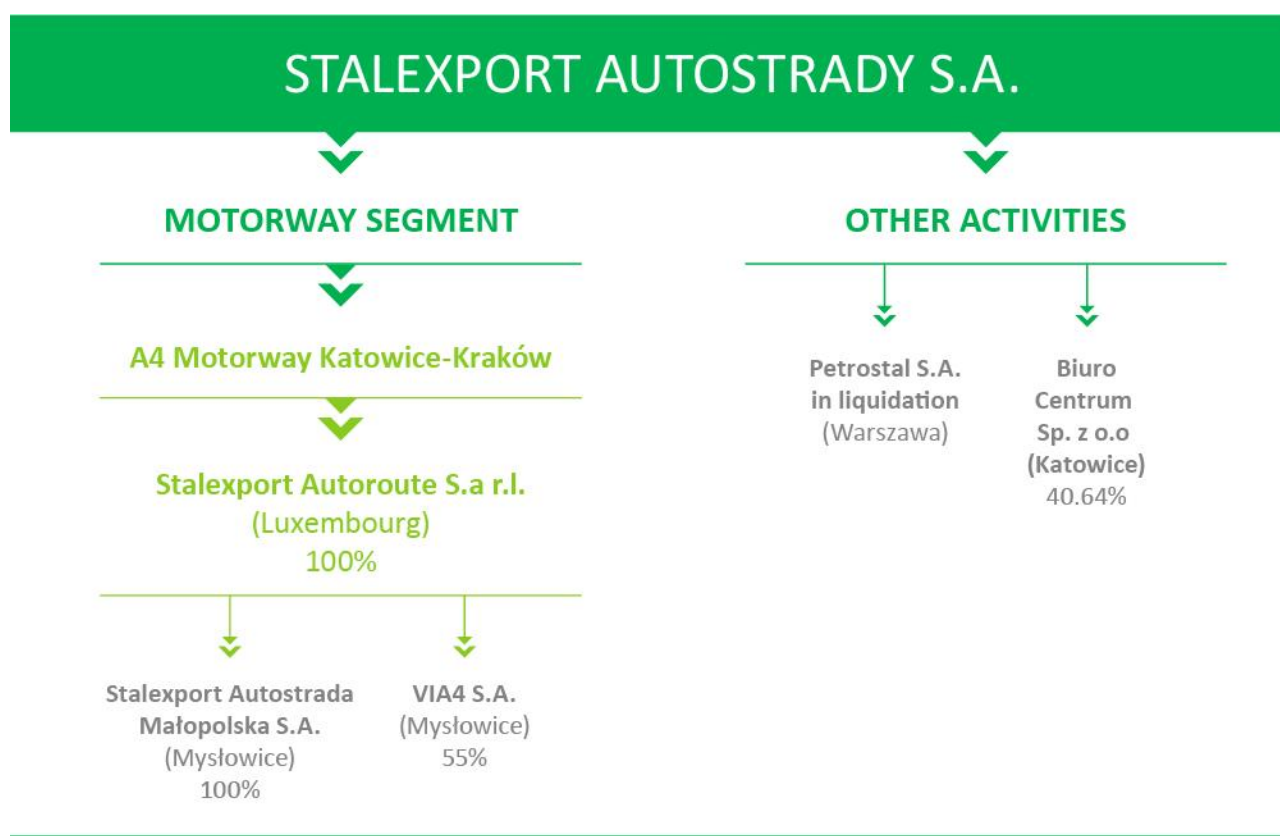
2.2. STALEXPORT AUTOSTRADY GROUP

At present, the operations of the Company and of the entities belonging to its Group focus primarily on activities related to motorways. They include operation and maintenance of the Katowice-Kraków section of the A4 motorway. The activities are conducted by SAM and VIA4 through the special purpose holding: Stalexport Autoroute.

Additionally, owing to the fact that Stalexport Autostrady Capital Group co-owns the office building in the centre of Katowice, it provides services related to 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 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 2018



Source: 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 the consolidation as at 31 December 2018, except for the parent entity, have been described in the following table.

TABLE 1 | ENTITIES BEING PART OF THE GROUP AS AT 31 DECEMBER 2018 (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 Autoroute S.à r.l.	Luxembourg	Management activity	Subsidiary	100%	2005	Full
Stalexport Autostrada Małopolska S.A.	Mysłowice	Motorway construction and operation	Subsidiary	100%*	1998	Full
VIA4 S.A.	Mysłowice	Motorway operation	Subsidiary	55%	1998	Full
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	-

*through Stalexport Autoroute S.à r.l.

**entity not covered by the 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 2018, for the purpose of comparison, we also included the results achieved by the companies in the corresponding period of the previous year, while as regards the balance sheet data, we presented the figures as at 31 December 2018 and as at 31 December 2017.

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

	Group		Stalexport Autostrady		SAM		VIA4	
balance sheet data	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17
Non-current assets	926,348	1,009,401	77,224	78,210	908,675	990,774	9,637	9,945
Current assets	394,556	428,945	276,989	341,278	109,636	81,677	13,525	13,649
Total shareholders' equity	809,908	698,173	349,460	416,327	503,093	336,833	10,227	10,431
Non-current liabilities	345,829	456,369	99	2,156	344,067	452,965	5,168	5,259
Current liabilities	165,167	283,804	4,654	1,005	171,151	282,653	7,767	7,904
Net debt***	-591,290	-441,214	-263,194	-324,225	-312,045	-107,723	7,801	7,490
performance data	2018	2017	2018	2017	2018	2017	2018	2017
Revenues from sales	336,529	318,831	3,702	3,660	332,377	314,776	47,575	44,374
Gross profit/loss from sales	284,331	248,324	-342	-358	262,925	227,200	20,334	20,050
EBITDA*	270,882	265,753	-4,013	-3,679	258,589	253,170	16,645	16,562
EBIT	242,701	216,409	-4,561	-4,262	232,658	205,914	14,943	15,057
Result on financial activities	-7,740	-18,196	9,545	77,748	-12,537	-23,320	-211	-193
Net result	186,428	158,780	4,432	73,208	175,128	146,125	11,760	11,996
EBIT margin*	72%	68%	-123%	-116%	70%	65%	31%	34%
ROE	23%	23%	1%	18%	35%	43%	115%	115%

*EBITDA = EBIT + depreciation and amortisation + provision for motorway resurfacing

**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

Source: The Company's own compilation

2.4. DESCRIPTION OF OTHER COMPANIES OF THE STALEXPORT AUTOSTRADY GROUP

2.4.1. STALEXPORT AUTOROUTE S.À R.L

412F, route d'Esch
L-1471 Luxembourg

Company registered under
the no. B 113660
in the Registre de Commerce
et des Sociétés de
Luxembourg

Share capital: EUR 56,149,500

Ownership structure:
100% – Stalexport Autostrady

Stalexport Autoroute was registered on 30 December 2005. Establishing this entity was one of the prerequisites for SAM to reach the financial close, namely to successfully conclude a long-term Project Loan Agreement with a consortium of banks. On the basis of the aforementioned Project Loan Agreement, the Group obtained a loan of up to PLN 380 million which was necessary to finance the investment programme for the A4 motorway on the Katowice–Kraków section.

The entity does not conduct any operational activities apart from holding shares in SAM as well as in VIA4 for the purpose of appropriate implementation of the securities package (pledge on shares) for the Project Loan Agreement.

2.4.2. STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A.

ul. Piaskowa 20
41-404 Mysłowice
tel. +(48) 32 762 75 55
fax +(48) 32 762 75 56

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
(through Stalexport Autoroute)

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 received 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.

In 2018, the company repaid its liabilities under the Loan Agreement in the amount of approx. PLN 40.9 million. The nominal balance of the liabilities resulting from the said agreement amounted to approx. PLN 77.7 million as at 31 December 2018.

Selected financial data of SAM have been presented in Table no. 2.

2.4.3. VIA4 S.A.

ul. Piaskowa 20
41-404 Mysłowice
tel. +(48) 32 762 73 50
fax +(48) 32 762 73 55

Management Board:

Henri Skiba – President of the
Management Board
Mieczysław Skołyżyński – 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
(through Stalexport Autoroute)
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 of 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 have been presented in Table no. 2.

2.4.4. BIURO CENTRUM SP. Z O.O.

ul. Mickiewicza 29
40-085 Katowice
tel. +(48) 32 207 22 08
fax +(48) 32 207 22 00

Management Board:
Ryszard Krzeszowiak
– President of the Management Board
Andrzej Kluba
– Vice-President of the Management Board

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

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

Ownership structure:
59.37% – WĘGŁOKOKS 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 Węgłokoks 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 2018 and comparative 2017 figures.

TABLE 3 | SELECTED ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME OF STALEXPORT AUTOSTRADY IN 2018 AND 2017 (SEPARATE FIGURES)

PLN '000	2018	2017*	Change 1%1
Revenues from sales	3,702	3,660	1%
Cost of sales	-4,044	-4,018	1%
Gross loss on sales	-342	-358	-4%
Other operating revenue	35	25	40%
General and administrative expenses	-4,224	-3,974	6%
Other operating expenses	-20	-6	233%
Reversal of loss/(Losses) on impairment of trade receivables and other receivables	-10	51	-120%
Loss on operating activities (EBIT)	-4,561	-4,262	7%
Financial revenue	9,549	77,833	-88%
Financial expenses	-4	-85	-95%
Balance on financial activities	9,545	77,748	-88%
Profit before tax	4,984	73,486	-93%

Income taxes	-552	-278	99%
Net profit	4,432	73,208	-94%

* Data converted in relation to the application of IFRS 9

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

The amount of net profit generated in 2018 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 2018, Stalexport Autostrady generated total revenue in relation to those operations in the amount of PLN 3,244 thousand versus PLN 3,184 thousand in the previous year.

Stalexport Autostrady is a co-owner of the office building in Katowice at ul. Mickiewicza 29. As such, the Company has at its sole disposal office space of 4,735 m² (and additionally 212 m² of conference rooms), of which 178 m² as at the end of 2018 was occupied by Stalexport Autostrady for its own needs (just like as at the end of 2017).

FIGURE 2 | STRUCTURE OF OFFICE SPACE UTILISATION 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.

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

Other revenue from sales amounting to PLN 458 thousand was generated by the Company from the provision of services for related entities, including mainly work related to IT services, and from the fee received from VIA4 in relation to the performance guarantee granted to this company. In 2018, this revenue decreased by PLN 18 thousand versus the previous year. The above-mentioned sources are the **permanent elements of operating revenue** of

Stalexport Autostrady and their value in the future periods should be similar to that reported in 2018.

3.1.1.2 AMOUNT AND STRUCTURE OF OPERATING EXPENSES

In 2018, the value of expenses incurred by Stalexport Autostrady – including the cost of sales as well as general and administrative expenses – increased by 3.5%.

FIGURE 3 | STRUCTURE OF COSTS BY TYPE OF THE COMPANY'S OPERATING ACTIVITIES



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

The largest item in the structure of costs by type of Stalexport Autostrady consists of employee benefits, including remuneration. In 2018, those costs increased versus 2017 (by approx. 2.7%).

The second largest item of costs by type incurred by the Company was represented by costs of outsourced services (including, but not limited to property administration, repair, maintenance and cleaning services, property security, rental and lease and consultancy services), whose value in 2018 also increased vs. 2017 (by over 7.1%).

In 2018, consumption of materials and energy decreased by approx. 2.1% compared to the previous year. Depreciation in 2018 was slightly lower compared to 2017, while taxes and fees were slightly higher. Other costs by type decreased by 10.5%.

In 2018, other operating expenses amounted to PLN 20 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 2018 comprised the following:

- dividend received from subsidiaries (PLN 4,574 thousand);
- interest related to investments consisting in depositing financial resources with banks (PLN 4,754 thousand);
- interest related to finance lease (PLN 221 thousand).

In 2018, total financial revenue amounted to PLN 9,549 thousand and was PLN 68,284 thousand lower than in the previous year, mainly as a result of lower dividend from the subsidiary Stalexport Autoroute.

The amount of financial expenses in 2018, on the other hand, was influenced by the surplus of foreign exchange losses of PLN 4 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 STALEXPORT AUTOSTRADY'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017 – SEPARATE FIGURES

in PLN'000	Dynamics			Structure	
	31/12/2018	31/12/2017	2018/2017	31/12/2018	31/12/2017
Non-current assets	77,224	78,210	-1%	22%	19%
Current assets	276,989	341,278	-19%	78%	81%
Total shareholders' equity	349,460	416,327	-16%	99%	99%
Non-current liabilities	99	2,156	-95%	0%	1%
Current liabilities	4,654	1,005	363%	1%	0%
Balance sheet total	354,213	419,488	-16%	100%	100%

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 running the motorway business, i.e. Stalexport Autoroute (PLN 67,086 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 and of finance lease receivables, respectively by PLN 638 thousand and by PLN 502 thousand (in 2017: decrease by PLN 263 thousand and increase by PLN 103 thousand, respectively). In the period discussed, the value of investment property also decreased by PLN 105 thousand. On the other hand, the amount of non-current assets was also influenced by an increase in tangible fixed assets by PLN 185 thousand and in other long-term investments by PLN 73 thousand (in 2017: decrease by PLN 50 thousand and increase by PLN 1 thousand, respectively).

The amount of **current assets** is determined by the amount of cash and cash equivalents that may be used to implement future motorway projects.. The value of this item decreased from PLN 327,386 thousand in 2017 to PLN 267,946 thousand in 2018, mainly as a result of dividend paid. Stalexport Autostrady invested the said funds in the money market in the form of short-term bank deposits.

Other significant items of Stalexport Autostrady's current assets include the shares held for sale in the amount of PLN 1,823 thousand, short-term lease finance receivables in the amount of PLN 1,636 thousand, as well as trade receivables and other receivables in the amount of PLN 5,584 thousand.

3.1.2.2. LIABILITIES

In 2018, retained earnings decreased within the equity structure, amounting to PLN 4,459 thousand as at the end of the year (decrease by PLN 68,776 thousand versus 2017). The above is a consequence of the payment of dividend for the Company's shareholders from the net profit for 2017 in the amount of PLN 71,706 and of the transfer of the remaining part of the net profit to other reserve capital (PLN 1,502 thousand). At the same time, the Company generated a net profit in the reporting period of PLN 4,432 thousand.

As at 31 December 2018, the Company's total payables amounted to PLN 4,753 thousand and increased by PLN 1,592 thousand versus 31 December 2017, which was caused by an increase in payables related to other employee benefits by PLN 1,049 thousand and by an increase in trade payables and other payables by PLN 543 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 2018 along with comparative data for the previous year.

TABLE 5 | SELECTED ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME OF THE STALEXPORT AUTOSTRADY GROUP IN 2018 AND 2017 – CONSOLIDATED

PLN '000	2018	2017*	Change [%]
Revenues from sales	336,529	318,831	6%
Cost of sales	-52,198	-70,507	-26%

Gross profit on sales	284,331	248,324	15%
Other operating revenues	10,396	5,926	75%
General and administrative expenses	-48,687	-35,845	36%
Other operating expenses	-3,282	-2,407	60%
Reversal of losses/(Losses) on impairment of trade receivables and other receivables	-57	51	-212%
Profit on operating activities (EBIT)	242,701	216,409	12%
Financial revenues	13,661	12,985	5%
Financial expenses	-21,401	-31,181	-31%
Balance on financial activities	-7,740	-18,196	-57%
Share in profit of affiliates	207	179	16%
Profit before tax	235,168	198,392	19%
Income tax	-48,740	-39,612	23%
Net profit	186,428	158,780	17%

* Data converted in relation to the application of IFRS 9

Source: The Company's own compilation

In 2018, the Group obtained revenues from sales higher by 6% versus the previous year, mainly as a result of the increase in traffic on the toll section of the A4 motorway Katowice–Kraków.

The gross profit on sales increased by 15% versus the previous year. The gross profit dynamics was fundamentally driven by the increase in the revenue from sales and by the decrease in the cost of sales (mainly as a result of the change in the cost of the provisions established for motorway resurfacing by PLN 25,647 thousand).

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 Katowice–Kraków toll section of the A4 motorway. The above-mentioned activity is carried out by SAM's subsidiary under the Concession Agreement it signed, which will remain 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 rate of economic development, measured by the gross domestic product level (GDP).



In 2018, the Average Daily Traffic (ADT) on the concession section of the A4 motorway Katowice–Kraków amounted to 45,298 vehicles and was 5.2% higher than the traffic level recorded in 2017 (43,062 vehicles). In 2018, toll revenue amounted to PLN 332,377 thousand, i.e. it was higher by 5.6% versus 2017 (PLN 314,776 thousand).

As far as passenger cars are concerned, the Average Daily Traffic increased from 36,101 thousand vehicles in 2017 to 38,067 vehicles in 2018 (a 5.4% increase). Toll revenue from passenger cars amounted to PLN 222,051 thousand in 2018, i.e. it increased by 5.2% versus 2017 (PLN 211,027 thousand).

As far as lorries are concerned, the Average Daily Traffic increased by approximately 3.9%, i.e. from 6,961 vehicles in 2017 to 7,231 vehicles in 2018. Toll revenue from heavy goods vehicles in 2018 amounted to PLN 110,327 thousand, i.e. it increased by 6.3% compared to 2017 (PLN 103,749 thousand). The difference between the growth dynamics of toll revenue and the growth dynamics of the Average Daily Traffic of heavy goods vehicles is due to (i) the change of the toll rates starting from 1 March 2017 (from PLN 16.50 to PLN 18.00, and from PLN 26.50 to PLN 30.00), and (ii) from the differences in the vehicle category structure (different toll rates are applied depending on the category).



The tables below show the Average Daily Traffic (ADT) and the toll revenue in 2018 versus 2017, with the dynamics.

TABLE 6 | AVERAGE DAILY TRAFFIC (ADT)

ADT	2018	2017	Change
Passenger cars 	38,067	36,101	5.4%
Heavy goods vehicles 	7,231	6,961	3.9%
Total	45,298	43,062	5.2%

Source: The Company's own compilation

TABLE 7 | TOLL REVENUE

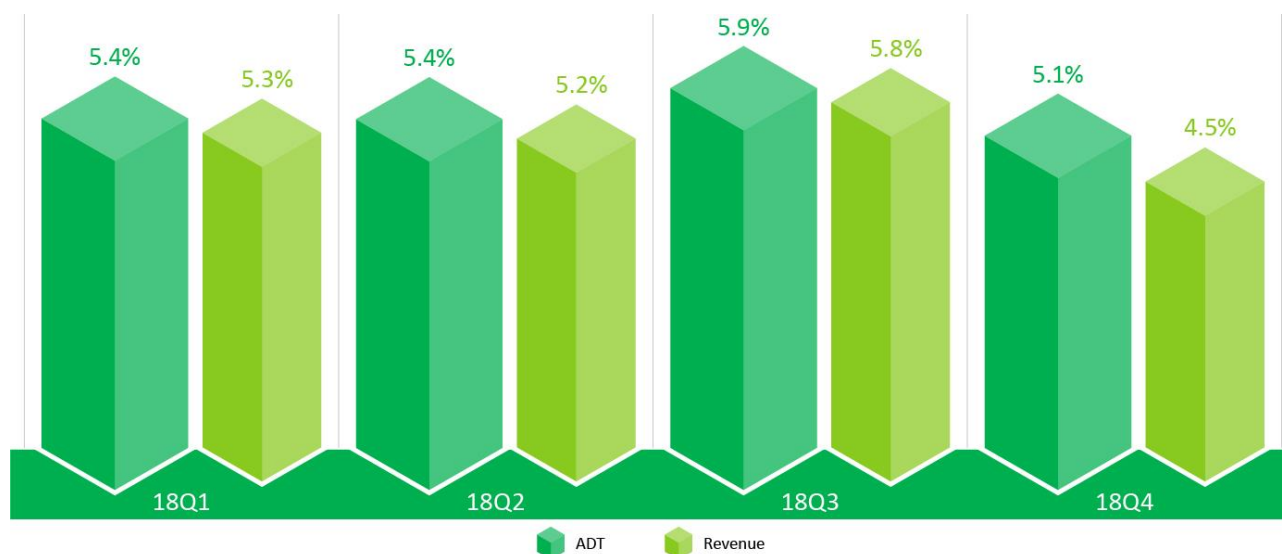
[PLN '000]	2018	2017*	Change
Passenger cars 	222,051	211,027	5.2%
Heavy goods vehicles 	110,327	103,749	6.3%
Total	332,377	314,776	5.6%

*excluding revenue from unused subscriptions

Source: The Company's own compilation

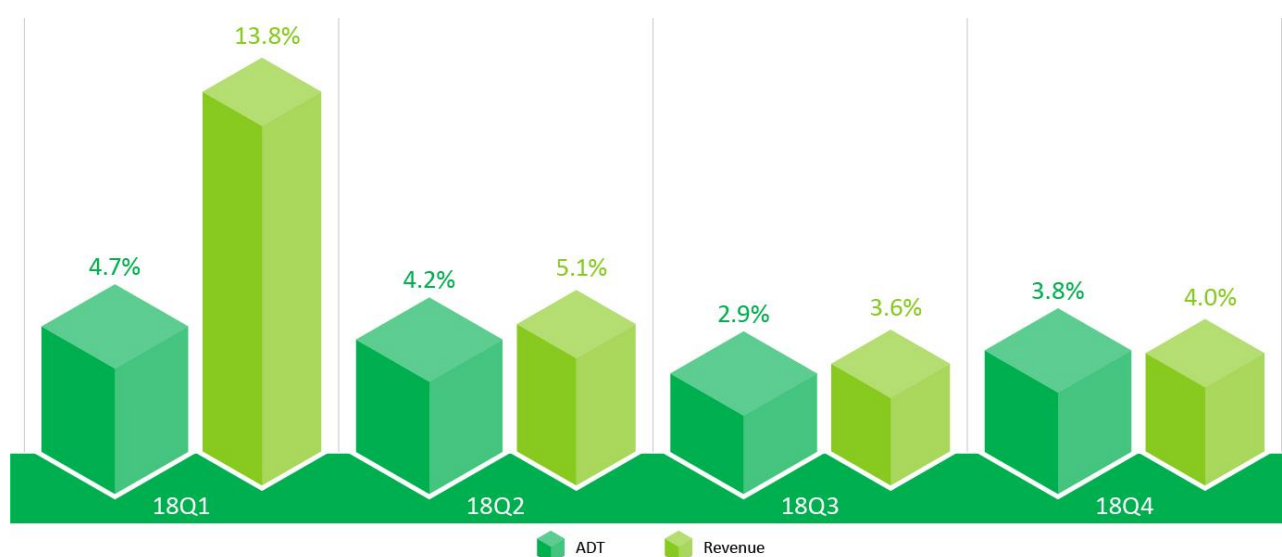
The following figures show the dynamics of Average Daily Traffic (ADT) and of toll revenue (excluding revenue from unused subscriptions) in 2018 versus 2017 on a quarterly basis, separately for passenger cars and heavy goods vehicles.

FIGURE 4 | DYNAMICS OF ADT AND OF TOLL REVENUE FOR PASSENGER CARS IN 2018 VERSUS 2017 (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 2018 VERSUS 2017 (QUARTER ON QUARTER OF THE PREVIOUS YEAR)



Source: The Company's own compilation

As it has already been mentioned, with regard to heavy goods vehicles, the higher revenue dynamics compared to the ADT dynamics was mainly a consequence of the change of the toll rate starting from 1 March 2017.

Additionally to the toll revenue described above for the comparative period (2017), other revenue was generated from unused motorway subscription coupons valid until 31 December 2017, in the amount of PLN 148 thousand (in 2017, all unused subscriptions became invalid, and new ones were not sold).

Apart from toll collection, the Group also obtained revenue from sales related to motorway operation in the amount of PLN 902 thousand, including PLN 822 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 3,250 thousand was related to the lease of space in the office building in Katowice, at ul. Mickiewicza 29, and to the provision of IT services. Compared to 2017, the amount of revenue unrelated to motorway activities increased slightly.

Moreover, in 2018 the Group recorded other operating revenue in the amount of PLN 10,396 thousand, including revenue from rest and service area lease (PLN 6,756 thousand), refund of overpaid property tax for the previous years (PLN 3,005 thousand), compensation obtained, contractual penalties, reimbursement of fees and court proceeding costs (PLN 293 thousand), profit from disposal of tangible and intangible fixed assets (PLN 47 thousand), interest on receivables (PLN 19 thousand), and other revenue (PLN 276 thousand).

3.2.1.2. AMOUNT AND STRUCTURE OF OPERATING EXPENSES

In 2018, the operating expenses of the Stalexport Autostrady Group amounted to PLN 104,167 thousand and were lower by 3.9% than in the previous year (PLN 108,399 thousand).

In 2018, the costs of operating activities consisted of the following:

- cost of sales in the amount of PLN 52,198 thousand. The value of this group of costs was approximately 26% lower than in the previous year (PLN 70,507 thousand), mainly due to the change of the cost of establishing provisions for motorway resurfacing (PLN 25,647 thousand);
- general and administrative expenses in the amount of PLN 48,687 thousand, 35.8% higher than last year (PLN 35,845 thousand), mainly as a result of the costs related to "Payments to the State Treasury" incurred for the first time in 2018 (PLN 5,912 thousand net), more information about which can be found in note 4 to the consolidated financial statements of the Group, and of the increase in taxes and in the fee (PLN 3,001 thousand) and in employee benefits (PLN 2,781 thousand);
- other operating expenses in the amount of PLN 3,282 thousand, influenced mainly by the adjustment of the revenues from the lease of rest and service areas for previous years as a result of a refund of property tax obtained (PLN 3,005 thousand).

3.2.1.3. FINANCIAL OPERATIONS

In 2018, the Group generated a negative balance on financial activities in the amount of PLN 7,740 thousand, i.e. the financial revenue generated (PLN 13,661 thousand) was lower than the financial expenses incurred (PLN 21,401 thousand).

The financial revenue was mainly influenced by the interest on bank deposit accounts in the amount of PLN 13,432 thousand.

The financial expenses were mainly influenced by the discounting of liabilities and provisions in the total amount of PLN 12,257 thousand, of which: (i) PLN 4,560 thousand pertained to the liability towards the State Treasury on account of the concession payment; (ii) PLN 6,704 thousand pertained to the provision for Phase II investment works on the A4 motorway; and (iii) PLN 993 thousand pertained to the provision for motorway resurfacing. At this point, it is worth mentioning that in line with the International Accounting Standards as well as the International Financial Reporting Standards, the payables and 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.

Significant items of other financial expenses included the following: interest and commission on the loan (PLN 5,297 thousand) and loss on transactions concluded by SAM to hedge against variations of the interest rate (PLN 3,017 thousand).

The negative balance on financial activities recorded in 2018 (PLN 7,740 thousand) was at a lower level compared to the balance recorded in the previous year (PLN 18,196 thousand). This was caused mainly by the decrease in financial expenses as a result of the gradual repayment of the loan liabilities.

3.2.2. ASSETS AND FINANCIAL POSITION

The following table includes a synthetic statement of financial position of the Group and its structure as at 31 December 2018. For the sake of comparison, the figures reflecting particular items and their structure as at the end of 2017 have also been included.

TABLE 8 | SYNTHETIC REPORT ON STALEXPORT AUTOSTRADY'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017 – CONSOLIDATED FIGURES

in PLN'000	Dynamics			Structure	
	31/12/2018	31/12/2017	2018/2017	31/12/2018	31/12/2017
Non-current assets	926,348	1,009,401	-8%	70%	70%
Current assets	394,556	428,945	-8%	30%	30%
Shareholders' equity	809,908	698,173	16%	61%	49%
Non-current liabilities	345,829	456,369	-24%	26%	32%
Current liabilities	165,167	283,804	-42%	13%	20%
Balance sheet total	1,320,904	1,438,346	-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 2018 to PLN 441,154 thousand, and consisting virtually entirely of concession intangible assets. Their value decreased by PLN 22,701 versus the end of 2017. This decrease resulted mainly from (i) amortisation of concession intangible assets (PLN 44,442 thousand), (ii) an increase in concession intangible assets as a result of revaluation (PLN 21,513 thousand), and (iii) acquisition (PLN 228 thousand).

In 2018, the value of non-current investments decreased to the amount of PLN 419,343 thousand versus PLN 434,147 thousand in 2017. This resulted from a decrease, by PLN 14,877 thousand, in the value of cash accumulated by SAM in deposit/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 scheme being implemented).

Tangible fixed assets (PLN 33,663 thousand) and deferred income tax assets (PLN 27,353 thousand) constituted another significant element 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 value of **current assets** decreased as at the end of 2018 by PLN 34,389 thousand versus the end of 2017. The most significant item was cash (PLN 333,741 thousand) whose value decreased by PLN 63,159 thousand. Another significant current asset included trade receivables and other receivables (PLN 37,360 thousand), which increased by PLN 11,908 thousand. On top of that, income tax receivables (PLN 18,908 thousand) increased versus 2017 by PLN 16,348 thousand, just like the value of current investments in the amount of PLN 1,823 thousand (versus PLN 1,403 thousand in 2017).

3.2.2.2. LIABILITIES

As at 31 December 2018, the Group's total **payables and provisions** amounted to PLN 510,996 thousand, of which 68% were non-current items. The main items of payables and provisions included the following:

- provisions of PLN 346,183 thousand for capital expenditures within Phase II of the investments being implemented on the managed section of the A4 motorway;
- bank loan in the amount of PLN 77,405 thousand (taking into account interest accrued and prepaid costs of financing) intended for the financing of the investments being implemented on the managed section of the A4 motorway;
- provision of PLN 30,074 thousand established for the planned motorway resurfacing;
- payable of PLN 27,120 thousand related to trade and other payables;
- payable of PLN 6,987 thousand related to employee benefits;
- prepayment of PLN 6,795 thousand related to lease of rest and service areas and land for fibre optic cables (concerns the Katowice–Kraków section of the A4 motorway);
- PLN 6,102 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 5,315 thousand: other non-current payables towards related parties;
- PLN 3,749 thousand: payable related to derivative instruments used as hedging;
- PLN 1,003 thousand: other non-current payables towards other parties;
- PLN 204 thousand: income tax payables.

3.2.2.3. THE COMPANY'S AND THE GROUP'S MAIN DOMESTIC INVESTMENTS, 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 expenditure incurred by the Group in 2018 amounted to PLN 31,078 thousand and included mainly construction works carried out on the Katowice–Kraków section of the A4 motorway managed by the Group. The said expenditures were connected mainly to contracts being implemented related to the renovation of the M48 bridge, alteration of A4 motorway drainage on the Silesian voivodeship section, construction of noise barrier walls and replacement of toll collection equipment. 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.

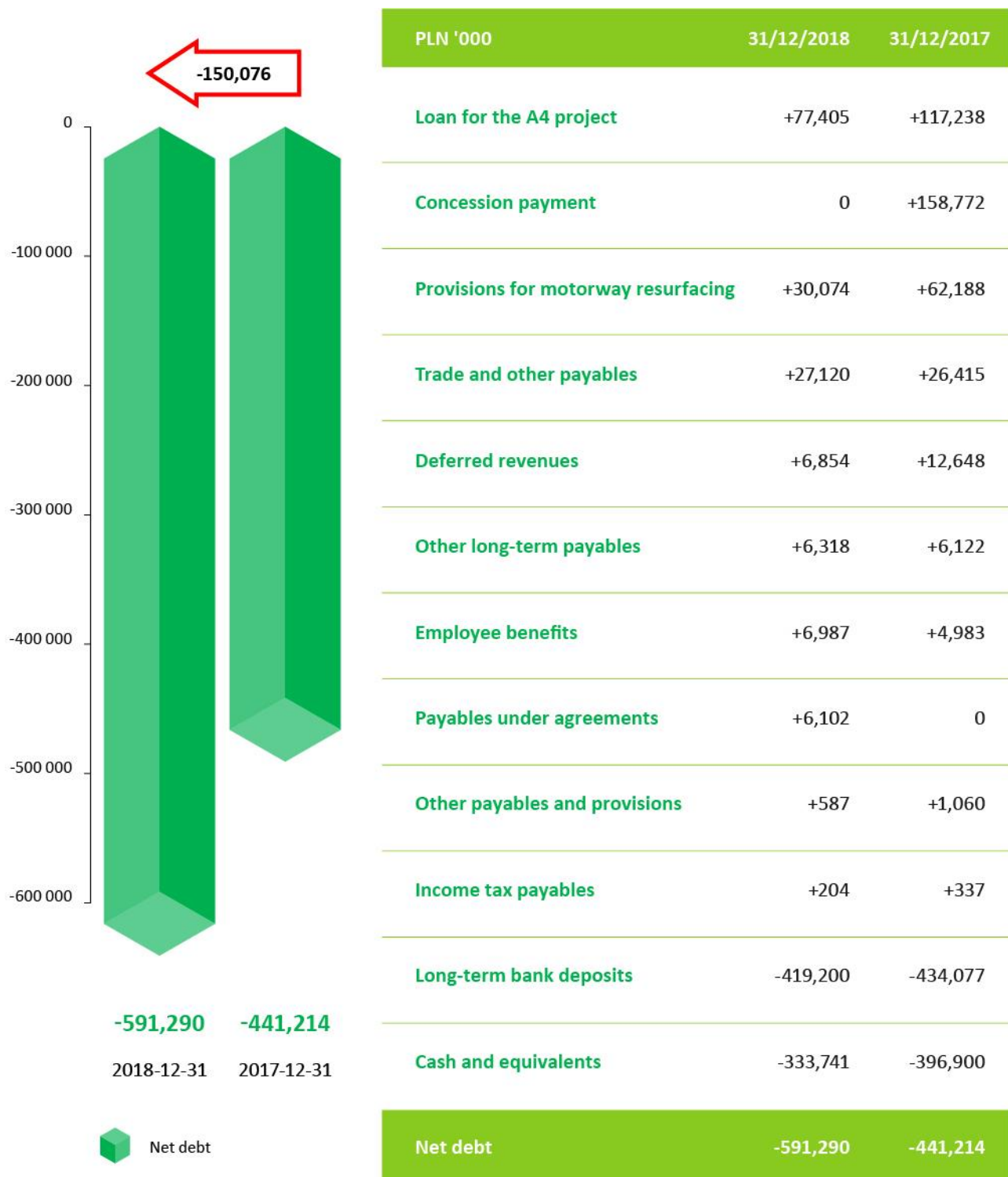
All the above-mentioned investment activities of the Group were allowed for in the capital expenditure budget for 2018 and had been approved earlier by the Supervisory Board of Stalexport Autostrady. At this point, it is worth mentioning that financing of the investment tasks resulting from the Concession Agreement concluded by SAM has been secured with own funds generated from the operation of the A4 motorway (toll) and additionally with the Project Loan Agreement entered into in December 2005 with the Financing Banks. The said Agreement secured external financing up to the amount of PLN 380,000 thousand. As at the end of 2018, the nominal value of the related bank loan amounted to PLN 77.7 thousand (while taking into account the accrued interest and the prepaid financing costs, the loan value is PLN 77.4 thousand). The value of the Group's liabilities in this respect will decrease in future periods along with the repayment schedule until 2020.

3.2.2.4. NET DEBT

Excluding from the liabilities the provisions for Phase II construction works and the payable related to derivative instruments used as hedging (including deferred tax), the Group's net debt decreased in 2018 by PLN 150,076 thousand versus the balance as at the end of 2017. The net debt of the Group is primarily influenced on the one hand by the bank loan granted by the Financing Banks for the implementation of the A4 Katowice–Kraków project and by the concession payments (liability towards the National Road Fund), and on the other hand by cash in current and non-current deposits.

The detailed method of calculation of this ratio and its value in the years 2017–2018 are presented below.

FIGURE 6 | NET DEBT OF THE GROUP (CONSOLIDATED DATA) – BALANCE AS AT 31 DECEMBER 2017 AND AS AT 31 DECEMBER 2018



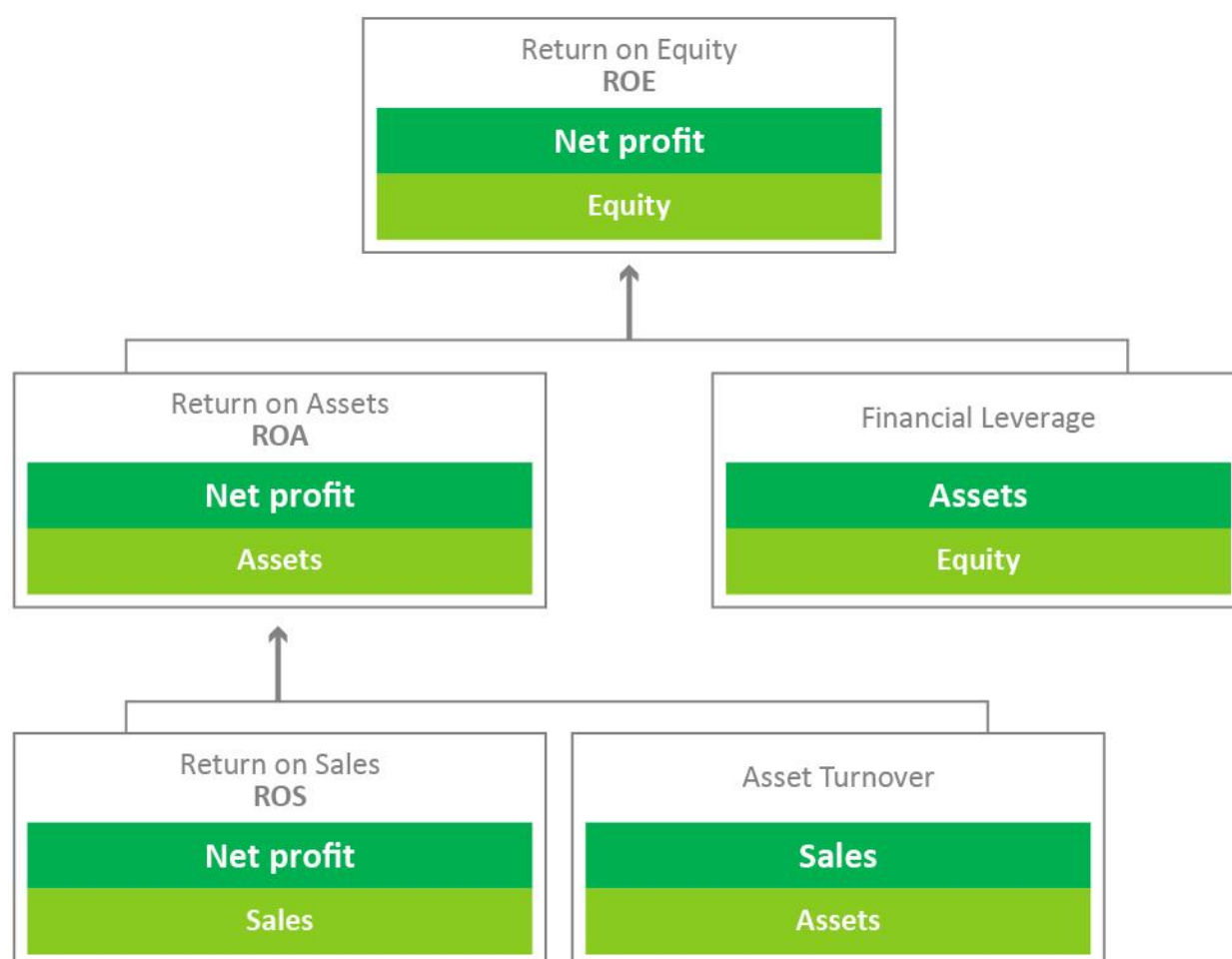
Source: The Company's own compilation

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 2016-2018

Ratio	2018	2017	2016
Return on equity (ROE)	23%	22.7%	28.2%
Return on assets (ROA)	14.1%	11%	11.4%
Return on net sales (ROS)	55.4%	49.8%	56.4%
Asset Turnover	0.25	0.22	0.2
Financial Leverage	1.63	2.06	2.47

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 case of the Group, ROE is significantly influenced affected by ROS which amounted to 55.4% in the analysed period. 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 case of the Group, the Financial Leverage ratio decreased from 2.47 at the end of 2016 to 2.06 at the end of 2017, and currently it amounts to 1.63. The decrease of the ratio in 2018 was a combined effect of repayment of liabilities and of the net profit generated in the current period.

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 business activity pursued makes it possible to generate a relatively high margin (making appropriate loan service possible), which has been confirmed by sales margin ratios of over 50% (84.5% in 2018) as well as EBIT of over 40% (72.1% in 2018).

TABLE 10 | PROFITABILITY OF THE STALEXPORT AUTOSTRADY GROUP IN THE YEARS 2016–2018 ON THE INDIVIDUAL LEVELS OF ITS ACTIVITY

Ratio	2018	2017	2016
Sales margin	84.5%	77.9%	86%
EBITDA margin	80.5%	83.4%	83.8%
EBIT margin	72.1%	67.9%	76.1%

Sales margin = gross profit on sales / sales revenue

EBITDA margin = (profit/loss on operating activities excluding depreciation and amortisation and the resurfacing provision) /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 assets.

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 2016–2018

Ratio	2018	2017	2016
Asset Turnover	0.25	0.22	0.2
Working Capital Turnover	1.47	2.2	1.4
Receivables Turnover	9.01	12.53	17.95
Liabilities Turnover	0.66	0.43	0.34

Asset turnover ratio = sales revenue / total assets

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

Accounts receivable efficiency ratio = sales revenue / short-term receivables

Accounts payable efficiency ratio = sales revenue / liabilities

Source: The Company's own compilation

In the period discussed here, the turnover ratios for assets and liabilities increased compared to the years 2016–2017. In the same period, the receivables turnover ratio decreased. The decrease in the working capital turnover ratio results from the increase in revenue and from the decrease in the value of current payables in 2018.

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 may 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 2016–2018

Ratio	2018	2017	2016
Current liquidity	2.39	1.51	2.19
Quick liquidity	2.26	1.49	2.17
Asset debt ratio	0.39	0.51	0.59
Equity debt	0.63	1.06	1.47
Long-term debt	0.43	0.65	1.16

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 calculation the ratios described above, the values of receivables, assets and liabilities as at the end of each year were used.

Source: The Company's own compilation

The liquidity ratios increased in the period discussed here compared to the previous year as a result of a decrease of current liabilities, and were much higher than one, i.e. the level generally recognised as safe. 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. The debt ratios decreased, on the other hand, which resulted from the repayment of bank loan liabilities.

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, and 12 July 2017.

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 135 billion. This amount is allocated to the implementation of investment tasks consisting in the construction of motorways, expressways and ring roads around 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 updates to the Programme in 2017, 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 road infrastructure in the classic PPP system.

If any new invitation to public tender being of interest to Stalexport Autostrady is issued, it will be analysed by the Company and if it is positively verified and meets the strategic objectives of the Group, the Company will decide to participate in such a tender.

The Company does not exclude the option of equity investment in some of the existing concession projects in Poland if another participant of the projects is ready to quit the project or if one of the consortiums looks for additional partners with regard to capital support.

Moreover, bearing in mind the increasing level of public debt as well as the current budget deficit, one should not overlook the possibility of infrastructure privatisation in the longer-term perspective, also with regard to motorways currently under the management of the public party. This issue, however, is currently not a subject of public debate.

PART 5

OTHER INFORMATION ON THE COMPANY AND ON THE STALEXPORT AUTOSTRADY GROUP

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

On 21 November 2018, SAM issued a letter of approval for the consortium of the companies Pavimental S.p.A. and Pavimental Polska Sp. z o.o. (hereinafter referred to as the Contractor).

The issuing of the said letter of approval meant that SAM had accepted the tender submitted by the Contractor in the procedure related to the implementation of the fixed price lump-sum contract ROM09-54 "Renovation of the M09L and M09P bridge structures and replacement of the expansion devices on the M54P structure" (hereinafter referred to as the ROM09-54 Contract).

The net value of the ROM09-54 Contract is PLN 8,693,854.59 (hereinafter: the Approved Net Contractual Amount).

On the same day, SAM and the Contractor signed an agreement related to the performance of the ROM09-54 Contract, whose provisions are consistent with the form presented in the tender procedure documents.

The General Conditions for the implementation of the ROM09-54 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 4 February 2019, SAM issued a letter of approval for Pavimental Polska Sp. z o.o. (hereinafter referred to as the Contractor). The issuing of the said letter of approval meant that SAM had accepted the tender submitted by Pavimental Polska Sp. z o.o. in the procedure related to the implementation of fixed price lump-sum contract no. HM-4-2019 "2019–2020 Resurfacing" (hereinafter referred to as the HM-4-2019 Contract).

The net value of the HM-4-2019 Contract is PLN 49,689,014.68 (hereinafter: the Approved Net Contractual Amount).

As part of the HM-4-2019 Contract, a total of 42.4 km of the A4 motorway surface on the Katowice–Kraków will be renovated.

On the same day, SAM and the Contractor signed an agreement related to the performance of the HM-4-2019 Contract, whose provisions are consistent with the form presented in the tender procedure documents.

The General Conditions for the HM-4-2019 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 THE ORGANISATIONAL OR CAPITAL RELATIONS OF THE COMPANY AND OF ITS GROUP WITH OTHER ENTITIES

No such changes occurred in the reporting period and until the date of preparation of the Report.

5.3. INFORMATION ON TRANSACTIONS CONCLUDED BY THE COMPANY OR BY ITS SUBSIDIARY WITH RELATED PARTIES 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 its scope includes clearly 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 2018, the value of the transactions between SAM and VIA4 under the above-mentioned Agreement amounted to PLN 46,526 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 28 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 investment expenses 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 the said expenses in 2018 attributable to the Company was PLN 3,520 thousand.

- **Contract between SAM and the company Autostrade -Tech S.p.A.** (this entity belongs to the Atlantia Group which holds 100% of the shares of Autostrade -Tech S.p.A.) for the **Replacement of Toll Collection Equipment (RTCE)**.

The contractor for this contract was selected on the basis of the established tendering procedures. On 31 May 2012, SAM sent invitations to tender to the selected companies. The following two companies submitted their tenders within the deadline (i.e. by 10 July 2012): (i) Autostrade - Tech S.p.A. and (ii) Egis Project S.A. As a result of the tender committee works with the participation of the Independent Engineer, the tender of Autostrade Tech S.p.A. obtained the highest score. The contract with that company was entered into on 14 September 2012 upon prior approval of the Financing Banks. The contract envisages replacement of the toll collection equipment at the Balice and Brzęczkowice toll plazas as well as equipping with toll collection equipment four new lanes at each toll plaza, built additionally under separate contracts. The contract is being carried out on a Design-Build basis.

All investment works related to the contract were completed and settled before the end of 2017. The support and maintenance period was in progress in the year 2018. The total net value of the works settled on account of the said contract was PLN 37,850 thousand, of which the amount of PLN 1,060 thousand in 2018.

In the opinion of the Company's Management Board, the above-mentioned agreement was entered into on market terms and its conditions do not differ from the terms which might have been obtained if it had been signed with 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 said 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 Sp. z o.o.) **for resurfacing on motorway sections of a total length of 59.88 km.**

The contractor in this case was selected on the basis of a tendering procedure. The following three entities submitted their tenders within the deadline: (i) the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. (ii) Drogomex Sp. z o.o. and (iii) Eurovia Polska S.A. As a result of the tender committee works with the participation of the Independent Engineer, the tender submitted by the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. obtained the highest score. The contract was entered into for the amount of PLN 40,227 thousand on 5 February 2016, and the time set for completion of the works envisaged by the contract was 620 days from the initial date, i.e. 19 February 2016.

After the mobilisation period, performance of the basic works started on 4 May 2016. In total, 9 variation orders were issued until the end of 2018, as a result of which the scope of the works was increased, and some of them were postponed to be performed in 2018, while the total value of the contract amounts to PLN 45,596 thousand. The total net value of works invoiced by the consortium on account of that contract amounts to PLN 43,540 thousand (i.e. 93.44% of the current contract value), of which the amount of PLN 8,425 thousand in 2018.

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

- **Contract between SAM and the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o.** (the said 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 Sp. z o.o.) **for the alteration of the A4 motorway drainage on the Silesian voivodeship section – part II.**

The contractor for this contract was selected on the basis of a tendering procedure, the conditions of which were agreed with the GDDKiA (pursuant to the provisions of the Concession Agreement, the Concessionaire selects each contractor by means of a tender and the GDDKiA has a right to verify the tendering criteria and conditions before announcing each of the tender procedures) and with the Financing Banks. The tender dossier was provided to the potential tenderers after the tender was announced. Only one tender was received within the deadline, submitted by the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. Having opened and having verified the tender, the tender committee found it to be valid and complete. The contract related to the alteration of the drainage system for 8 catchment areas in the Silesian voivodeship was entered into for the amount of PLN 23,420 thousand on 1 April 2016, and the time set for completion of the works envisaged by the contract was 580 days from the initial date, i.e. 4 May 2016. The construction works started in 2016 after the mobilisation period. Until the end of 2018, 14 variation orders were issued, expanding the construction works for instance by adding an extra catchment area, 4s. Taking into account the above variation orders, the value of the contract increased to PLN 29,832 thousand. The total net value of the works invoiced by the consortium amounts to PLN 28,054 thousand (i.e. 94.04% of the current contract value), of which PLN 5,537 thousand in 2018.

Taking into consideration the procedure for the selection of the entity to execute 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.** (entity belonging to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental 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 works 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 within 860 days from the initial date, i.e. 18 July 2017.

The construction works started after the mobilisation period. In 2018, variation order no. 1 was issued in relation to the replacement of the bridge expansion joint, increasing the total contractual value to PLN 21,552 thousand. The total net value of works invoiced by the contractor on account of this contract amounts to PLN 11,429 thousand (i.e. 53.03% of the contract value), of which PLN 9,322 thousand invoiced in 2018.

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

- **Toll collection system repair & maintenance services** performed by **Autostrade - Tech S.p.A.** (this entity belongs to the Atlantia Group which holds 100% of the shares of Autostrade-Tech S.p.A.) for **SAM** and **VIA4**.

As part of the gradual phasing out of the period of support and maintenance in 2018 within the framework of the RTCE contract, the repair & maintenance services for the toll collection system were performed on the basis of separate agreements. The total value of works invoiced by the service provider in 2018 was PLN 2,579 thousand.

In the opinion of the Company's Management Board, the 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 Pavimental Polska Sp. z o.o.** (entity belonging to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Sp. z o.o.) **for the performance of a comprehensive upgrade of the linear drainage system in the axis of the "Brzęczkowice" toll plaza.**

The contractor in this case was selected on the basis of a tendering procedure. The contract was entered into for the amount of PLN 1,675 thousand on 7 August 2018. The contract was completed in its entirety in 2018, and the total net value of the works invoiced by the contractor amounted to PLN 1,675 thousand (i.e. 100% of the contractual value).

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

- **Contract between SAM and the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o.** (said entities belonging to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Sp. z o.o.) **for the renovation of the M09L and M09P bridge structures and replacement of the 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. No works had been invoiced as at the end of 2018.

Taking into consideration the procedure for the selection of the entity to execute 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 2018, the Company, just like the other entities from the Capital Group, did not incur any new loans or credit. No credit or loan agreement was terminated in that period.

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

In 2018, 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 2018, the Company did not grant nor receive any sureties or guarantees. As at the end of 2018, the Company has a contingent liability under the performance guarantee towards VIA4 in the amount of PLN 23,668 thousand. The Company has been receiving remuneration on account of this.

In 2018, SAM obtained a performance guarantee related to construction works and guarantees securing the 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 2018, the Company, similarly to other entities of 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 Capital Group published any financial result forecasts for 2018.

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 deposited in the form of short-term bank deposits generating additional financial revenue.

The bank loan taken out by SAM will be repaid, in accordance with the financial model, using the revenues from toll collection on the concession section of the A4 motorway. These revenues also made it possible, in November 2018, to repay in its entirety the "Concession Payments" related to the repayment of subordinated debt to the National Road Fund. More information concerning this is included in note 4 to the Group's consolidated financial statements.

5.10. INVESTMENT PLANS FEASIBILITY ASSESSMENT

The amount of the funds held (including funds from the bank loan) 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 37 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 A DESCRIPTION OF THE DEGREE OF IMPACT OF THESE FACTORS OR EXTRAORDINARY EVENTS ON THE ACHIEVED RESULT

In the reporting period, no extraordinary events occurred influencing the result of the Group's business activity.

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

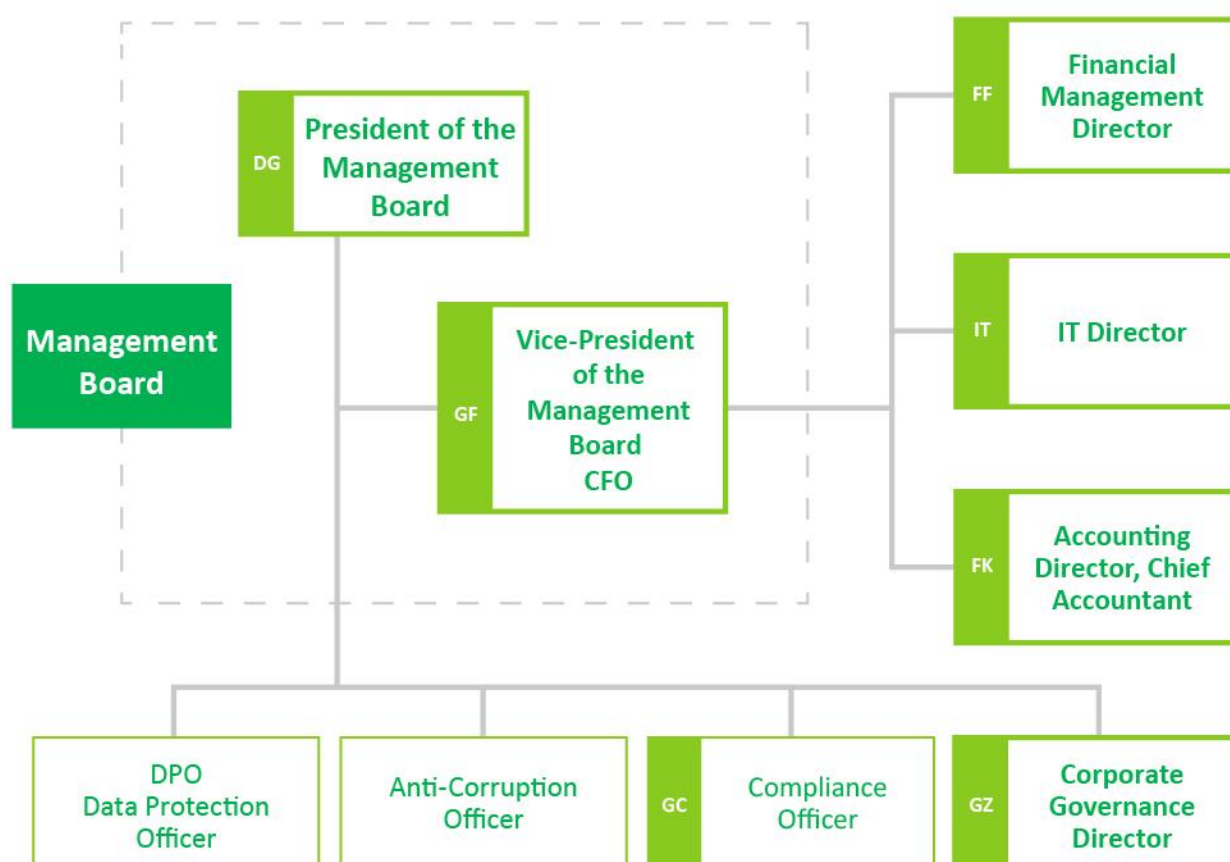
After meeting the conditions set forth in the Concession Agreement, SAM paid in November 2018 the first amount of PLN 7,272 thousand (gross) on account of "Payments to the State Treasury" representing the State Treasury's share in the profits from the undertaking implemented on the concession section of the A4 motorway. More information concerning this is included in note 4 to the Group's consolidated financial statements.

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

Organisational structure of Stalexport Autostrady

In 2018, the Company's organisational structure changed as a result of the separation of the IT Office from the previously existing structure of the Finance Management Office. The Company's organisational chart as at 30 June 2018 is shown below.

FIGURE 8 | ORGANISATIONAL CHART OF STALEXPORT AUTOSTRADY S.A. AS AT 31 DECEMBER 2018



Source: The Company's own compilation

Headcount at the Company as at 31 December 2018 was 25 ($6\frac{7}{8}$ FTE), meaning that employment had gone up versus 31 December 2017, when the company was employing 24 people ($6\frac{1}{4}$ FTE).

The structure of the Capital 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 2018, the Stalexport Autostrady Group had 317 employees, including 5 executive officers (members of management boards) and 21 middle management employees (directors and managers). For the sake of comparison, as at 31 December 2017, the Stalexport Autostrady Group had 323 employees, including 5 executive officers (members of management boards) and 21 middle management employees (directors and managers).

A decrease was recorded in the number of employees as at 31 December 2018 versus 31 December 2017 by 1.86%, concerning mainly 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 VALID REASON OR IF THEY ARE DISMISSED OR MADE REDUNDANT BECAUSE OF COMPANY'S MERGER BY ACQUISITION

The agreements with members of the Management Board performing such functions in 2018 provide for the following:

- in the case of Emil Wąsacz – 6-month severance pay in the case of dismissal before the end of the term of office;
- in the case of Mariusz Serwa – payment of an additional benefit corresponding to 6-month 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

No changes occurred in the composition of the Management Board and Supervisory Board of SAM in the reporting period and until the date of preparation of the Report. They continued to be composed of the following:

(i) Management Board:

- 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:

- Costantino Ivoi – Chairman of the Supervisory Board,
- Flavio Ferrari – Deputy Chairman of the Supervisory Board (from 16 July 2018),
- Stefano Rossi – Secretary of the Supervisory Board (from 16 July 2018).

Mr Constantino Ivoi served as Chairman of the Supervisory Board from 1 January until 23 March 2018 and served as Chairman of the Supervisory Board also from 16 July 2018, i.e. after the constitution of the Supervisory Board appointed by the Ordinary General Meeting of SAM on 23 March 2018 for a new term of office. Mr Flavio Ferrari and Mr Stefano Rossi served, respectively, as Deputy Chairman and Secretary of the Supervisory Board from 16 July 2018.

VIA 4

No changes occurred in the composition of the Management Board of VIA4 in the reporting period and until the date of preparation of the Report. It continued to be composed of the following persons:

(i) Management Board:

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

The composition of the Supervisory Board of VIA4 changed in the reporting period. Until the date of the Ordinary General Meeting of 29 March 2018, the Supervisory Board was composed of the following members:

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

From 30 March 2018, the Supervisory Board of VIA4 was composed of the following members:

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

BIURO CENTRUM

No 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 of the Report. They continued to be composed of the following:

(i) Management Board

- Ryszard Krzeszowiak – President of the Management Board,
- Andrzej Kluba – Vice-President of the Management Board.

(ii) Supervisory Board

- Krzysztof Rewers – Chairman of the Supervisory Board,
- Katarzyna Bijak – Deputy Chairman of the Supervisory Board,
- Monika Raiwa – 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 2018, the total remuneration paid to the Company's managing persons, i.e. members of the Management Board, amounted to PLN 863.53 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 1,056.12 thousand. Detailed information regarding the amount of remuneration of the Company's managing persons in 2018 is presented in the table below.

TABLE 13 | REMUNERATION PAID IN 2018 TO PERSONS MANAGING THE COMPANY [in PLN '000]

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 Management Board CEO	667.35	576.98	1,244.33
2.	Mariusz Serwa	Vice-President of the Management Board CFO	196.18	479.14	675.32
TOTAL			863.53	1,056.12	1,919.65

Source: The Company's own compilation

The remuneration amounts presented in the table above include the payment of the amount of PLN 173.65 thousand on account of the annual bonus paid in 2018 and concerning 2017, covered by a provision charged to 2017.

The provision for the Management Board's bonus for 2017, on the other hand, in the amount of PLN 207.32 thousand, and additionally the provision for payment of the three-year incentive plan (concerning the period from January 2016 until December 2018) in the amount of PLN 1,025.4 thousand, were charged to 2018.

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

In 2018, the total remuneration of the members of the Supervisory Board amounted to PLN 73.18 thousand. Detailed information regarding the amount of remuneration paid to individual persons being members of the Supervisory Board of Stalexport Autostrady in this period is presented in the table below.

TABLE 14 | REMUNERATION PAID IN 2018 TO MEMBERS OF THE COMPANY'S SUPERVISORY BOARD [in 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.	Aleksander Galos	Deputy Chairman	38
3.	Stefano Rossi	Secretary	did not receive remuneration
4.	Tomasz Dobrowolski	Member	29.85

5.	Flavio Ferrari	Member	did not receive remuneration
6.	Marco Pace	Member	did not receive remuneration
7.	Massimo Sonego	Member	did not receive remuneration
8.	Tadeusz Włudyka	Member	5.33
Total			73.18

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.

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 2018 and as at the date 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 2018 AND AS AT THE DATE OF THIS 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

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 2018 to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. (EY Polska). EY Polska is entered on the list of entities authorised to audit financial statements under No. 130.

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

The total remuneration of EY Polska for the audit and review of the financial statements for 2018 was set at the net amount of PLN 90 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 2018: PLN 30 thousand;
- audit of the annual separate and consolidated financial statements of the Company for 2018: PLN 60 thousand.

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

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 2017 to Deloitte, on the other hand. Deloitte is entered on the list of entities authorised to audit financial statements under No. 73.

On 14 June 2017, the Company signed a contract with Deloitte on the audit and review of the financial statements in the years 2017–2018.

Deloitte's total remuneration for the audit and review of the financial statements for 2017 was set at the net amount of PLN 73.5 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 2017: PLN 22.05 thousand;
- audit of the annual separate and consolidated financial statements of the Company for 2017: PLN 51.45 thousand.

The limit for additional costs subject to reimbursement was set at 5% and the actual additional costs amounted to PLN 2.59 thousand.

As a result of the entry into force of the Act on auditors, setting among other things a maximum 5-year period for the audit of financial statements in companies being entities of public interest (Article 134 of the Act), the performance of the contract entered into with Deloitte could not continue with regard to the reporting periods ending respectively on 30 June 2018 (6 months) and 31 December 2018 (12 months).

Due to the above, the Company and Deloitte (hereinafter referred to jointly as the Parties) entered into an agreement on 17 January 2018, under which the Parties agreed and decided:

- that the contract was terminated with regard to the financial auditing services concerning the reporting periods ending respectively on 30 June 2018 (6 months) and 31 December 2018 (12 months), effective as of the day of agreement conclusion;
- that the contract would remain in force and continue to be binding upon the Parties with regard to the financial auditing services concerning the reporting periods ending respectively on 30 June 2017 (6 months) and 31 December 2017 (12 months);
- that justified grounds had appeared for termination of the Contract, and that the reason for termination of the contract was not any difference in opinion with regard to the application of accounting or financial auditing standards.

(ii) **Stalexport Autoroute**

In accordance with the powers stipulated in the Statutes of Stalexport Autoroute, the audit of the financial statements of Stalexport Autoroute for 2018 was entrusted to Ernst & Young S.A. On 3 December 2018, Stalexport Autoroute entered into a contract with Ernst & Young S.A. on the audit of the financial statements in the period 2018–2020.

The total remuneration of Ernst & Young S.A. in relation to the performance of that contract was set at PLN 20 thousand. The limit for additional costs subject to reimbursement was set at 5%.

Additionally, the said companies signed, on 22 June 2018, a contract on the preparation of the *Reviseur d'Entreprises* Agree report in accordance with Article 198bis of the Act on commercial law companies of 10 August 2015 (in force in the legal system of the Grand Duchy of Luxembourg) for the purposes of paying the interim dividend in 2018.

The remuneration of Ernst & Young S.A. in relation to the performance of that contract was set at PLN 20 thousand. The limit for additional costs subject to reimbursement was set at 5% and the actual additional costs amounted to PLN 1 thousand (without taking into account the cost of non-deductible VAT).

In accordance with the powers stipulated in the Statutes of Stalexport Autoroute, the audit of the financial statements of Stalexport Autoroute for 2017 was entrusted, on the other hand, to Deloitte Audit S.à r.l. On 6 November 2017, Stalexport Autoroute entered into a contract with Deloitte Audit S.à r.l. on the audit of the financial statements for 2017 and on the provision of other services related to financial auditing.

The total remuneration of Deloitte Audit S.à r.l. in relation to the performance of the said contract was set at EUR 7.7 thousand, with the remuneration for the audit of the financial statements for 2017 agreed at EUR 4.2 thousand (net). The limit for additional costs subject to reimbursement was set at 5% and the actual additional costs amounted to EUR 0.4 thousand (without taking into account the cost of non-deductible VAT).

(iii) SAM

In accordance with the powers stipulated in the Statutes of SAM, the audit of the financial statements of SAM for 2018 was entrusted 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.

Ernst & Young's total remuneration for the audit of the financial statements for 2018 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 12 months ended on 30 June 2018: PLN 30 thousand;
- audit of the financial statements for the period of 12 months ended on 31 December 2018: PLN 40 thousand.

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

In accordance with the powers stipulated in the Statutes of SAM, the audit of the financial statements of SAM for 2017 was entrusted to Deloitte by the company's Supervisory Board. On 14 June 2017, SAM entered into a contract with Deloitte on audit and review with regard to financial statements in the years 2017–2018. On 17 January 2018, SAM and Deloitte entered into a similar agreement as in the case of Stalexport Autostrady.

Deloitte's total remuneration for the audit of the financial statements for 2017 was set at the net amount of PLN 54.3 thousand, including remuneration for the following:

- review with regard to the interim financial statements for the period of 6 months ended on 30 June 2017: PLN 16.3 thousand;
- audit of the annual financial statements for 2017: PLN 38 thousand.

The limit for additional costs subject to reimbursement was set at 5% and the actual costs amounted to PLN 2.72 thousand.

(iv) VIA4

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

Deloitte's total remuneration for the audit of the financial statements for 2018 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 2018: PLN 25 thousand;
- audit of the annual financial statements for 2018: PLN 40 thousand;

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

In accordance with the powers stipulated in the Statutes of VIA4, the audit of the financial statements of VIA4 for 2017 was entrusted to Deloitte by the Supervisory Board (resolution of the Supervisory Board no. 13/2017 of 13 March 2017). On 14 June 2017, VIA4 signed a contract with Deloitte on the audit of the financial statements in the years 2017–2018. On 17 January 2018, VIA4 and Deloitte entered into a similar agreement as in the case of Stalexport Autostrady.

Deloitte's total remuneration for the audit of the financial statements for 2017 was set at the net amount of PLN 80.9 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 2017: PLN 53.4 thousand;
- audit of the annual financial statements for 2017: PLN 27.5 thousand;

The limit for additional costs subject to reimbursement was set at 5% and the actual costs amounted to PLN 4.05 thousand.

(v) Biuro Centrum

In accordance with the scope of authority set in the Articles of Association of Biuro Centrum, the Supervisory Board entrusted the audit of the financial statements of Biuro Centrum for 2018 to DB Audyt Sp. z o.o. with its registered office in Katowice, entered on the list of the National Council of Statutory Auditors of entities authorised to audit financial statements under No. 3245.

The contract on the audit of the separate financial statements of Biuro Centrum for 2018 was entered into on 10 January 2019. The remuneration which DB Audyt Sp. z o.o. will receive in relation to that will amount to PLN 6 thousand (net).

In accordance with the scope of authority set in the Articles of Association of Biuro Centrum, the Supervisory Board entrusted the audit of the financial statements of Biuro Centrum for 2017 to POL-TAX 2 Sp. z o.o. with its registered office in Warsaw, entered on the list of the National Council of Statutory Auditors of entities authorised to audit financial statements under No. 4090.

The contract on the audit of the separate financial statements of Biuro Centrum for 2017 was entered into on 24 October 2017. The remuneration which POL-TAX 2 Sp. z o.o. will receive in relation to that will amount to PLN 4 thousand (net).

5.24. INFORMATION ON SIGNIFICANT PROCEEDINGS BEFORE THE COURT, THE AUTHORITY COMPETENT FOR THE 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 the companies 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 that, 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 construction and of the condition of the national budget. It needs to be mentioned at this point that the Company, which analyses the public party's policy on a systematic basis, is also interested in other projects related to the broadly conceived road infrastructure.

An example was provided by the public procurement procedure no. DPR.DPR-2.2413.6.2016.DZR.34 for the NATIONAL TOLL COLLECTION SYSTEM TOGETHER WITH ELECTRONIC TOLL COLLECTION ACTIVITIES AND ACTIVITIES RELATED TO TOLL COLLECTION IN GENERAL, announced on 14 December 2016 and subsequently annulled on 18 January 2018 by the GDDKiA. The fact that CATTERICK INVESTMENTS Sp. z o.o., 10% of whose shares were held by Stalexport Autostrady until 25 July 2018, participated actively in the said procedure, constitutes significant information.

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" (www.karta4go.pl), making it possible to drive through the toll plazas operated on the A4 Katowice–Krakow 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 that experience in the following reporting year, the Group is planning to introduce another payment method based on what is referred to as video tolling.

6.2. DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS, AND CHARACTERISATION OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT 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 replacement of toll collection equipment (currently in progress), diversifying the range of toll payment methods available to the customers.

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 may 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 also result from the **decision of the 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, in spite of the 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 respect the provisions of that decision in its toll rate policy. The Company reduced this risk by introducing the following documents for application: (i) the Rules of performance of works causing traffic disruption on the motorway and (ii) the 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.

The remaining information about external and internal factors significant for the operation of Stalexport Autostrady and of the Group is included in:

- part 3 of this Report – Information significant for the assessment of the financial position (current and predicted), of the assets and of the 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
- part 4 of this Report – Analysis of the core market of the Company's and of the Group's operations.

PART 7

REPRESENTATION OF THE MANAGEMENT BOARD OF STALEXPORT AUTOSTRADY ON THE CORPORATE GOVERNANCE RULES APPLIED BY THE COMPANY

7.1. INTRODUCTION

In compliance with the obligation stipulated in §70(4)(5) of the Ordinance concerning current and periodic information, the Management Board of Stalexport Autostrady 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 2018.

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

The Management Board of Stalexport Autostrady declares that the corporate governance rules the Company was subject to in 2018, 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 COULD HAVE DECIDED 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 Programme,
- 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 within 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 procedure that was adopted 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 the said report by Stalexport Autostrady, the Company did not apply 3 recommendations: VI.R.1., VI.R.2., VI.R.3. as well as 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 from which the Company departed are presented in the table below, with an explanation of the reasons.

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

Rule no.	Rule contents	Reasons for the Company's departure from observance of the rule
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 whether its subsidiary, i.e. Stalexport Autostrada Małopolska S.A., obtains consent from the banks financing that company's activity (on a project finance basis) to the payment of dividend by SAM.
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. The 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 actual, long-term financial position of the company and on the long-term increase of value for shareholders and stability of the enterprise's functioning.

The Company has appropriate incentive programmes (long-term 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.

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 system of internal control 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 STALEXPORT AUTOSTRADY SHAREHOLDERS HOLDING SIGNIFICANT BLOCKS OF THE COMPANY'S SHARES (AS AT 31 DECEMBER 2018 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 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 other members of the Management Board are appointed by the Supervisory Board at the request 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 Code of Commercial Companies and by other generally applicable laws. The Statutes of Stalexport Autostrady and the Regulations of the Management 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 Code of Commercial Companies. The Statutes of Stalexport Autostrady do not stipulate otherwise in this respect, except for §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

The General Meetings of Stalexport Autostrady are held in line with the rules stipulated in the Code of Commercial Companies, the Statutes and the Regulations of the General Meeting, and these rules 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 regulations. 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 §38 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 placement 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.

The 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 and they take into account the new rules for the organisation of the General Meetings of public (listed) joint stock companies, which were

introduced on 3 August 2009 by the amendment to the Code of Commercial Companies of 5 December 2008 (Dz.U. of 2009, No. 2, item 28).

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, the rules of appointing members of the Returning Committee and its duties. In practice, the Returning Committee is not appointed according to the decision made from time to time by the General Meeting, because the voting is carried out via a computer system of casting and counting the votes, and the printed results of the vote are signed by the Chairman of the General Meeting pursuant to §10a of the Regulations of the General Meetings.

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

- 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 members of the Management Board and members of the Supervisory Board;
- 4) disposal and 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 Code of Commercial Companies 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 14 April 2016, the Ordinary General Meeting of Stalexport Autostrady decided that the Supervisory Board of Stalexport Autostrady of the ninth term (2016–2018) would be composed of seven members and appointed the Supervisory Board for the following term of office with the following members:

1. Nicoló Caffo,
2. Aleksander Galos,
3. Roberto Mengucci,
4. Marco Pace,
5. Stefano Rossi,
6. Massimo Sonogo,
7. Tadeusz Włudyka.

On 20 May 2016, pursuant to §14(4) and §15(1) of the Company's Statutes, the Supervisory Board Members elected:

- Mr Roberto Mengucci as Chairman of the Supervisory Board,
- Mr Aleksander Galos as Deputy Chairman of the Supervisory Board,
- Mr Stefano Rossi as Secretary of the Supervisory Board.

The Company's Supervisory Board continued to operate with the composition indicated above until 15 December 2017 due to the fact that on 23 November 2017, Mr Nicolò Caffo resigned as member of the Company's Supervisory Board with effect from 15 December 2017.

From 16 December 2017 until 26 January 2018, the Supervisory Board that operated was composed of 6 persons:

1. Aleksander Galos – Deputy Chairman,
2. Roberto Mengucci – Chairman,
3. Marco Pace,
4. Stefano Rossi – Secretary,
5. Massimo Sonogo,
6. Tadeusz Włudyka.

On 26 January 2018, before proceeding in accordance with the agenda of the Extraordinary General Meeting of Stalexport Autostrady, Mr Tadeusz Włudyka resigned as member of the Supervisory Board.

The Company's Extraordinary General Meeting held on 26 January 2018 decided that the Supervisory Board of Stalexport Autostrady of the ninth term (2016–2018) would continue to be composed of seven members and appointed the following two new members of the Supervisory Board:

1. Tomasz Dobrowolski,
2. Flavio Ferrari.

From that time until the day of preparation of the Report, the Supervisory Board was composed of the following 7 members:

1. Tomasz Dobrowolski,
2. Flavio Ferrari,
3. Aleksander Galos – Deputy Chairman,
4. Roberto Mengucci – Chairman,
5. Marco Pace,
6. Stefano Rossi – Secretary,
7. Massimo Sonogo,

The Supervisory Board operates on the basis of applicable provisions of the law, including the Code of Commercial Companies 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

The following committees function within the Supervisory Board: The Remuneration Committee and the Audit Committee, operating as advisory and opinion-forming bodies for the Supervisory Board. Their composition in the reporting period was the following:

Remuneration Committee (renamed on 16 October 2017, previously literally “Committee in charge of Remuneration” in Polish):

- Roberto Mengucci – Chairman,
- Aleksander Galos,
- Tadeusz Włudyka.

Audit Committee:

- Aleksander Galos – Chairman,
- Marco Pace,
- Tadeusz Włudyka.

On 30 January 2018, in relation to the resignation of Mr Tadeusz Włudyka as member of the Supervisory Board of Stalexport Autostrady, the Supervisory Board filled the vacancy on the said committees, appointing Mr Tomasz Dobrowolski as their member. From that moment until the date of preparation of the Report, the composition of the said committees of the Supervisory Board was the following.

Remuneration Committee:

- Roberto Mengucci – Chairman,
- Tomasz Dobrowolski – Deputy Chairman (from 16 July 2018),
- Aleksander Galos.

Audit Committee:

- Aleksander Galos – Chairman,
- Mario Pace – Deputy Chairman (from 16 July 2018),
- Tomasz Dobrowolski.

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 Aleksander Galos meet 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.

Mr Tadeusz Włudyka also met the above criteria in the period in which he performed his functions on the Supervisory Board of Stalexport Autostrady.

- **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 Aleksander Galos and Mr Marco Pace have knowledge and skills in the field of accounting or auditing of financial statements (which they confirmed by submitting the appropriate declarations, and which results from their education (Mr Marco Pace), experience and many years of professional practice (Mr Marco Pace 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 Aleksander Galos and Mr Marco Pace 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:

- 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, made in accordance with the IFRS/IAS;
- 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 dd. 30 June 2020, made in accordance with the IFRS/IAS;
- performing reviews with regard to the consolidated financial information of the Stalexport Autostrady Group made 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.

At the same time, the Audit Committee consented to the commissioning, by Stalexport Autoroute from Ernst & Young S.A. with its registered office in Luxembourg, member of the Ernst & Young network of which EY Polska is part, of services other than auditing of financial statements, i.e. preparation of the Réviseur d'Entreprises Agrée reports in accordance with the provisions of the Act on commercial law companies of 10 August 2015 (in force in the legal system of the Grand Duchy of Luxembourg) for the purposes of paying interim dividend in the years 2018–2020.

- **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 the following:

- 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 for application the following documents:

- 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-mentioned 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**

The Audit Committee's recommendation concerning the selection of the auditing firm to perform the audit complied with the conditions in force and was made following a selection procedure organised by the Issuer that met the criteria in force.

▪ **Number of Audit Committee meetings held**

In the financial year, the Audit Committee held one meeting recorded in minutes and adopted one resolution by circulation.

(v) **Proxies**

Pursuant to Article 371 §4 of the Code of Commercial Companies, proxies are appointed by the Management Board. In the reporting period, there were no proxies in the Company.

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 and provide opportunities for implementation of future projects related to the construction and management of motorways.

27 February 2019

Date

Emil Wąsacz

President of the Management Board, CEO

27 February 2019

Date

Mariusz Serwa

Vice-President of the Management Board, CFO

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 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 2018 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 2018 gives a true presentation of the Company's development, achievements and position, including a description of the major risks and threats.

27 February 2019

Date

Emil Wąsacz

President of the Management Board, CEO

27 February 2019

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 AND FINANCIAL POSITION, 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 2018 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. Capital Group in 2018 gives a true presentation of the Capital Group’s development, achievements and position, including a description of the major risks and threats.

27 February 2019

Date

Emil Wąsacz

President of the Management Board, CEO

27 February 2019

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 SELECTING THE AUDITING FIRM:

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.

27 February 2019

Date

Emil Wąsacz

President of the Management Board, CEO

27 February 2019

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 2018

	PLN '000		EUR '000	
	2018	2017	2018	2017
Revenues	3,702	3,660	868	862
Loss on operating activities	(4,561)	(4,262)	(1,069)	(1,004)
Profit before taxation	4,984	73,486	1,168	17,312
Net profit for the period	4,432	73,208	1,039	17,247
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)	0.02	0.30	0.00	0.07
Diluted earnings per ordinary share (in PLN/EUR)	0.02	0.30	0.00	0.07
Net cash from operating activities	(1,650)	(3,183)	(387)	(750)
Net cash from investment activities	13,917	72,920	3,262	17,179
Net cash from financial activities	(71,706)	(44,469)	(16,805)	(10,476)
Total net cash flow	(59,439)	25,268	(13,930)	5,953
	31/12/18	31/12/17	31/12/18	31/12/17
Total assets	354,213	419,488	82,375	100,575
Non-current assets	77,224	78,210	17,959	18,751
Current assets	276,989	341,278	64,416	81,824
Total payables	4,753	3,161	1,105	758
Non-current liabilities	99	2,156	23	517
Current liabilities	4,654	1,005	1,082	241
Total shareholders' equity	349,460	416,327	81,270	99,817
Share capital	185,447	185,447	43,127	44,462

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 2018 and 2017 at the rate constituting the arithmetic average 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 4.2669 PLN/EUR and 4.2447 PLN/EUR;
- the individual items of assets and liabilities: at the average exchange rate published by the National Bank of Poland, in force as at the balance sheet date, i.e. respectively 4.3 PLN/EUR as at 31 December 2018 and 4.1709 PLN/EUR as at 31 December 2017.

ENCLOSURE NO. 2

SELECTED FINANCIAL DATA OF THE STALEXPORT AUTOSTRADY CAPITAL GROUP

Financial data concerning the consolidated financial statements of Stalexport Autostrady Group for the period of 12 months ended on 31 December 2018

	PLN '000		EUR '000	
	2018	2017	2018	2017
Revenues	336,529	318,831	78,870	75,113
Profit on operating activities	242,701	216,409	56,880	50,983
Profit before taxation	235,168	198,392	55,114	46,739
Net profit for the period	186,428	158,780	43,692	37,407
Net profit attributable to the owners of the Parent Entity	181,136	153,382	42,451	36,135
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)	0.73	0.62	0.17	0.15
Diluted earnings per share of the Parent Entity's owners (in PLN/EUR)	0.73	0.62	0.17	0.15
Net cash from operating activities	230,512	200,044	54,023	47,128
Net cash from investment activities	(4,904)	(12,904)	(1,149)	(3,040)
Net cash from financial activities	(288,767)	(157,199)	(67,676)	(37,034)
Net cash flows, total	(63,159)	29,941	(14,802)	7,054
	31/12/18	31/12/17	31/12/18	31/12/17
Total assets	1,320,904	1,438,346	307,187	344,853
Non-current assets	926,348	1,009,401	215,430	242,010
Current assets	394,556	428,945	91,757	102,842
Total payables	510,996	740,173	118,836	177,461
Non-current liabilities	345,829	456,369	80,425	109,417
Current liabilities	165,167	283,804	38,411	68,044
Total shareholders' equity	809,908	698,173	188,351	167,391
Equity of the owners of the Parent Entity	805,306	693,479	187,280	166,266
Non-controlling shares	4,602	4,694	1,070	1,125
Share capital	185,447	185,447	43,127	44,462

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 2018 and 2017 at the rate constituting the arithmetic average 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 4.2669 PLN/EUR and 4.2447 PLN/EUR;*
- b) the individual items of assets and liabilities: at the average exchange rate published by the National Bank of Poland, in force as at the balance sheet date, i.e. respectively 4.3 PLN/EUR as at 31 December 2018 and 4.1709 PLN/EUR as at 31 December 2017.*