

This document constitutes a translation of the Management Board's Report on the activities of the Capital Group of Stalexport Autostrady S.A. in H1 2020 which was originally issued in Polish. In case of ambiguities in interpretation of terminology, the Polish terminology should be treated as binding.



STALEXPORT
Autostrady



2020

REPORT

of the Management Board on the activities
of the Stalexport Autostrady S.A. Group in H1 2020

Mysłowice, 31 July 2020

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DEFINITIONS AND ABBREVIATIONS

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

ADT	Average Daily Traffic
ASPI	Autostrade per l'Italia S.p.A. with its registered office in Rome (Italy)
Atlantia	Atlantia S.p.A. with its registered office in Rome (Italy)
Biuro Centrum	Biuro Centrum Sp. z o.o. with its registered office in Katowice
Ernst&Young	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 Stalexport Autostrady S.A. Capital Group with its registered office in Mysłowice
Engineer	JS Consult Sp. z o.o. with its registered office in Mysłowicach (from 22 July 2019)
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)
Independent Engineer	JPL Project Sp. z o.o. with its registered office in Warsaw (until 19 July 2019)
Pavimental Polska	Pavimental Polska Sp. z o.o. with its registered office in Trzebinia (32-540), at ul. Dworcowa 2
PPP	Public-Private Partnership
SAM, Concessionaire	Stalexport Autostrada Małopolska S.A. with its registered office in Mysłowice
Report	Report of the Management Board on the Activities of Stalexport Autostrady Capital Group in H1 2020

Stalexport Autoroute

Stalexport Autoroute S.à r.l. with its registered office in Luxembourg – entity acquired on 28 February 2020 by its sole shareholder, i.e. Stalexport Autostrady S.A. with its registered office in Mysłowice as a result of a cross-border merger

Stalexport Autostrady, Company, Issuer

Stalexport Autostrady S.A. with its registered office in Mysłowice

Concession Agreement

Concession Agreement of 19 September 1997 on construction by adaptation of the A4 motorway on the section: Katowice (Murckowska Junction, 340.2 km) – Kraków (Balice Junction, 401.1 km) to the toll motorway standards and motorway operation on this section, including modifications made on the basis of subsequent amendments, the rights and obligations under which were transferred in their entirety from Stalexport Autostrady to SAM on 26 July 2004

VIA4

VIA4 Spółka Akcyjna with its registered office in Mysłowice

General Meeting

General Meeting of Shareholders

PART 1

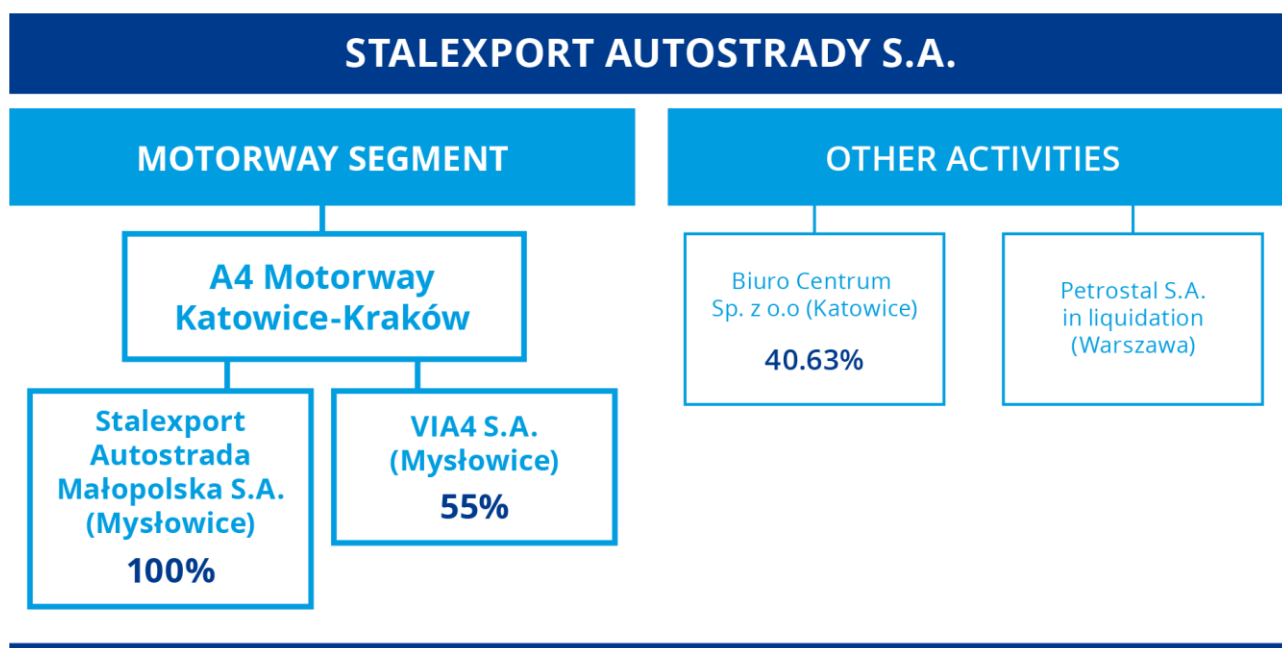
BASIC INFORMATION ON THE STALEXPORT AUTOSTRADY GROUP

At present, the operations of the Company and of the entities belonging to its Group focus primarily on motorway activity. They include operation and maintenance of the Katowice–Kraków section of the A4 motorway. These activities are conducted through the SAM and VIA4 companies.

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

The chart below presents the organisational structure of the Stalexport Autostrady Group broken down into: (i) the core area of activities, i.e. the motorway segment, and (ii) other activities.

FIGURE 1 | ORGANISATIONAL CHART OF STALEXPORT AUTOSTRADY GROUP S.A. AS AT 30 JUNE 2020



Source: The Company's own compilation

Table 1 includes basic consolidated data of the 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 H1 2020, for the purpose of comparison, the results are also included achieved by the companies in the corresponding period of the previous year, whereas for the balance sheet data, the figures are presented as at 31 December 2019.

TABLE 1 | BASIC FINANCIAL DATA OF SELECTED ENTITIES FROM THE STALEXPORT AUTOSTRADY GROUP
[FIGURES IN PLN '000]

	Group		Stalexport Autostrady		SAM		VIA4	
balance sheet data	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019*	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Non-current assets	932,635	918,245	76,931	78,362	922,786	907,429	15,143	16,324
Current assets	397,159	403,807	338,315	197,257	49,756	189,244	15,373	24,314
Total shareholders' equity	808,954	795,764	396,820	269,765	474,031	572,618	5,143	20,954
Non-current payables	360,678	344,696	4,672	4,231	359,247	344,267	10,739	11,243
Current payables	160,162	181,592	13,754	1,623	139,264	179,788	14,634	8,441
Net debt**	-663,428	-627,093	-308,336	-183,346	-348,101	-424,054	14,543	3,786
performance data	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Revenues from sales	128,656	167,962	1,699	1,909	126,703	165,994	21,901	24,064
Gross profit/loss from sales	84,112	122,125	-286	-17	75,926	111,387	7,192	9,565
EBITDA***	83,403	95,313	-2,386	-2,393	80,273	89,862	6,177	8,287
EBIT	50,095	61,009	-2,712	-2,555	47,742	56,286	4,699	6,847
Profit/loss on financial activities	-665	-2,063	143,008	2,027	-1,288	-3,424	-143	-235
Net profit/loss	34,623	37,541	139,668	-741	32,599	32,935	3,680	5,339
EBIT margin****	39%	36%	-160%	-134%	38%	34%	21%	28%
ROE	4%	5%	35%	0%	7%	6%	72%	34%

* Data converted in relation to the merger with a subsidiary [as described in item 2.2 of the Report]

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

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

****EBIT margin = EBIT / revenue from sales

Source: The Company's own compilation

1.1. STALEXPORT AUTOSTRADY S.A.

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

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

KRS [company reg. no.]: 0000016854
District Court Katowice-Wschód in
Katowice, 8th Commercial
Department of the National Court
Register

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, a concession to implement the pioneering project with regard to the operation, alteration and adaptation of the Katowice–Kraków section of the A4 motorway to toll motorway requirements.

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

Since mid-2006, the Company has been part of the Italian Atlantia Group. In 2018, Atlantia, together with the Spanish construction group ACS and its German subsidiary Hochtief, took control of the Spanish group Abertis. The Atlantia group 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, Spain, France, Argentina as well as Brazil, Chile, India and Poland, and also manages the Fiumicino and Ciampino airports in Italy and three airports in France: Nice, Cannes-Mandelieu, and Saint Tropez, which serve over 60 million passengers every year.

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.

1.2. 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 30 June 2020, except the parent entity, are described in the following table.

TABLE 2 | ENTITIES BEING PART OF THE GROUP AS AT 30 JUNE 2020 (EXCEPT THE COMPANY)

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

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

Source: The Company's own compilation

1.3. PRINCIPLES OF PREPARATION OF THE CONDENSED SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The principles (basis) of preparation of the condensed semi-annual consolidated financial statements are described in item 2 of the Notes to the condensed semi-annual consolidated financial statements for the period of 6 months ended on 30 June 2020.

1.4. DESCRIPTION OF OTHER COMPANIES OF THE STALEXPORT AUTOSTRADY GROUP

1.4.1. STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A.

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

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

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

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

Ownership structure:
100% – Stalexport Autostrady

www.autostrada-a4.pl

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

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

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

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

For the implementation of the assumed investment programme, on the other hand, SAM 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.

On 24 July 2019, the Management Board of SAM adopted a resolution pursuant to which it decided to make a full prepayment of the outstanding debt under the Project Loan Agreement on 30 September 2019 and, after making the aforementioned prepayment, to take all factual or legal actions to have the collateral for the debt resulting from the Project Loan Agreement deleted from the relevant registers, which was in fact performed.

Selected financial data of SAM are presented in Table no. 1.

1.4.2. VIA S.A.

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

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

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

Share capital:
PLN 500.000
 (paid-up in full)

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

www.via4.pl

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

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

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

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

Selected financial data of VIA4 are presented in Table no. 1.

1.4.3. BIURO CENTRUM SP. Z O.O.

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

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

KRS: 0000087037
NIP: 634-10-03422
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 company Biuro Centrum 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 2

OTHER INFORMATION ON THE STALEXPORT AUTOSTRADY GROUP

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

On 29 January 2020, SAM issued a letter of approval for Pavimental Polska (hereinafter referred to as the Contractor). The issuing of the said letter of approval meant that SAM accepted the tender submitted by Pavimental Polska in the procedure related to the performance of the fixed price lump-sum contract no. MPA12-2019 "Modernisation of 12 culverts located in the right-of-way of the concession section of the A4 motorway Katowice–Kraków" (hereinafter referred to as the Contract).

The net value of the Contract is PLN 7,304,621.15 (hereinafter: the Approved Net Contractual Amount).

Under the Contract, 12 culverts under the A4 motorway carriageway on the Katowice–Kraków section will be modernised.

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

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

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

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

As at 30 June 2020, the financial progress (value of settled work) amounted to PLN 451 thousand (6.17% of the value of the contract).

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

Under the contract, an 11.34 km section of the A4 Katowice–Kraków motorway drainage system will be altered.

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

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

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,

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

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

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

The cross-border merger of the companies took place pursuant to the conditions determined in the merger plan agreed upon and accepted on 30 September 2019 by the Management Boards of the merging companies, i.e. by way of acquisition, by Stalexport Autostrady, of the total assets of Stalexport Autoroute without an increase of the share capital of Stalexport Autostrady pursuant to the procedure set forth in Article 516(1) in conjunction with Article 492 § 1.1 and Article 515 of the Commercial Companies Code and Article 278 of the Luxembourg Law of 10 August 1915 on commercial companies, as amended.

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

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

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

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

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

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

The Operation and Maintenance Agreement was entered into for the term of the Concession Agreement (until 2027) and concerns strictly defined works connected with the A4 concession project, including toll collection services and current maintenance and operation of the motorway (including winter maintenance). The contractual level of the operator's remuneration in the term of the agreement separates in a long term the risk of impact of frequent market price fluctuations on maintenance and operation costs as well as ensures continuity of services and operation through the many years of implementation of the investment project. In H1 2020, the value of the transactions between SAM and VIA4 under the above-mentioned Agreement amounted to PLN 21,457 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 could have been obtained if it had been signed with an entity not belonging to the Group.

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

The Company incurred maintenance costs and costs related to security and functioning of the said office facility and car park, and all the expenses mentioned above were made through Biuro Centrum. The total amount of the said expenses in H1 2020 attributable to the Company was PLN 1,577 thousand.

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

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

The construction works started after the mobilisation period. Five variation orders were issued until the end of H1 2020, increasing the total contract value to PLN 22,169 thousand. The total net value of works invoiced by

the contractor on account of this contract amounts to PLN 22,169 thousand (i.e. 100% of the contract value), of which the last PLN 12 thousand was invoiced in H1 2020, when the contract was completed.

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

- **Toll collection system repair & maintenance services** performed by **Autostrade-Tech S.p.A.** (this entity is a member of the Atlantia group which holds 100% of the shares of Autostrade-Tech S.p.A.) 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 WUPO [Toll Collection Equipment Replacement] contract, the repair & maintenance services for the toll collection system were performed on the basis of separate agreements. Currently, SAM is authorised to contract out investment tasks related to the development of the toll collection system under the service agreement. In H1 2020, under the above-mentioned agreement, works were continued for instance in relation to the implementation of videotolling and automation of dedicated lanes. The value of the investment expenditures for the tasks contracted out under the Software Service Agreement amounted to PLN 3,065 thousand in H1 2020.

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

- **Contract between SAM and the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o.** (the entities belong to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Sp. z o.o.) **on 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 up to 700 days from the initial date, i.e. 31 December 2018.

In 2019, the mobilisation period ended and works commenced. Eight variation orders were issued until the end of H1 2020, increasing the total contract value to PLN 11,917 thousand. The total net value of works invoiced by the contractor on account of this contract amounts to PLN 10,410 thousand (87.36% of the contract value), of which PLN 3,553 thousand was invoiced in H1 2020. Taking into consideration the procedure for the selection of the entity to implement the above-mentioned contract, in the opinion of the Company's Management Board its terms should be deemed market terms.

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

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

In 2019, the mobilisation period ended and works commenced. Nine variation orders were issued until the end of H1 2020, increasing the total contract value to PLN 55,346 thousand. The total net value of works invoiced by the contractor on account of this contract amounts to PLN 36,667 thousand (66.25% of the contract value), of which the amount of PLN 9,275 thousand was invoiced in H1 2020.

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

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

The contractor in this case was selected on the basis of a tendering procedure. The contract was entered into for the amount of PLN 15,003 thousand on 09 July 2019, and the time set for completion of the works envisaged by the contract is up to 620 days from the initial date, i.e. 19 August 2019.

In 2019, the mobilisation period ended and works commenced. Two variation orders were issued until the end of H1 2020, increasing the total contract value to PLN 15,654 thousand. The total net value of works invoiced by the contractor on account of this contract amounts to PLN 5,070 thousand (32.39% of the contract value), of which the amount of PLN 4,341 thousand was invoiced in H1 2020.

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

2.4. INFORMATION ON GRANTING BY THE COMPANY OR BY ITS SUBSIDIARY OF CREDIT OR LOAN SURETIES OR ON GUARANTEES GRANTED – IN TOTAL TO ONE ENTITY OR TO ITS SUBSIDIARY, IF THE TOTAL VALUE OF THE EXISTING SURETIES OR GUARANTEES IS SIGNIFICANT.

No sureties or guarantees were granted in the reporting period.

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

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

2.6. THE COMPANY'S SHARES OR RIGHTS THERETO HELD BY MEMBERS OF THE COMPANY'S MANAGING AND SUPERVISORY BODIES WITH AN INDICATION OF CHANGES IN SUCH HOLDINGS IN THE PERIOD FROM THE DAY OF SUBMISSION OF THE PREVIOUS PERIODIC REPORT

The number and nominal value of shares of Stalexport Autostrady (or rights thereto) held by persons managing and supervising the Company are provided on the basis of the representations submitted. The figures as at 30 June 2020 and as at the date of handing over of the Report are presented in the table below.

TABLE 3 | NUMBER AND NOMINAL VALUE OF STALEXPORT AUTOSTRADY SHARES (OR RIGHTS THERETO) HELD BY PERSONS MANAGING AND SUPERVISING THE COMPANY (AS AT 30 JUNE 2020 AND AS AT THE DATE OF HANDING OVER OF THE REPORT)

No.	Given name and surname	Name of person/entity	Number of shares	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

No changes occurred in terms of the holding of shares of Stalexport Autostrady by persons managing and supervising the Company in the period from the day of preparation of the previous periodic report until the date of handing over of the Report.

2.7. SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE ISSUER'S GENERAL MEETING AS AT THE DATE OF HANDING OVER OF THE SEMI-ANNUAL REPORT WITH AN INDICATION OF THE NUMBER OF SHARES HELD BY SUCH PERSONS/ENTITIES, THEIR PERCENTAGE SHARE IN THE SHARE CAPITAL, THE NUMBER OF VOTES RELATED TO THESE SHARES AND THEIR PERCENTAGE SHARE IN THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING 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 are listed in the table below.

TABLE 4 | LIST OF STALEXPORT AUTOSTRADY SHAREHOLDERS HOLDING SIGNIFICANT BLOCKS OF THE COMPANY'S SHARES (AS AT 30 JUNE 2020 AND AS AT THE DATE OF HANDING OVER 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 total number of votes at the General Meeting [%]
Atlantia	151,323,463	61.20%	151,323,463	61.20%

Source: Own compilation based on the notifications received by the Company from shareholders pursuant to Articles 69 and 69a in relation to Article 87 of the Act of 29 July 2005 on Public Offering, on the Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies (consolidated text: Dz.U.2014.133, as amended).

No changes took place in the shareholding structure with regard to significant blocks of shares of Stalexport Autostrady in the period from the date of preparation of the previous periodic report until the date of handing over of the Report.

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

Neither Stalexport Autostrady nor its subsidiaries are parties to any significant proceedings in course before a common court, an arbitration court, or public administration bodies in cases related to the Company's or its subsidiary's payables or receivables.

PART 3

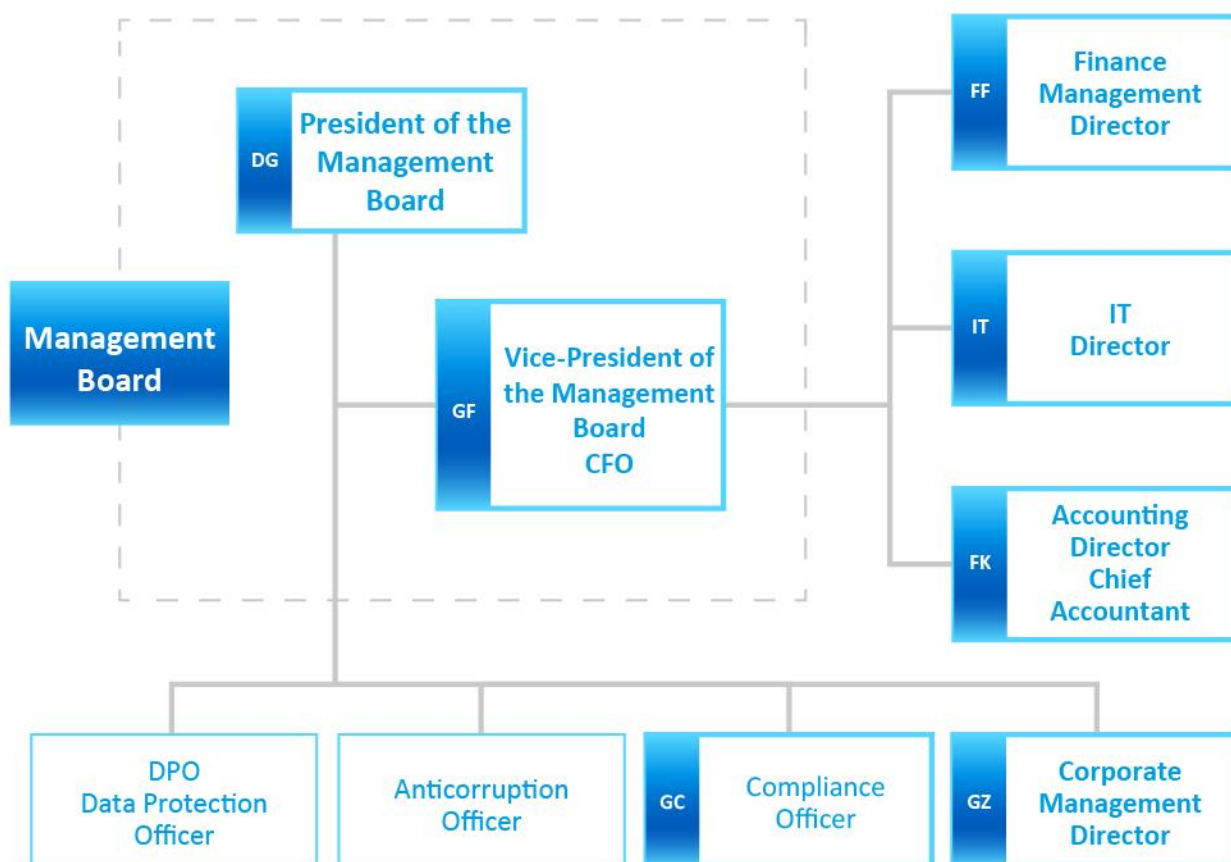
INFORMATION SIGNIFICANT FOR THE ASSESSMENT OF THE STAFFING SITUATION, FINANCIAL POSITION, ASSETS AND FINANCIAL RESULT OF THE STALEXPORT AUTOSTRADY GROUP AND OF CHANGES THEREOF, AND INFORMATION SIGNIFICANT FOR THE ASSESSMENT OF THE ISSUER'S AND OF ITS GROUP'S ABILITY TO FULFIL THEIR OBLIGATIONS

3.1. INFORMATION SIGNIFICANT FOR THE ASSESSMENT OF THE STAFFING SITUATION IN THE STALEXPORT AUTOSTRADY GROUP

(i) Organisational structure of Stalexport Autostrady

The Company's organisational structure did not change in H1 2020. The Company's organisational chart as at 30 June 2020 is shown in the figure below.

FIGURE 2 | ORGANISATIONAL CHART OF STALEXPORT AUTOSTRADY S.A. AS AT 30 JUNE 2020



Source: The Company's own compilation

The structure and organisation of the Group together with a description of the entities it includes are presented in item 1 of the Report.

(ii) Employment in the Group

As at 30 June 2020, headcount at Stalexport Autostrady amounted to 25 employees (6% FTE), meaning that it increased slightly vs 31 December 2019 and vs 30 June 2019, when it amounted to 26 employees (7% FTE).

The Group, as at 30 June 2020, had 336 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 2019, the Stalexport Autostrady Group had 335 employees, and 329 employees as at 30 June 2019.

The number of executive officers and middle management employees remains unchanged vs 31 December 2019 and 30 June 2019.

The increase in the Group's headcount as at 30 June 2020 vs 30 June 2019 and 31 December 2019, respectively by 2.13% and 0.3%, was caused primarily by the increased employment of toll collection staff in the VIA4 operator company.

(iii) Changes in the composition of the Company's and of the Group's managing and supervisory bodies in the Stalexport Autostrady reporting period

o Management Board

Pursuant to §10 of the Company's Statutes, the Management Board is composed of 1 to 3 persons. The President of the Management Board is appointed by the Supervisory Board, and the other members of the Management Board are appointed by the Supervisory Board at the request of the President of the Management Board. The joint term of office of the Management Board members lasts three consecutive years, and their mandates expire on the day of holding of the General Meeting approving the financial statements for the last full financial year of performance of the function of Management Board member.

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

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



Emil Wąsacz – President of the Management Board

Mariusz Serwa – Vice-President of the Management Board

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

○ **Supervisory Board**

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

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

1. Nicola Bruno,
2. Tomasz Dobrowolski,
3. Flavio Ferrari,
4. Aleksander Galos,
5. Roberto Mengucci,
6. Marco Pace,
7. Stefano Rossi.

On 19 April 2019, the Supervisory Board appointed the following persons:

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

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

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

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

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

○ **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,

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

a) from 1 January 2020 until 15 March 2020

Remuneration Committee:

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

Audit Committee:

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

b) from 16 March 2020 until 26 March 2020

Remuneration Committee:

- Tomasz Dobrowolski – Deputy Chairman,
- Aleksander Galos.

Audit Committee:

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

c) from 26 March 2020 until 26 July 2020

Remuneration Committee:

- Tomasz Dobrowolski – Deputy Chairman

Audit Committee:

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

d) from 27 July 2020 until the date of preparation of the Report

Remuneration Committee:

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

Audit Committee:

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

Mr Tomasz Dobrowolski and Mr Krzysztof Rogala meet (and Mr Aleksander Galos met, until the date when he ceased performing his function) the criteria of independence envisaged for independent Audit Committee members, referred to 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 Rules of the Audit Committee, and the **criteria of independence envisaged for independent Remuneration Committee members**, referred to in 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, taking into account the guidelines included in the DPSN 2016.

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).

3.2. PRESENTATION OF FINANCIAL RESULTS

The following table includes basic financial results of the Stalexport Autostrady Group generated in H1 2020 along with comparative data for the corresponding period of the previous year.

TABLE 5 | SELECTED ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME OF THE STALEXPORT AUTOSTRADY GROUP IN H1 2020 AND IN THE SAME PERIOD OF THE PREVIOUS YEAR (CONSOLIDATED FIGURES)

PLN '000	H1 2020	H1 2019	Change [%]
Revenues from sales	128,656	167,962	-23%
Cost of sales	-44,544	-45,837	-3%
Gross profit on sales	84,112	122,125	-31%
Other operating revenue	5,653	1,987	184%
General and administrative expenses	-39,504	-62,766	-37%
Other operating expenses	-141	-321	-56%
Losses on impairment of trade receivables and other receivables	-25	-16	56%
Profit on operating activities (EBIT)	50,095	61,009	-18%
Financial revenue	3,467	5,885	-41%
Financial expenses	-4,132	-7,948	-48%
Balance on financial activities	-665	-2,063	-68%
Share in profit of affiliates	-215	79	-372%
Profit before taxation	49,215	59,025	-17%
Income tax	-14,592	-21,484	-32%
Net profit	34,623	37,541	-8%

Source: The Company's own compilation

In H1 2020, the Group obtained 23% lower sales revenues compared to the corresponding period of the previous year. This results mainly from the restrictions introduced by state authorities and institutions, related to social and economic activities, in connection with the spreading of the SARS-CoV-2 coronavirus and to the number of COVID-19 cases.

The gross profit from sales decreased by 31% vs the same period of the previous year. The gross profit dynamic was fundamentally driven by the decrease in sales revenues mentioned earlier. On the other hand, own costs of sales were 2.8% lower vs H1 2019.

3.2.1. AMOUNT AND STRUCTURE OF OPERATING REVENUE

The Stalexport Autostrady Group's financial results are driven mainly by the Group's motorway activity consisting in the management and operation of the Katowice–Kraków toll section of the A4 motorway, performed by the SAM subsidiary under the Concession Agreement it signed, in force until 2027.

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



In H1 2020, Average Daily Traffic (ADT) on the concession section of the A4 motorway Katowice–Kraków amounted to 32,495 vehicles and was 25.9% lower than the traffic level recorded in the same period of 2019 (43,873 vehicles). In H1 2020, toll revenue amounted to PLN 126,703 thousand, i.e. it was 23.7% lower vs the same period of 2019 (PLN 165,994 thousand).

As far as passenger cars are concerned, Average Daily Traffic decreased from 36,638 vehicles in H1 2019 to 26,214 vehicles in H1 2020 (a 28.5% decrease). Consequently, toll revenue from passenger cars in H1 2020 amounted to PLN 72,452 thousand, i.e. it decreased by 31.5% vs H1 2019 (PLN 105,783 thousand). The difference between the toll revenue dynamic and the passenger car ADT dynamic results from the preferential toll rates introduced in 2020 for automatic toll collection methods.

As far as heavy goods vehicles are concerned, in turn, ADT decreased by approximately 13.2%, i.e. from 7,235 vehicles in H1 2019 to 6,281 vehicles in H1 2020. Consequently, toll revenue from heavy goods vehicles in H1 2020 amounted to PLN 54,251 thousand, i.e. it decreased by 9.9% vs H1 2019 (PLN 60,211 thousand). The difference between the toll revenue dynamic and the ADT dynamic for heavy goods vehicles results from the new toll rates from 1 March 2019 (increase from PLN 18.00 to PLN 20.00, and from PLN 30.00 to PLN 35.00), the discounts introduced this year for automatic toll collection methods as well as the differences in the vehicle category structure (different toll rates are applied depending on the category).

The following table shows Average Daily Traffic (ADT) in H1 2020 vs H1 2019 along with the dynamics.



TABLE 6 I AVERAGE DAILY TRAFFIC (ADT)

ADT	H1 2020	H1 2019	Change
 Passenger cars	26,214	36,638	-28.5%
 Heavy goods vehicles	6,281	7,235	-13.2%
Total	32,495	43,873	-25.9%

Source: The Company's own compilation

The following table shows toll revenue in H1 2020 vs H1 2019 along with the dynamics.

TABLE 7 | TOLL REVENUE

[PLN '000]	H1 2020	H1 2019	Change
 Passenger cars	72,452	105,783	-31.5%
 Heavy goods vehicles	54,251	60,211	-9.9%
Total	126,703	165,994	-23.7%

Source: The Company's own compilation

The following figures show the dynamics of Average Daily Traffic [ADT] and of toll revenue in H1 2020 vs H1 2019 on a quarterly basis, separately for passenger cars and heavy goods vehicles.

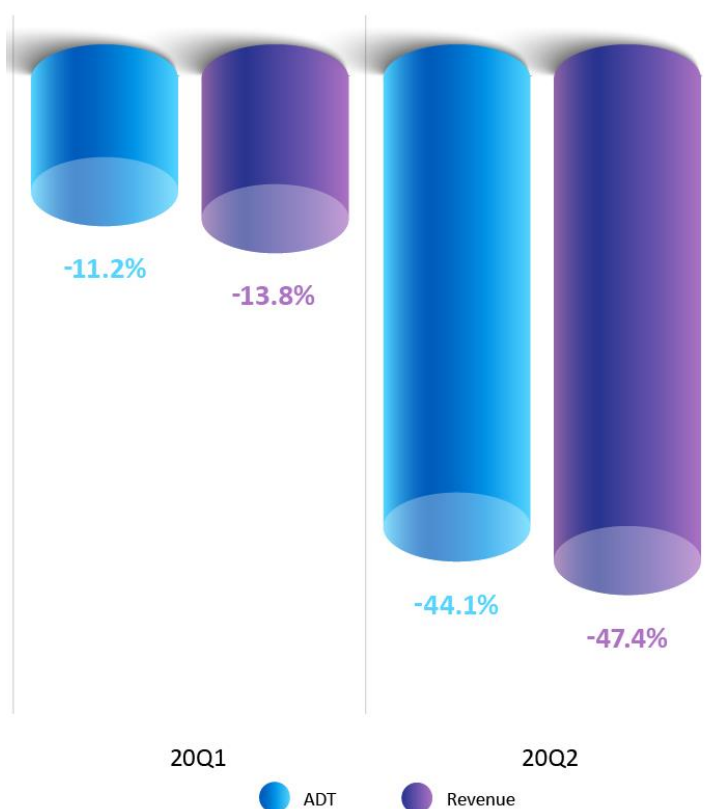


FIGURE 3 | DYNAMICS OF AVERAGE DAILY TRAFFIC [ADT] AND TOLL REVENUE FOR PASSENGER CARS IN H1 2020 VS H1 2019 (QUARTER ON QUARTER OF THE PREVIOUS YEAR)

Source: The Company's own compilation

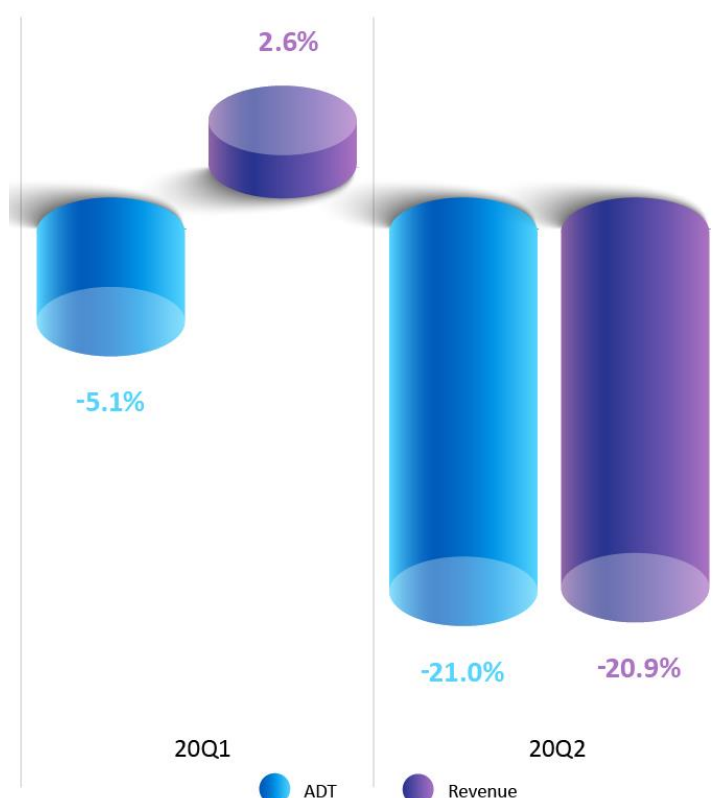


FIGURE 4 | DYNAMICS OF AVERAGE DAILY TRAFFIC [ADT] AND OF TOLL REVENUE FOR HEAVY GOODS VEHICLES IN H1 2020 VS H1 2019 (QUARTER ON QUARTER OF THE PREVIOUS YEAR)

Source: The Company's own compilation

The difference in the dynamics of revenues between the quarters results mainly from the restrictions introduced in March 2020 by state authorities and institutions, related to social and economic activities, in connection with the spreading of the SARS-CoV-2 coronavirus and to the number of COVID-19 cases. In the case of heavy goods vehicles, the differences in the dynamics of revenues between the quarters were also influenced by the change of toll rates introduced from 1 March 2019.

Apart from toll collection, the Group also obtained revenue from sales related to motorway operation in the amount of PLN 356 thousand, including PLN 352 thousand in compensation for infrastructure damaged by motorway users.

Apart from the motorway activity, revenue from sales of the Stalexport Autostrady Group in the amount of PLN 1,597 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 H1 2019, the amount of revenue unrelated to motorway activities decreased slightly (by 4.6%).

In H1 2020, other operating revenue amounted to PLN 5,653 thousand and included, among other items, revenue from the lease of rest and service areas (PLN 5,326 thousand), compensation and contractual penalties obtained, reimbursement of fees and costs of court proceedings (PLN 130 thousand) and other (PLN 173 thousand).

3.2.2. AMOUNT AND STRUCTURE OF OPERATING EXPENSES

In H1 2020, the operating expenses of the Stalexport Autostrady Group amounted to PLN 84,189 thousand and were 22.7% lower than in the same period of the previous year, mainly due to the lower amount of the item "Payments towards the State Treasury" (PLN 14,880 thousand in the current period, vs PLN 44,356 thousand in the previous period).

In H1 2020, the costs of operating activities consisted of the following:

- own costs of sales in the amount of PLN 44,544 thousand. The amount corresponding to this cost group was lower by approx. 2.8% vs the previous year (PLN 45,837 thousand);
- general and administrative costs in the amount of PLN 39,504 thousand, whose value decreased by PLN 23,262 thousand (37.1%) vs the same period in the previous year (including as a result of the lower amount of the "Payments towards the State Treasury" items;
- other operating expenses in the amount of PLN 141 thousand, driven predominantly by donations made (PLN 58 thousand), penalties, compensation, fees (PLN 32 thousand), as well as the loss on disposal/liquidation of tangible and intangible fixed assets (PLN 23 thousand).

3.2.3. FINANCIAL OPERATIONS

In H1 2020, the Group generated a negative balance on financial activities in the amount of PLN 665 thousand, i.e. the financial revenue generated (PLN 3,467 thousand) was lower than the financial expenses incurred (PLN 4,132 thousand).

Financial revenue was influenced mainly by the interest on bank accounts and deposits in the amount of PLN 3,427 thousand.

Financial expenses were mainly influenced by the discounting of provisions in the total amount of PLN 2,372 thousand, of which: PLN 2,280 thousand related to the provisions for Phase II investment works on the A4 motorway, and PLN 92 thousand related to the resurfacing provision. At this point, it is worth mentioning that in line with the International Accounting Standards as well as the International Financial Reporting Standards, the provisions indicated above are recognised by the Group in the financial statements at their present value. The relevant figure reflects, therefore, the nominal value of the given liability or of the expected expenditure, discounted as at the day the financial statements are prepared, using the market interest rate.

A significant item among other financial expenses concerned the discounting of liabilities related to Concession Fees (PLN 1,399 thousand).

The negative balance on financial operations recorded in H1 2020 (PLN 665 thousand) was at a lower level compared to the balance recorded in H1 2019 (PLN 2,063 thousand). This was driven mainly by the decrease in financial expenses as a result of the complete repayment of the liabilities under the Project Loan Agreement entered into by SAM.

3.3. ASSETS AND FINANCIAL POSITION

The following table includes a synthetic statement of financial position of the Group as at 30 June 2020. For the sake of comparison, the figures reflecting particular items and their structure as at the end of 2019 have also been included.

TABLE 8 I SYNTHETIC STATEMENT OF FINANCIAL POSITION OF THE STALEXPORT AUTOSTRADY GROUP (CONSOLIDATED FIGURES) – AS AT 30 JUNE 2020 AND 31 DECEMBER 2019

in PLN '000	30 Jun 2020	31 Dec 2019	Dynamics	Structure	
			2020/2019	30 Jun 2020	31 Dec 2019
Non-current assets	932,635	918,245	2%	70%	69%
Current assets	397,159	403,807	-2%	30%	31%
Shareholders' equity	808,954	795,764	2%	61%	60%
Non-current payables	360,678	344,696	5%	27%	26%
Current payables	160,162	181,592	-12%	12%	14%
Balance sheet total	1,329,794	1,322,052	1%	100%	100%

Source: The Company's own compilation

3.3.1. ASSETS

The largest item in **non-current assets** consisted of intangible assets, amounting at the end of H1 2020 amounted to PLN 460,612 thousand, and was composed virtually entirely of concession intangible assets. Their value increased by PLN 22,435 thousand vs the end of 2019. This increase resulted from the following: (i) amortisation of concession intangible assets and other intangible assets (PLN 25,122 thousand), (ii) increase in concession intangible assets as a result of revaluation (PLN 45,026 thousand), and (iii) acquisition (PLN 2,531 thousand).

The second largest item was represented by non-current investments, whose value decreased as at the end of H1 2020 to the amount of PLN 411,227 thousand vs PLN 417,794 thousand as at the end of 2019. This resulted mainly from the effect of the decrease 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 programme being implemented).

Tangible fixed assets (PLN 31,254 thousand) and deferred income assets, the value of which as at the end of H1 2020 decreased to the amount of PLN 22,608 thousand, constituted another significant item of non-current assets. Deferred income tax assets included items related, among others, to property, plant and equipment as well as the provisions established, set off against the deferred tax provision, related mainly to concession intangible assets.

The largest item in the **current assets** structure was cash (PLN 375,504 thousand), whose value as at the end of H1 2020 increased by PLN 2,636 thousand vs the end of 2019. Trade receivables and other receivables constituted another significant item of current assets (PLN 17,362 thousand); they decreased by PLN 8,939 thousand, mainly as a result of the decrease in VAT receivables. Apart from the above, inventories (PLN 3,047 thousand) decreased vs 2019 by PLN 17 thousand, while the value of non-current investments in the amount of PLN 953 thousand decreased vs the end of 2019 by PLN 621 thousand.

3.3.2. LIABILITIES

As at 30 June 2020, the Group's total **payables and provisions** amounted to PLN 520,840 thousand, 69.2% of which being non-current items. The main items of payables and provisions included the following:

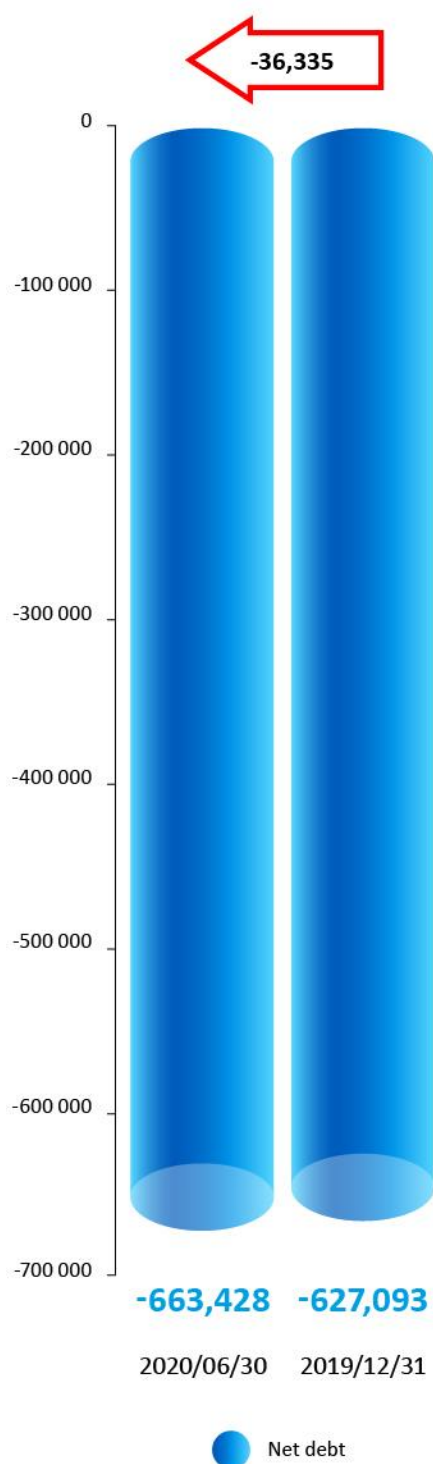
- PLN 397,537 thousand: provisions for capital expenditures within Phase II of the investments being implemented on the managed section of the A4 motorway;
- PLN 59,413 thousand: trade payables and other payables (including mainly Payments to the State Treasury in the amount of PLN 14,880 thousand; dividend payables in the amount of PLN 15,738 thousand, as well as the current portion of Concession Fee payables in the amount of PLN 3,313 thousand);
- PLN 18,134 thousand: other non-current payables (including PLN 11,230 thousand in relation to Concession Fee payables);
- PLN 11,973 thousand: provision established for planned motorway resurfacing;
- PLN 11,024 thousand: income tax payables;
- PLN 7,146 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 6,390 thousand: prepayment related to lease of rest and service areas (MOP) and land for fibre optic cables (concerns the Katowice–Kraków section of the A4 motorway);
- PLN 6,055 thousand: payables related to employee benefits;
- PLN 3,168 thousand: payables related to leasing.

3.3.3. NET DEBT

Excluding from liabilities the provisions for Phase II construction works and the payable related to derivative instruments used as hedging (taking into account deferred tax), the Group's net debt in H1 2020 decreased by the amount of PLN 36,335 thousand. The Group's net debt is fundamentally influenced by cash in long-term and short-term deposits.

The detailed method of calculation of this ratio and its value at the end of H1 2020 and as at 31 December 2019 are presented below.

FIGURE 5 I NET DEBT OF THE GROUP (CONSOLIDATED FIGURES) – AS AT 30 JUNE 2020 AND AS AT 31 DECEMBER 2019



PLN '000	30 Jun 2020	31 Dec 2019
A4 project loan	0	0
Motorway resurfacing provisions	+11,973	+14,001
Trade payables and other payables	+59,413	+90,307
Deferred income	+6,390	+6,023
Other non-current payables	+18,134	+17,567
Employee benefits	+6,055	+5,309
Payables under agreements	+7,146	+6,570
Other payables and provisions	0	0
Lease payables	+3,168	+3,237
Income tax payables	+11,024	+20,555
Long-term bank deposits	-411,227	-417,794
Cash and cash equivalents	-375,504	-372,868
Net debt	-663,428	-627,093

Source: The Company's own compilation

3.3.4. CAPITAL EXPENDITURE

Capital expenditure incurred by the Stalexport Autostrady Group in H1 2020 amounted to PLN 17,692 thousand and included mainly construction works carried out on the Katowice–Kraków section of the A4 motorway managed by the Group. The said expenditure was related mainly to renovation of bridges and to drainage of the Silesian section of the motorway. Other capital expenditure of the Group pertains mainly to the purchase of equipment required for the purpose of ongoing motorway maintenance, as well replacement of office equipment and means of transportation. The above-mentioned value of capital expenditure also includes the Engineer's costs and design costs.

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

PART 4

PROSPECTS FOR DEVELOPMENT AND MAJOR RISKS AND THREATS; DESCRIPTION OF THE EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE GROUP'S DEVELOPMENT

4.1. PROSPECTS FOR DEVELOPMENT

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

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

It was possible to implement this project thanks to the experience of the companies from the Atlantia group, an international leader in the electronic toll collection sector. Drawing further on this experience, in 2019 the Group undertook actions aimed at introducing more payment forms. As a result of these actions, videotolling using the AutoPay application was introduced in July 2019. In late June/early July this year, in turn, the videotolling function was also made available through the SkyCash application, and a newer and more user-friendly online store was launched for "A4Go" (www.a4go.pl).

4.2. DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS AND OF THE WAYS OF COUNTERACTING SUCH RISKS AND CHARACTERISATION OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE COMPANY AND OF THE STALEXPORT AUTOSTRADY GROUP

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

- **the A4 Katowice–Kraków project being implemented.**

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

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

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

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

Additional risks are also related to the **decision of the Polish Office of Competition and Consumer Protection (hereinafter referred to as UOKiK)** of 2008, in which the Office stated, among other things, that the Concessionaire's practice restricted competition by "imposing unfair prices for using the toll section of the motorway in the amount specified in the price list, despite repair works being carried out at the same time on that section, resulting in major traffic disruption" and ordered that these practices be ceased. When performing future repair works causing substantial traffic disruption, the Concessionaire should take into account the provisions of that decision in its toll rate policy. The Company reduced this risk by introducing the following documents 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 those 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 (unleased) 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 acquire 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.

In addition to the risks described above, which have accompanied the Company's activities for years now, in 2020 a new **risk has appeared related to the spreading of the SARS-CoV-2 coronavirus and to COVID-19 infections**.

As at the date of drafting of this Report, the Company's Management Board expects that the effects of the spread of the SARS-CoV-2 coronavirus and of COVID-19 infections may have a significant impact on future operating and financial results and on the Group's activities due to the fact that approx. 99% of the Group's revenue is revenue from toll collection on the A-4 motorway Katowice-Kraków section managed by SAM.

Thus, the Group's results will be affected by any changes in traffic on the motorway section mentioned above caused by the spreading of the SARS-CoV-2 coronavirus and by COVID-19 infections, which may be influenced by the following, among other things:

- a) guidelines and restrictions introduced by state authorities and institutions aimed at containing the spread of the SARS-CoV-2 coronavirus, including, among other things, restrictions on traffic of passenger car and heavy goods vehicles on the national territory or related to international road transport through Poland or neighbouring countries,
- b) the macroeconomic effects of the epidemic on the Polish economy, including the unemployment increase and the GDP decrease in 2020 predicted by many institutions.

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

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

PART 5

CONCLUSION

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

31 July 2020

Date

Emil Wąsacz

President of the Management Board, CEO

*Signed with a qualified
electronic signature*

31 July 2020

Date

Mariusz Serwa

Vice-President of the Management Board, CFO

*Signed with a qualified
electronic signature*

PART 6

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

Representation

We hereby represent that, according to our best knowledge, the condensed semi-annual consolidated financial statements of the Company for H1 2020 and the comparable data have been drawn up in line with the applicable accounting standards and they give a true, fair and clear view of Stalexport Autostrady's assets and financial position as well as of its financial profit or loss.

At the same time, we represent that the Management Board's Report on the Activities of Stalexport Autostrady S.A. in H1 2020 gives a true presentation of the Company's development, achievements and position, including a description of the major risks and threats.

31 July 2020

Date

Emil Wąsacz

President of the Management Board, CEO

31 July 2020

Date

Mariusz Serwa

Vice-President of the Management Board, CFO

ENCLOSURES

Enclosure no. 1 Selected financial data of Stalexport Autostrady

TABLE 9 | FINANCIAL DATA CONCERNING THE CONDENSED SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF THE STALEXPORT AUTOSTRADY GROUP FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2020

	PLN '000		EUR '000	
	H1 2020	H1 2019	H1 2020	H1 2019
Revenue	128,656	167,962	28,968	39,170
Profit on operating activities	50,095	61,009	11,279	14,228
Profit before taxation	49,215	59,025	11,081	13,765
Net profit for the period	34,623	37,541	7,796	8,755
Net profit attributable to the owners of the Parent Entity	32,967	35,138	7,423	8,194
Weighted average number of shares as at end of period (in thousands)	247,262	247,262	247,262	247,262
Earnings per share of the Parent Entity's owners (in PLN/EUR)	0.13	0.14	0.03	0.03
Diluted earnings per share of the Parent Entity's owners (in PLN/EUR)	0.13	0.14	0.03	0.03
Net cash from operating activities	22,547	121,752	5,077	28,394
Net cash from investment activities	(14,433)	(66,879)	(3,250)	(15,597)
Net cash from financial activities	(5,478)	(116,010)	(1,233)	(27,055)
Net cash flows, total	2,636	(61,137)	594	(14,258)
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Total assets	1,329,794	1,322,052	297,760	310,450
Non-current assets	932,635	918,245	208,830	215,626
Current assets	397,159	403,807	88,929	94,824
Total payables	520,840	526,288	116,623	123,585
Non-current payables	360,678	344,696	80,761	80,943
Current payables	160,162	181,592	35,863	42,642
Total shareholders' equity	808,954	795,764	181,136	186,865
Equity of the owners of the Parent Entity	806,640	786,335	180,618	184,651
Non-controlling shares	2,314	9,429	518	2,214
Share capital	185,447	185,447	41,524	43,547

Source: The Company's own compilation

TABLE 10 | FINANCIAL DATA CONCERNING THE CONDENSED SEMI-ANNUAL SEPARATE FINANCIAL STATEMENTS OF STALEXPORT AUTOSTRADY FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2020

	PLN '000		EUR '000	
	H1 2020	H1 2019*	H1 2020	H1 2019*
Revenue	1,699	1,909	383	445
Loss on operating activities	(2,712)	(2,555)	(611)	(596)
Profit/(loss) before taxation	140,296	(528)	31,589	(123)
Net profit/(loss) for the reporting period	139,668	(741)	31,448	(173)
Weighted average number of shares as at the end of the period (in thousands)	247,262	247,262	247,262	247,262
Profit/(loss) per ordinary share (in PLN/EUR)	0.56	(0.00)	0.13	(0.00)
Diluted profit/(loss) per ordinary share (in PLN/EUR)	0.56	(0.00)	0.13	(0.00)
Net cash from operating activities	(1,375)	(602)	(310)	(140)
Net cash from investment activities	139,062	12,611	31,311	2,941
Total net cash flow	137,562	(79,603)	30,973	(18,564)
	30 Jun 2020	31 Dec 2019*	30 Jun 2020	31 Dec 2019*
Total assets	415,246	275,619	92,979	64,722
Non-current assets	76,931	78,362	17,226	18,401
Current assets	338,315	197,257	75,753	46,321
Total payables	18,426	5,854	4,126	1,375
Non-current payables	4,672	4,231	1,046	994
Current payables	13,754	1,623	3,080	381
Total shareholders' equity	396,820	269,765	88,854	63,347
Share capital	185,447	185,447	41,524	43,547

* data converted in relation to the merger with a subsidiary [as described in item 2.2 of the Report]

Source: The Company's own compilation

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

- individual items of the consolidated and separate statement of comprehensive income and cash flow statement for H1 2020 and for H1 2019: at the rate constituting the arithmetic mean of the average exchange rates published by the National Bank of Poland in force as at the last day of each month in the business period, i.e. respectively 4.4413 PLN/EUR and 4.288 PLN/EUR;
- individual items of assets and liabilities: at the average exchange rate published by the National Bank of Poland, as at the balance sheet date, i.e. respectively 4.466 PLN/EUR as at 30 June 2020 and 4.2585 PLN/EUR as at 31 December 2019.