

**Reports and evaluations  
of the Supervisory Board<sup>1</sup>**

**Stalexport Autostrady S.A.  
in Mysłowice  
for 2014**

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<sup>1</sup> Approved by the resolution of the Supervisory Board No. 01/03/2015 of 5 March 2015

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This Report was prepared with relation to the following regulations:

- The Polish Code of Commercial Partnerships and Companies – article 382 §3,
- “Good Practices of WSE Listed Companies” (Part III section 1 item 1), appended to the Resolution No. 19/1307/2012 of the Supervisory Board of GPW w Warszawie [WSE] S.A. of 2 November 2012,
- Statutes of Stalexport Autostrady S.A.,
- Regulations of the Supervisory Board of Stalexport Autostrady S.A.

## **I. Supervisory Board's report on activities in 2014**

### **1. Subject and period of the report**

The report on activities of the Supervisory Board of Stalexport Autostrady S.A. with its registered office in Mysłowice (hereinafter referred to as "Stalexport Autostrady" or the "Company") covers the period from 1 January 2014 to 31 December 2014.

### **2. Legal basis of the Supervisory Board's activities**

The Supervisory Board operates pursuant to the provisions of the law, including article 382 et seq. of the Polish Code of Commercial Partnerships and Companies (hereinafter referred to as KSH), relevant provisions of the Statutes adopted by the General Meeting as well as the Regulations of the Supervisory Board, the wording of which is available on the website of Stalexport Autostrady.

### **3. Number of members and line-up of the Supervisory Board**

Pursuant to § 14 of the Company's Statutes, the Supervisory Board is composed of 5 to 9 persons appointed for the joint term of office of three years. The General Meeting (hereinafter referred to as GM) appoints and recalls members of the Supervisory Board having first determined their number for a given term of office.

On 3 April 2013, the Ordinary General Meeting (by adopting the Resolution No. 21) decided that the Supervisory Board of the eighth term (2013-2015) shall be composed of seven members.

In the period from 1 January 2014 to 31 December 2014 (and as at the date of the Report), the Supervisory Board was composed of the following seven members:

1. Roberto Mengucci – Chairman,
2. Aleksander Galos – Deputy Chairman,
3. Michelangelo Damasco – Secretary,
4. Nicolo Caffo,
5. Pietro La Barbera,
6. Costantino Ivoi,
7. Tadeusz Włudyka.

Two members of the Supervisory Board, i.e. Mr Aleksander Galos and Mr Tadeusz Włudyka, meet the criteria of independent members.

The Supervisory Board acts pursuant to the law, including the Polish Code of Commercial Partnerships and Companies and the Statutes adopted by GM. Moreover, pursuant to the Company's Statutes, the Supervisory Board adopted its Regulations defining the course of

proceedings. These Regulations form **Enclosure No. 4** to this Report and are also available on the corporate website of Stalexport Autostrady ([www.stalexport-autostrady.pl](http://www.stalexport-autostrady.pl)).

The Supervisory Board's committees act pursuant to the Regulations adopted by the Supervisory Board. These Regulations form Enclosures to the Regulations of the Supervisory Board. They are also available on the corporate website of the Company ([www.stalexport-autostrady.pl](http://www.stalexport-autostrady.pl)).

#### **4. Basic forms and directions of activities of the Supervisory Board**

In 2014, the Supervisory Board supervised activities of the Company in all areas as well as performed its responsibilities and exercised its rights resulting from the provisions of the Company's Statutes, the Polish Code of Commercial Partnerships and Companies as well as other provisions of the law.

The Supervisory Board performed its activities collectively, that is mainly at the Meetings of the Board. Throughout the reporting period, the Supervisory Board held 3 recorded meetings (on 5 March 2014, 16 July 2014 and 3 December 2014), all in the line-up sufficient for adopting valid resolutions.

At the meetings, the Supervisory Board addressed the issues resulting from the Polish Code of Commercial Partnerships and Companies, the Company's Statutes, the Regulations of the Supervisory Board as well as the matters related to the current activities of the Company.

In 2014, the Supervisory Board adopted 17 resolutions. Prior to adoption of the resolutions, the addressed matters 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 2014, the Supervisory Board focused particularly on the following:

- financial standing of the Company and the Group,
- regular reports on the performance of the Company's budget,
- assessment of the previously agreed on bonus tasks as well as identification of new ones.

#### **5. Report on the activities of the Supervisory Board's committees in 2014**

On 5 July 2013, acting pursuant to § 25(2) of the Regulations of the Supervisory Board of Stalexport Autostrady and pursuant to Good Practices of WSE Listed Companies, including in particular good practices for members of supervisory boards, the Supervisory Board appointed the Audit Committee and Remuneration Committee out of the Supervisory Board members as follows:

**1) Remuneration Committee:**

- Roberto Mengucci – Chairman,
- Aleksander Galos,
- Costantino Ivoi,
- Tadeusz Władyka.

**2) Audit Committee:**

- Costantino Ivoi – Chairman,
- Aleksander Galos,
- Michelangelo Damasco.

In the reporting period and as at the date of the Report, the composition of the above-mentioned committees of the Supervisory Board remained unchanged.

The above-mentioned committees acted based on the regulations adopted by the Supervisory Board. These regulations form enclosures to the Regulations of the Supervisory Board. They are available on the corporate website of the Company.

The tasks of the above-mentioned committees included the following: analysis of the Company's financial statements, principles, forms and amounts of remuneration payable to the members of the Management Board as well as presentation of motions and suggested solutions regarding the said issues to the Supervisory Board.

**5.1. Report on the activities of the Audit Committee**

In 2014, the Audit Committee focused on analysis and evaluation of the financial statements of Stalexport Autostrady S.A. and Stalexport Autostrady Group for the financial year from 1 January 2013 to 31 December 2013 as well as the motion of the Management Board regarding the distribution of profit for 2013.

**5.2. Report on the activities of the Remuneration Committee**

The Remuneration Committee evaluated the following:

- performance of the bonus tasks being the basis for awarding the annual bonus to members of the Management Board for 2013,
- determination of the bonus tasks for members of the Management Board for 2014.

Considering the above, the Supervisory Board positively evaluated the work of the Board's committees in 2014.

## **II. Report on evaluation of the Management Board's report on the activities of Stalexport Autostrady S.A., of separate financial statements of Stalexport Autostrady S.A., of Management Board's report on the activities of Stalexport Autostrady Group and the consolidated financial statements for the financial year 2014 in terms of their conformity with the books and actual state**

Under its responsibilities resulting from the Statutes, the Supervisory Board reviewed and evaluated the following documents prepared in line with the requirements of the International Accounting Standards:

- 1) separate financial statements of Stalexport Autostrady S.A. – for the period from 1 January 2014 to 31 December 2014
- 2) consolidated financial statements of Stalexport Autostrady Group – for the period from 1 January 2014 to 31 December 2014

The audit of the Company's financial statements, within the meaning of the provisions of the Accounting Act, for the period from 1 January 2014 to 31 December 2014, was carried out by Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. (formerly Deloitte Audyt Sp. z o.o.) with its registered office in Warszawa, Al. Jana Pawła II 19, entered in the list of entities authorised to audit financial statements maintained by the National Chamber of Statutory Auditors under No. 73, selected by the Supervisory Board.

The financial statements for 2014 were evaluated by the Supervisory Board's Audit Committee at the meeting of 5 March 2015 attended by the representative of the Company's auditor, i.e. Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. The meeting was also attended by the Vice-president of the Management Board, the Chief Financial Officer and the Chief Accountant.

Under its responsibilities resulting from article 382 §3 of the Polish Code of Commercial Partnerships and Companies, the Supervisory Board thoroughly analysed the evaluation of the audited separate financial statements of Stalexport Autostrady S.A., the consolidated financial statements of Stalexport Autostrady S.A. and the Management Board's reports on the activities of the Company and the Group for 2014. The Supervisory Board concluded that the said statements and reports had been prepared in line with the books and documents of the Company as well as the actual state of affairs, and reflect in a reliable manner – *in all aspects* – the financial standing of the Company and Stalexport Autostrady Group.

In terms of the above-mentioned evaluation, the Supervisory Board focused particularly on the degree of transparency and openness of the financial statements with the objective to present a reliable and accurate description of the financial standing of Stalexport Autostrady S.A.

Both the Company's Management Board and the auditing company presented to the Supervisory Board the existing material risks and valuated the assets according to the prudence principle in line with the applicable law.

### III. Evaluation of the Company's situation

**The Supervisory Board of Stalexport Autostrady S.A.**, acting in line with the Good Practices of WSE Listed Companies followed by the Company (more information in Section 7 of the Management Board's report on the activities of the Company in 2014), particularly in line with the good practices followed by members of supervisory boards – **carried out a brief evaluation of the Company's situation, including particularly evaluation of the internal control system as well as the system for management of the risks significant for the Company.** The said evaluation was carried out based on the knowledge of members of the Supervisory Board, as at the date of the report, and the reports for 2014.

A detailed analysis of the situation of Stalexport Autostrady S.A. in 2014 has been included in the separate financial statements of Stalexport Autostrady S.A. as well as the Management Board's report on the activities of the Company in 2014. The Supervisory Board agrees with the opinions of the Management Board included in the said report pertaining to, among others, macroeconomic circumstances, immediate market conditions the Company operates in as well as the analyses and evaluations of the financial standing. The above-mentioned reports include the most important information on the activities of Stalexport Autostrady S.A. in 2014.

#### 1. Evaluation of the activities of Stalexport Autostrady S.A.

According to the Supervisory Board, 2014 was a good year for Stalexport Autostrady S.A. and its Group.

Last year, the Group generated PLN 218 million in revenue on toll collection at the A4 Katowice-Kraków motorway (an increase of around 8% as compared to 2013). The revenue amount was affected mainly by the increased traffic on the motorway. As far as cars are concerned, traffic increased by more than 7%, i.e. to 28.5 thousand vehicles per day. The lorry traffic increased by nearly 9% – to almost 5.5 thousand vehicles per day.

There was a significant change as far as the Group's debt is concerned, which decreased by more than PLN 73 million, i.e. from PLN 87.8 million at the end of 2013 to approximately PLN 14.6 million. The aforementioned decrease is primarily due to further repayment of the bank loan for the implementation of the A4 Katowice-Kraków project and the repayment, in July 2014, of the Company's liability towards the State Treasury under the agreement of 1 September 2004 for the repayment of debt related to the surety granted to Huta Ostrowiec S.A. in 1997.

The Group's reorganisation in the motorway segment was also completed in 2014. The subsidiary Stalexport Autostrada Dolnośląska S.A. was merged by acquisition with Stalexport Autostrady S.A. All assets of SAD and the interest related to a financial lease were transferred to Stalexport Autostrady. Furthermore, the process of liquidation of Autostrada Mazowsze S.A. ended.

When discussing the Group's results, we should not forget about the performance of Stalexport Autostrady S.A., which last year generated more than PLN 6 million. This performance was mainly a result of higher net financial income.

In 2014, better results as compared to the previous year were also achieved by VIA4 S.A. operator company – its net profit increased from PLN 8.5 million to PLN 10.9 million.

For Stalexport Autostrada Małopolska S.A., the concessionaire of the A4 Katowice-Kraków motorway, 2014 was a period of further investment projects. The contracts for the construction of the motorway water drainage system along the section in the Silesia Province and erection of noise screens were performed.

Due to high traffic along the above-mentioned motorway section, a programme aimed at improving the flow capacity of the Toll Collection Plazas in Mysłowice and Balice is being implemented. Each Toll Collection Plaza has already been extended by 4 additional toll gates. In 2014, tollbooths and toll collection equipment were replaced. Thanks to the state-of-the-art IT and technical solutions, tolls are now collected much faster. Now, in addition to cash and credit card payments, it is also possible to pay by means of fleet and fuel cards.

Further investments are planned on the A4 Katowice-Kraków motorway in 2015. The most important include the extension of Mysłowice Junction, rebuilding of Rudno Junction and erection of noise screens. It is also planned to repair the bridge between Rudno Junction and Balice Junction.

## **2. Perspectives for development of Stalexport Autostrady S.A. Group**

The development of the motorway infrastructure in Poland is determined mainly by the EU funds utilised under the Operational Programme Infrastructure and Environment as well as the funds of the National Road Fund. At the beginning of 2014, the EU funds for the period 2014-2020 were allocated. Based on these funds, the government updated the road infrastructure construction programme. At this time, the public party has no plans for construction of motorways under the public-private partnership; yet, it may entrust private parties with the operator's tasks based on the "Maintain the Standard" formula.

This is one of the areas Stalexport Autostrada S.A. is interested in. The Company also considers the option of equity investment in the selected existing concession projects in Poland should any of the remaining concessionaires wanted to withdraw from these projects or any of the consortiums looked for additional capital support.

Given the high level of public debt and budget deficit, one should not overlook the possibility of infrastructure privatisation, also as regards motorways currently under the management of the public party. This would make it possible to quickly reduce the public debt and speed up the process of extension of the infrastructure.

The above-mentioned development areas of the Group require constant monitoring of not only the Polish motorway market but also regulations pertaining to the EU motorway market.

### **3. System of internal control**

The Management Board of Stalexport Autostrady S.A. is responsible for the system of internal control and its effectiveness. The system of internal control and risk management as regards drawing up of the financial statements involves the procedures for drawing up and approving the financial statements and periodic reports in force in Stalexport Autostrady S.A. The system makes it possible to monitor the liabilities and to control the costs and the achieved results on the date-to-date basis. The financial data, which is the basis for the financial statements and periodic reports, comes from the accounting and financial system IMPULS, into which the documents are entered 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 then verified by the Vice-president of the Management Board and CFO in cooperation with the Finance Management Director, and their final wording is approved by the Management Board in the form of a relevant resolution.

The financial statements approved by the Management Board are subject to verification of an independent auditor – a chartered auditor (in 2014, similarly as in years 2012-13: Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its seat in Warszawa) selected by the Company's Supervisory Board. Subsequently, pursuant to § 18(2)(1) of the Company's Statutes, the Supervisory Board – following the recommendation of the Audit Committee, each year verifies whether the audited financial statements of the Company and the Group are consistent with the books and documents and whether they reflect the actual state, and notifies the shareholders of the results of this verification in its annual report.

The Company systematically monitors the changes in the law and the external regulations concerning the stock exchange reporting requirements, and it takes steps to implement them in advance.

### **4. Risks inherent to the activities of the Company**

The major economic and financial risk – in the event of reduced dynamics of the State's economic development – is the prospective reduction in traffic and consequently reduced revenue. The Company reduces the said risk by implementing a relevant pricing and loyalty policy applicable to the motorway users and by undertaking measures aiming at improving the comfort and service quality under the above-mentioned programme for increasing the flow capacity of the Toll Collection Plazas.

In the case of decisions to participate in tender procedures for motorway projects, an important risk is deterioration of the investment climate which may result in difficulties in securing long-term investment capital. The Company minimises these risks by, among others, regular cooperation with financial organisations with extensive knowledge of and experience in the sector of infrastructure projects, such as Atlantia S.p.A. encompassed by the Group. Additionally, the Company participates in the public consultations aiming at developing and implementing innovative solutions in this area based on, among others,

allocation of the risks inherent to infrastructure projects and transfer of the same to the entities which are most capable of managing such risks.

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 attempts to counteract these risks by, among others, promoting practices and solutions oriented towards creation of appropriate legal framework for execution of infrastructure projects and by means of active participation in the public consultations regarding new legislative solutions.

Additional risks are also related to the decision of Urząd Ochrony Konkurencji i Konsumenta [Office of Competition and Consumer Protection] (hereinafter referred to as "UOKiK") in which UOKiK stated that the practices of the Concessionaire infringed the competition by "charging 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 within this section, resulting in major traffic hindrances" and ordered to stop these practices. When performing repairs resulting in major traffic hindrances in the future, the Concessionaire should take into consideration the wording of the decision in the context of the policy applicable to identification of the toll rates.

The Supervisory Board, having reviewed the Management Board's report on the activities of the Company in 2014, declares that the said report includes the required information on the operation of the Company in the financial year and evaluates the information positively.

To recapitulate, the Supervisory Board found no irregularities in the work of the Management Board or in the operation of Stalexport Autostrady S.A. and evaluates positively the situation of the Company and the activities of the Management Board.

#### **IV. Evaluation of the Management Board's motion regarding distribution of profit for 2014**

In line with §18(2)(2) of the Company's Statutes, the Supervisory Board reviewed and evaluated the motion prepared by the Management Board and addressed to the General Meeting regarding distribution of profit for 2014, and voiced no objections to the suggested profit distribution method.

#### **V. Motions**

The Company's Supervisory Board moves that the General Meeting of Stalexport Autostrady S.A. should:

- approve the Management Board's report on the activities of the Company for 2014 as well as the separate financial statements of Stalexport Autostrady S.A. for 2014,
- approve the Management Board's report on the activities of the Group for 2014 as well as the consolidated financial statements of Stalexport Autostrady Group for 2014,
- acknowledge the fulfilment of duties by members of the Company's Management Board in 2014,
- adopt the resolution regarding distribution of profit for 2014 in line with the motion submitted by the Company's Management Board.

**Secretary**  
**of the Supervisory Board**

**/Michelangelo Damasco/**

**Deputy Chairman**  
**of the Supervisory Board**

**/Aleksander Galos/**

5 March 2015

## VI. A list of resolutions of the Supervisory Board adopted in 2014

<b>Resolution No.</b>	<b>Resolution regarding:</b>	<b>Adopted on</b>
01/02/2014	Supervisory Board's consent to the President Emil Wąsacz's business activity	25 February 2014
01/03/2014	Approval of the Supervisory Board's reports for the financial year 2013	5 March 2014
02/03/2014	Providing an opinion on the draft resolutions of the Ordinary General Meeting (No. 1, 2 and 3)	5 March 2014
03/03/2014	Providing an opinion on the draft resolutions of the Ordinary General Meeting (No. 4, 5 and 8)	5 March 2014
04/03/2014	Providing an opinion on the draft resolution of the Ordinary General Meeting (No. 6 and 7)	5 March 2014
05/03/2014	Providing an opinion on the draft resolution of the Ordinary General Meeting (No. 9 – acknowledgement of the fulfilment of duties by E. Wąsacz)	5 March 2014
06/03/2014	Providing an opinion on the draft resolution of the Ordinary General Meeting (No. 10 – acknowledgement of the fulfilment of duties by M. Serwa)	5 March 2014
07/03/2014	Providing an opinion on the draft resolutions of the Ordinary General Meeting (No. 11-18 – acknowledgement of the fulfilment of duties by members of the Supervisory Board)	5 March 2014
08/03/2014	Providing an opinion on the draft resolution of the Ordinary General Meeting (No. 19 – amendment to the Company's Statutes)	5 March 2014
09/03/2014	Providing an opinion on the draft resolution of the Ordinary General Meeting (No. 20 – a merger between Stalexport Autostrady S.A. and Stalexport Autostrada Dolnośląska S.A.)	5 March 2014
10/03/2014	Approval of the investment plan for the Company and Stalexport Autostrady S.A. Group for 2014	5 March 2014
11/03/2014	Appointment of an auditor to audit the financial statements for the years 2014-2016	5 March 2014

01/07/2014	Providing an opinion on the draft resolutions of the Extraordinary General Meeting (No. 1, 2, 3, 4 and 5)	16 July 2014
02/07/2014	Awarding the annual bonus for 2013 for members of the Management Board	16 July 2014
01/10/2014	Appointment of a member of the Supervisory Board to individually perform supervisory activities	7 October 2014
01/12/2014	Determination of 2014 bonus tasks for members of the Management Board	3 December 2014
02/12/2014	Approval of the investment plan for the Company and Stalexport Autostrady S.A. Group for 2015	3 December 2014