

**Reports and evaluations
of the Supervisory Board¹**

**of Stalexport Autostrady S.A.
with its registered office in Mysłowice
for the year 2017**

¹Approved by the Supervisory Board's Resolution no. 01/03/2018 of 1 March 2018

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This Report has been prepared in relation to the following regulations:

1. art. 382 §3 of the Act of 15 September 2000 – the Code of Commercial Companies (Polish Journal of Laws Dz.U. of 2000 No. 94 item 1037 as amended);
2. the Statutes of Stalexport Autostrady S.A.;
3. the Regulations of the Supervisory Board of Stalexport Autostrady S.A. and the Regulations of the Supervisory Board's Audit Committee;
4. the corporate governance rules from the Best Practice of GPW Listed Companies 2016, which were adopted by way of resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych S.A. w Warszawie [Warsaw Stock Exchange] of 13 October 2015 and entered into force on 1 January 2016 (hereinafter referred to as: DPSN 2016).

I. REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD AND OF ITS COMMITTEES IN 2017

1. Subject and period of the report

The report on the activities of the Supervisory Board of Stalexport Autostrady S.A. with its registered office in Mysłowice (hereinafter referred to as: Stalexport Autostrady, "Parent Company", or Company) and of its committees covers the period from 1 January 2017 until 31 December 2017.

2. Composition of the Supervisory Board and of its committees

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. Nicolò Caffo,
2. Aleksander Galos,
3. Roberto Mengucci,
4. Marco Pace,
5. Stefano Rossi,
6. Massimo Sonego,
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 was composed of the members listed above until 15 December 2017, because of the resignation of Mr Nicolò Caffo from the position of a member of the Supervisory Board Member on 23 November 2017, with the effect on 15 December 2017.

The Supervisory Board operating in the period from 16 December 2017 until 26 January 2018 was composed of the following 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 from the position of a 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) shall be composed of seven members and appointed 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 following committees function within the Supervisory Board: The Remuneration Committee and the Audit Committee, operating as advisory and opinion-making 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 supplemented the composition of the above mentioned 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 as follows:

Remuneration Committee:

- Roberto Mengucci – Chairman,
- Tomasz Dobrowolski,
- Aleksander Galos;

Audit Committee:

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

3. Evaluation of compliance with the criteria of independence by Supervisory Board members

Two of the Supervisory Board members, i.e. Mr Tomasz Dobrowolski and Mr Aleksander Galos meet 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 and in the guidelines included in the DPSN 2016, as well as meet the criteria of independence envisaged for independent Audit Committee members, as defined 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.

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

Mr Tomasz Dobrowolski, Mr Aleksander Galos and Mr Tadeusz Włudyka submitted statements concerning their compliance with the said criteria of independence and, in the opinion of the remaining members of the Supervisory Board, there are no connections or circumstances that could affect the compliance with the criteria of independence by the said Supervisory Board members.

In this manner, the majority of the members of the Remuneration Committee and of the Audit Committee, including the Chairman of the Audit Committee, meet the criteria of independence indicated above.

4. Basic forms and directions of activities of the Supervisory Board and of its committees in 2017

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

The Supervisory Board's committees operate pursuant to the regulations adopted by the Supervisory Board forming Enclosures to the Regulations of the Supervisory Board. They are also available from the corporate web page of the Company (www.stalexport-autostrady.pl). The Supervisory Board exercised constant supervision over the Company's activities in 2017 in all areas as well as carried out its duties and exercised its rights resulting from the provisions of the Company's Statutes, the Code of Commercial Companies, as well as other provisions of the law.

Throughout the reporting period, the Supervisory Board held 3 recorded meetings (on 2 March 2017, 11 July 2017, and 16 October 2017), and in each case were attended by sufficient members to enable adoption of the resolutions.

At the meetings, the Supervisory Board examined matters resulting from the Code of Commercial Companies, from the Company's Statutes, from the Regulations of the Supervisory Board as well as from the Company's current activities.

In 2017, the Supervisory Board adopted 18 resolutions (including two by circulation), whose list is included in **Enclosure no. 1**. Prior to adoption of the resolutions, the matters they addressed had been analysed and discussed.

The basic form of the supervision over the Company's activities exercised by the Supervisory Board consisted in reviewing the documents submitted by the Management Board. In 2017, the Supervisory Board focused particularly on the following:

- materials and resolutions submitted to the General Meeting by the Management Board,
- the financial standing of the Company and of the Group,
- periodic reports on the implementation of the Company's and of the Group's budget,
- analysis of the risks related to the Company's activity and of its compliance with the regulations binding upon it,
- assessment of performance of the previously agreed on bonus tasks as well as setting new ones,
- amendments to legal regulations concerning the capital market, including in particular with regard to the functioning of the audit committee and to the procedures concerning the selection of the form of audit in relation to the Act of 20 May 2017 on statutory auditors.

5. Report on the activities of the Supervisory Board's committees in 2017

The bases for operation and the composition of the Supervisory Board's committees in 2017 are presented in paragraphs I.2 and I.4 hereof.

5.1. Report on the activities of the Audit Committee

The Audit Committee held two meetings in 2017:

- **on 1 March 2016**, dedicated to the analysis and evaluation of the financial statements of Stalexport Autostrady and of the Stalexport Autostrady Capital Group for the financial year from 1 January 2016 until 31 December 2016 as well as of the Management Board's motion regarding the distribution of net profit for 2016;

- **on 16 October 2017**, dedicated to the adoption of the following: (i) the policy of provision, in favour of Stalexport Autostrady, of permitted services other than audit by the statutory auditor/auditing firm carrying out the audit, by their related entities or by a member of the auditing firm's network; (ii) the procedure of selecting the statutory auditor/auditing firm to carry out the audit of the financial statements of Stalexport Autostrady; (iii) the policy of provision, in favour of the company Stalexport Autostrady S.A., of permitted services other than audit by the statutory auditor/auditing firm carrying out the audit, by their related entities or by a member of the auditing firm's network.

5.2. Report on the activities of the Remuneration Committee

The Remuneration Committee before the Supervisory Board's meeting on 11 July 2017 provided opinions on the following issues:

- performance of the bonus tasks being the basis for awarding the annual reward to members of the Management Board for 2016,
- determination of the bonus tasks for members of the Management Board for 2017.

Having considered the above, the Supervisory Board evaluated the work of the Board's committees in 2017 positively.

6. Self-evaluation of the Supervisory Board's work

The Supervisory Board has found that in the reporting period, the individual Supervisory Board Members performed their functions honestly, reliably and with due diligence, exercising supervision over the Company's entire activity, guided by objective evaluation and independent judgment. The required level of commitment to the Supervisory Board's work was confirmed for instance by the high rate of attendance at the meetings and by active participation in the discussions concerning the items placed on the agenda.

In the Supervisory Board's opinion, its direct activity and the activity carried out within the Board's standing Committees in the reporting period was efficient and complied with the highest standards.

Taking the above in consideration, the Supervisory Board requests that the fulfilment of duties by all the members of the Supervisory Board in 2017 be acknowledged.

II. REPORT ON THE EVALUATION OF THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF STALEXPORT AUTOSTRADY S.A. AND OF THE SEPARATE FINANCIAL STATEMENTS, OF THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE STALEXPORT AUTOSTRADY CAPITAL GROUP, AS WELL AS OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 IN TERMS OF THEIR CONFORMITY WITH THE BOOKS AND DOCUMENTS AS WELL AS WITH THE FACTS, AND OF THE MANAGEMENT BOARD'S MOTION CONCERNING DISTRIBUTION OF NET PROFIT FOR 2017

Acting pursuant to art. 382 §3 of the Code of Commercial Companies and to §18.2, points 1–3 of the Company's Statutes, the Supervisory Board of Stalexport Autostrady has familiarised itself with and evaluated the following, drawn up in accordance with the requirements of the International Accounting Standards:

- a) **separate financial statements of Stalexport Autostrady S.A. for the financial year 2017**, comprising the following:
- **separate statement of financial position prepared as at December 31, 2017**, showing assets and liabilities amount of 419.487.993,55 zlotys (say: four hundred nineteen million four hundred eighty seven thousand nine hundred ninety three zlotys fifty five groszy),
 - **separate statement of comprehensive income for the period from January 1, 2017 to December 31, 2017**, showing net profit amount of 73.208.489,51 zlotys (say: seventy three million two hundred eight thousand four hundred eighty nine zlotys fifty one groszy) and total comprehensive income of 73.210.703,80 zlotys (say: seventy three million two hundred ten thousand seven hundred three zlotys eighty groszy),
 - **separate statement of changes in equity for the period from January 1, 2017 to December 31, 2017**, showing an increase of equity by the amount of 28.741.691,16 zlotys (say: twenty eight million seven hundred forty one thousand six hundred ninety one zlotys sixteen groszy),
 - **separate statement of cash flows for the period from January 1, 2017 to December 31, 2017**, showing an increase in cash by the amount of 25.268.484,87 zlotys (say: twenty five million two hundred sixty eight thousand four hundred eighty four zlotys eighty seven groszy),
 - notes to the separate financial statements including information about the accounting policy adopted and other explanatory information.
- b) **consolidated financial statements of the Stalexport Autostrady S.A. Capital Group for the financial year 2017**, comprising the following:
- **consolidated statement of financial position prepared as at December 31, 2017**, showing assets and liabilities in amount of 1.438.346 thousand zlotys (say: one billion four hundred thirty eight million three hundred forty six thousand zlotys),

- **consolidated statement of comprehensive income for the period from January 1, 2017 to December 31, 2017**, showing net profit in amount of 158.780 thousand zlotys (say: one hundred fifty eight million seven hundred eighty thousand zlotys) and total comprehensive income of 161.506 thousand zlotys (say: one hundred sixty one million five hundred six thousand zlotys),
- **consolidated statements of changes in equity for the period from January 1, 2017 to December 31, 2017**, showing an increase in equity by the amount of 111.345 thousand zlotys (say: one hundred eleven million three hundred forty five thousand zlotys),
- **consolidated statement of cash flows for the period from January 1, 2017 to December 31, 2017**, showing an increase in cash by the amount of 29.941 thousand zlotys (say: twenty nine million nine hundred forty one thousand zlotys),
- **notes** to the consolidated financial statements comprising a summary of significant accounting policies and other explanatory information.

c) Management Board's Report on the Activities of Stalexport Autostrady S.A. in 2017,

d) Management Board's Report on the Activities of the Stalexport Autostrady S.A. Capital Group in 2017.

The audit of the Company's financial statements within the meaning of the provisions of the Accounting Act, for the period from 1 January 2017 until 31 December 2017, was carried out by Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw at Al. Jana Pawła II nr 22 (hereinafter: Deloitte), entered on the list of entities authorised to audit financial statements kept by the National Chamber of Statutory Auditors under No. 73, selected by the Supervisory Board.

The evaluation of the financial statements for 2017 was carried out by the Supervisory Board's Audit Committee at the meeting on 28 February 2018, with the participation of the statutory auditor's representative. The Vice-President of the Management Board – CFO and the Chief Accountant also participated in that meeting.

RE: a) and c)

In the opinion of the Audit Committee, of the Supervisory Board and of Deloitte, **the separate financial statements of Stalexport Autostrady S.A. for the financial year 2017:**

- give a true and fair view of the economic and financial position of the Company as at 31 December 2017 and its financial performance for the financial year from 1 January 2017 to 31 December 2017 in line with the applicable International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and the adopted accounting principles (policies);
- have been prepared based on properly kept - in line with chapter 2 of the Accounting Act – accounting records,
- comply, with respect to their form and content, with the applicable provisions of law, including the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required under the law of a non-member state (Journal of Laws of 2014, item 133,

as amended) (hereinafter: "Ordinance on current and periodic information") and with the provisions of the Company's Statutes.

The Audit Committee, the Supervisory Board and Deloitte also find that the Management Board's Report on the activities of Stalexport Autostrady in 2017 has been prepared in line with the applicable provisions of law and is consistent with the underlying information disclosed in the separate financial statement of Stalexport Autostrady S.A. for the financial year 2017.

In relation to the audit of the financial statements carried out, the auditor was obliged — under the act on statutory auditors — to issue an opinion as to whether the Company, required to submit a statement of compliance with corporate governance principles, which constitutes a separate part of the Report on the activities of the Company, included in such statement the legally required information and — with respect to specific information so required or required by other rules — a declaration whether it complies with applicable regulations and is consistent with the information included in the annual financial statements.

In auditor's opinion, the Company's statement of compliance with corporate governance principles includes information specified in Article 91.5.4 letters a, b, g, j, k and l of the Ordinance on current and periodic information. The information specified in Article 91.5.4 letters c-f, h and i of the Ordinance on current and periodic information given in the statement of compliance with corporate governance principles is consistent with the applicable provisions of law and the information presented in the financial statements of Stalexport Autostrady for 2017.

RE: b) and d)

In the opinion of the Audit Committee, of the Supervisory Board and of Deloitte, **the consolidated financial statements of the Stalexport Autostrady S.A. Capital Group for the financial year 2017:**

- give a true and fair view of the economic and financial position of the Capital Group as at 31 December 2017 and its financial performance for the financial year from 1 January 2017 to 31 December 2017 in line with the applicable International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and the adopted accounting principles (policies);
- comply, with respect to their form and content, with the applicable provisions of law and with the provisions of the Company's Statutes.

The Audit Committee, the Supervisory Board and Deloitte also find that the Report on the activities of the Capital Group in 2017 has been prepared in line with the applicable provisions of law and is consistent with the underlying information disclosed in the annual consolidated financial statements for the financial year 2017.

In relation to the audit of the consolidated financial statements carried out, the auditor was obliged — under the act on statutory auditors — to issue an opinion as to whether the Company, required to submit a statement of compliance with corporate governance principles, which constitutes a separate part of the Report on the activities of the Capital Group, included in such statement the legally required information and — with respect to specific information so required or required by other rules — a declaration whether it complies with applicable regulations and is consistent with the information included in the annual consolidated financial statements.

In auditor's opinion, the Company's statement of compliance with corporate governance principles includes information specified in Article 91.5.4 letters a, b, g, j, k and l of the Ordinance on current and periodic information. The information specified in Article 91.5.4 letters c-f, h and i of the Ordinance on current and periodic information given in the statement of compliance with corporate governance principles is consistent with the applicable provisions of law and the information presented in the consolidated financial statements.

Furthermore, the Supervisory Board has familiarised itself with and evaluated, pursuant to §18(2)(2) of the Company's Statutes, the motion prepared by the Management Board to be submitted to the General Meeting concerning the distribution of net profit for the year 2017, and does not submit any reservations concerning the proposed method of profit sharing.

III. EVALUATION OF THE COMPANY'S SITUATION TAKING INTO ACCOUNT INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS AS WELL AS THE INTERNAL AUDIT FUNCTION; THIS EVALUATION COMPRISES ALL THE SIGNIFICANT CONTROL MECHANISMS, INCLUDING IN PARTICULAR THOSE RELATED TO FINANCIAL REPORTING AND OPERATING ACTIVITY

The Supervisory Board of Stalexport Autostrady, acting in line with the DPSN 2016 applied by the Company (which is described more extensively in Section 7 of the Management Board's Report on the Company's activities in 2017), including in particular with the rule set forth under II.Z.10.1, **carried out an evaluation of the Company's situation, taking into account internal control, risk management and compliance systems, as well as the internal audit system; the said evaluation comprises all the significant control mechanisms, including in particular those related to financial reporting and to operating activity.**

The said evaluation was carried out on the basis of the knowledge of the Supervisory Board's members, up-to-date as of the date of its preparation, and on the basis of the Company's statements drawn up for 2017 and of the statutory auditor's opinions and reports concerning those statements.

A detailed analysis of the situation of Stalexport Autostrady in 2017 was presented in the separate financial statements of Stalexport Autostrady and in the Management Board's Report on the Company's activities in 2017.

The above statements and reports contain the most important information concerning the functioning of Stalexport Autostrady in 2017.

1. Evaluation of the activity of Stalexport Autostrady S.A.

However, the Company's activities focus above all on supervising companies from the Stalexport Autostrady Capital Group, which manage and operate the concession section of the A4 motorway (Katowice–Kraków).

The Supervisory Board, just like the Management Board of the Company, has found that 2017 was another year of good financial results for the Stalexport Autostrady S.A. Capital Group.

Revenue from sale in Stalexport Autostrady S.A. is generated above all by services related in the lease of office space in a building located in Katowice. Last year, this revenue was similar to the 2016 figure and amounted to approx. PLN 3.7 million.

The Company's financial revenue in 2017 amounted to over PLN 77.8 million, and the net profit of Stalexport Autostrady exceeded PLN 73.2 million, vs. over PLN 180.7 million in 2016. The lower financial revenue and net profit in 2017 were caused by the much smaller amounts of dividends paid by Stalexport Autoroute S.à r.l., i.e. in the amount of PLN 72.5 million (vs. approx. PLN 177.7 million in 2016).

Revenue from sales in the Group increased by approx. 9% last year vs. 2016, amounting to over PLN 318.8 million. This increase resulted mostly from the increase in revenue from toll collection (by 9.2%), which was influenced by the change of the rates for heavy goods vehicles from 1 March 2017,

as well as by the increased traffic intensity on the Katowice–Krakow section of the A4 motorway managed by the Group, by 5.9% vs. 2016, i.e. to the level of over 43 thousand vehicles per day.

The Group's net profit, on the other hand, decreased by approx. 4% to the amount of approx. PLN 158.8 million, which was influenced by the higher own costs of sales vs. 2016, related to provisions for resurfacing (up by PLN 24.8 million).

The key projects implemented in 2017 in the Group consisted in the completion of the extension of the Rudno junction as well as replacement of toll collection equipment together with the launch of the A4GO electronic toll collection system. As part of the activities contributing to environmental protection, modernisation of motorway drainage and construction of noise barriers continued, while road traffic safety will be improved as a result of the investment started last year, concerning the traffic management system (installation of electronic information panels). The total amount allocated to investments in 2017 was over PLN 43.9 million.

Resurfacing continued as part of the maintenance works.

In 2018, further stages of modernisation of drainage will be carried out, more noise barriers will be built, and the supports of one of the bridge structures in the Małopolskie voivodeship will be renovated. Resurfacing will also be carried out on the last, 6.1 km section of the carriageway in the direction of Krakow, as well as on the slip roads of the Balin junction.

Summing up the evaluation of the activities of Stalexport Autostrady, the Supervisory Board would like to emphasise that the Company and its Capital Group, operating in the motorway business, have sound financial bases that guarantee the stability of their business and provide opportunities for implementation of future projects related to the construction and management of motorways.

2. Perspectives for development of the Stalexport Autostrady S.A. Capital Group

The prospects for external development of Stalexport Autostrady result from 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 Capital 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 understood road infrastructure.

An example of such projects 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 are held by Stalexport Autostrady, participated actively in the said procedure, constitutes significant information.

As far as internal growth is concerned, the Capital 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) 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–Kraków section more conveniently and more rapidly compared to using different payment forms.

It was possible to implement this project thanks to the experience of the companies from the Atlantia capital group, an international leader in the electronic toll collection sector.

3. Internal control and internal audit systems

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 of the financial statements involves the procedures for the 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 constituting the basis for the financial statements and for 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.

4. Risk management and compliance

The Management Board of Stalexport Autostrady is in charge of managing risk significant for the Company and identifies such risks on a systematic basis.

The Supervisory Board shares the Management Board's view expressed in the Management Board's Reports on the Company's activities in 2017 that the basic risks and threats as well as the external

and internal factors significant for the activity of Stalexport Autostrady S.A. can be divided into three fundamental areas, i.e. related to the following:

- implementation of the A4 Katowice–Kraków motorway project,
- lease of office space and investment of own funds,
- and all the activities generally performed by the Company.

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) price policy and by taking actions aiming 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 slowdown 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 efforts to amend 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 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: the Rules of performance of works causing traffic disruption on the motorway, and 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.

Within the scope of lease of office space and investment of the funds held, 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 unoccupied (unleased) space and the rent rates. The Company mitigates 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.

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 constant monitoring of 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 business area 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.

Due to the limited scale of activity of Stalexport Autostrady S.A. and the small number of people employed at the Company, no organisational units were separately established within the organisational structure of Stalexport Autostrady S.A. in charge of implementing tasks in the individual systems and functions referred to in recommendation no. III.R.1, with the exception of the function of compliance, for which a Compliance Officer was appointed within the Company. The Compliance Officer reports directly to the President of the Management Board and has the option of reporting directly to the Supervisory Board of Stalexport Autostrady S.A. In 2017, just like in previous years, the Supervisory Board commissioned the performance of a Compliance Audit, during which no irregularities were found in the area of compliance in the Company's case.

In the remaining areas, i.e. internal control and audit as well as risk management, the individual functions and tasks are performed by Members of the Management Board of Stalexport Autostrady S.A. in accordance with the division of competences.

The Supervisory Board's Audit Committee monitored, in accordance with rule no. III.Z.5, the effectiveness of the systems and functions referred to in rule no. III.Z.1, while the Supervisory Board performed an annual evaluation of the operating effectiveness of such systems and functions.

The Audit Committee and the Supervisory Board evaluated positively the functioning of the internal control system and of the system for the management of risk significant for the Company.

Since the Company did not establish a separate unit performing the internal audit function, and the tasks within that area are carried out within the individual organisational divisions, the Audit Committee and the Supervisory Board have found that, given the nature and size of the Company's

activity, the solution applied has so far been and continues to be fully sufficient, and as at the date of preparation of this report, there is no need to establish an organisationally separate internal audit function within the Company.

IV. EVALUATION OF THE COMPANY'S COMPLIANCE WITH THE INFORMATION OBLIGATIONS RELATED TO THE APPLICATION OF CORPORATE GOVERNANCE RULES, DEFINED IN THE STOCK EXCHANGE RULES AND IN THE REGULATIONS CONCERNING CURRENT AND PERIODIC INFORMATION PROVIDED BY ISSUERS OF SECURITIES

The Rules of Giełda Papierów Wartościowych S.A. w Warszawie [Warsaw Stock Exchange](hereinafter: GPW) and the Ordinance on current and periodic information set forth the information obligations of the issuers concerning the application of corporate governance rules on their part.

The collection of corporate governance rules the Company was subject to in 2017, i.e. the DPSN 2016, is 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).

Pursuant to §29(3) of the rules of Giełda Papierów Wartościowych w Warszawie S.A., 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 observe 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

Rules from which the Company departed with an explanation of the reasons

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	This rule is not observed, except the function of compliance supervision, for which a Compliance Officer was appointed in the Company.

charge of the internal audit function and to the other persons responsible for the performance of its tasks.

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: Management Board's Report on the Activities of Stalexport Autostrady S.A. in 2017

In compliance with the obligation stipulated in §91(5)(4) of the Ordinance concerning current and periodic information, the Management Board of Stalexport Autostrady prepared a statement of compliance by the Company's application of the corporate governance rules specified in the DPSN 2016 in the period from 1 January until 31 December 2017. The said statement will be made available to the general public together with the Company's separate and consolidated annual report, which is planned to take place on 2 March 2018.

The Supervisory Board has familiarised itself with the representation on compliance included in the Report on the activities of Stalexport Autostrady S.A. in 2017. In the Supervisory Board's opinion, the Company meets in a diligent and complete manner the information obligations concerning compliance with corporate governance rules.

V. EVALUATION OF THE RATIONALITY OF THE POLICY PURSUED BY THE COMPANY, REFERRED TO IN RECOMMENDATION I.R.2 OF THE DPSN 2016, OR INFORMATION ON THE ABSENCE OF SUCH A POLICY

The Company does not pursue any activity consisting in sponsorship or charity, or any other similar activities, and consequently it does not have any policy in place concerning such activities. Activity of this type is carried out, on the other hand, by subsidiaries, including in particular Stalexport Autostrada Małopolska S.A.

Nevertheless, it has a procedure in place concerning donations and sponsorship, adopted by the Management Board of Stalexport Autostrady on 6 December 2013.

In accordance with the said procedure, in January of each year, i.e. after the end of the previous budget year, the Chief Specialist for Marketing and Investor Relations prepares a report on donations, containing the following information: the name of the donee, the value and purpose of the donation, the donated item in the case of in-kind donations, and whether the relevant entity is a public benefit organisation. The report is submitted to the Company's Management Board, to the Compliance Officer at Stalexport Autostrady and to the Chief Accountant. Subsequently, the report accepted by the Company's Management Board is sent to the Supervisory Board members.

VI. EVALUATION OF THE RATIONALITY OF THE POLICY PURSUED BY THE COMPANY WITH REGARD TO DIVERSITY IN RELATION TO THE COMPANY'S AUTHORITIES, INCLUDING WITH RESPECT TO GENDER, EDUCATION, AGE AND PROFESSIONAL EXPERIENCE, OR INFORMATION ON THE ABSENCE OF SUCH A POLICY

Taking into account the size of the activity carried out and guided by the principle of adequacy, the Company has not drawn up and does not implement a policy of diversity.

The main criteria for evaluation applied when selecting members of the Company's authorities and its key managers are qualifications, expertise, and professional experience of the individual candidates, confirming that they are prepared to perform the relevant function in terms of their knowledge concerning the relevant field.

VII. CONCLUSIONS

The Supervisory Board submits the following motions to the Ordinary General Meeting of Shareholders of Stalexport Autostrady S.A.:

- for approval of the Management Board's Report on the Company's activities in 2017 and of the separate financial statements of Stalexport Autostrady S.A. for 2017,
- for approval of the Management Board's Report on the Capital Group's activities in 2017 and of the consolidated financial statements of the Stalexport Autostrady S.A. Capital Group for 2017,
- for the acknowledgement of the fulfilment of duties by the members of the Company's Management Board in 2017,
- for the adoption of a resolution on distribution of net profit for 2017, in accordance with the motion submitted by the Company's Management Board.

Secretary
of the Supervisory Board


/Stefano Rossi/

Chairman
of the Supervisory Board


/Roberto Mengucci/

March 1st, 2018

ENCLOSURE NO. 1

LIST OF RESOLUTIONS OF THE SUPERVISORY BOARD ADOPTED IN 2017

No.	Resolution no.	Resolution regarding:	Adopted on
1	01/03/2017	approval of the Supervisory Board's reports for the financial year 2016	02 Mar 2017
2	02/03/2017	providing an opinion on the draft resolutions of the Ordinary General Meeting of Stalexport Autostrady S.A. regarding: the election of the chairman of the Ordinary General Meeting, the decision not to elect the Returning Committee and approval of the agenda	02 Mar 2017
3	03/03/2017	providing an opinion on the draft resolutions of the Ordinary General Meeting of Stalexport Autostrady S.A. regarding: the approval of the Management Board's report on the Company's activities in the financial year 2016, the separate financial statements of Stalexport Autostrady S.A. for the financial year 2016 and distribution of net profit for the financial year 2016	02 Mar 2017
4	04/03/2017	providing an opinion on the draft resolutions of the Ordinary General Meeting of Stalexport Autostrady S.A. regarding: the approval of the Management Board's report on the activities of the Stalexport Autostrady S.A. Capital Group in the financial year 2016 and of the consolidated financial statements of the Stalexport Autostrady S.A. Capital Group for the financial year 2016	02 Mar 2017
5	05/03/2017	providing an opinion on the draft resolution of the Ordinary General Meeting of Stalexport Autostrady S.A. regarding the acknowledgement of the fulfilment of duties in the financial year 2016 by the President of the Management Board, Emil Wąsacz	02 Mar 2017
6	06/03/2017	providing an opinion on the draft resolution of the Ordinary General Meeting of Stalexport Autostrady S.A. regarding the acknowledgement of the fulfilment of duties in the financial year 2016 by the Vice-President of the Management Board, Mariusz Serwa	02 Mar 2017
7	07/03/2017	providing an opinion on draft resolutions of the Ordinary General Meeting of Stalexport Autostrady S.A. regarding the acknowledgement of the fulfilment of duties by members of the Supervisory Board	02 Mar 2017
8	08/03/2017	providing an opinion on draft resolution of the Ordinary General Meeting regarding amendments to the Company's Statutes	02 Mar 2017
9	09/03/2017	selection of the statutory auditor to audit the financial statements for the years 2017–2020	02 Mar 2017
10	01/04/2017	providing an opinion on the amended draft resolution of the Ordinary General Meeting on profit sharing	10 Apr 2017
11	01/07/2017	granting of the annual reward for 2016 to Members of the Management Board	11 Jul 2017
12	02/07/2017	setting bonus tasks for 2017 for the Management Board Members	11 Jul 2017
13	03/07/2017	adoption of the consolidated text of the Company's Statutes	11 Jul 2017
14	01/08/2017	granting authorisation to perform an audit with regard to the compliance of the Company's activities with the regulations binding upon the Company (Compliance Audit)	28 Aug 2017
15	01/10/2017	adoption of the policy of provision, in favour of Stalexport Autostrady S.A., of permitted services other than audit by the statutory auditor/auditing firm carrying out the audit, by their related entities or by a member of the auditing firm's network	16 Oct 2017
16	02/10/2017	adoption of the procedure of selecting the statutory auditor/auditing firm to carry out the audit of the financial statements of Stalexport Autostrady S.A.	16 Oct 2017
17	03/10/2017	adoption of the policy of provision, in favour of Stalexport Autostrady S.A., of permitted services other than audit by the statutory auditor/auditing firm carrying out the audit, by their related entities or by a member of the auditing firm's network	16 Oct 2017
18	04/10/2017	amendment of the Regulations of the Supervisory Board of the Company.	16 Oct 2017