

*This document constitutes a translation of the Management Board's Report on the activities of the Company and the Capital Group of Stalexport Autostrady S.A. in 2019, which was originally issued in Polish. In case of ambiguities in interpretation of terminology, the Polish terminology should be treated as binding.*



**STALEXPORT**  
**Autostrady**



# 2019

Report of the Management Board on the activities of the Company and of the  
Stalexport Autostrady S.A. Group  
in 2019

Mysłowice, 27 February 2020

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## DEFINITIONS AND ABBREVIATIONS

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

<b>ADT</b>	Average Daily Traffic
<b>ASPI</b>	Autostrade per l'Italia S.p.A. with its registered office in Rome (Italy)
<b>Atlantia</b>	Atlantia S.p.A. with its registered office in Rome (Italy)
<b>Financing Banks</b>	Portigon AG (London Branch), Bank BGŻ BNP Paribas S.A., FMS Wertmanagement, KfW IPEX-Bank GmbH and PEKAO S.A.
<b>Biuro Centrum</b>	Biuro Centrum Sp. z o.o. with its registered office in Katowice
<b>DPSN 2016</b>	“Best Practice of GPW Listed Companies 2016” adopted by resolution No. 26/1413/2015 of the Supervisory Board of GPW on 13 October 2015 and entered into force on 1 January 2016.
<b>Ernst &amp; Young</b>	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
<b>GDDKiA</b>	General Directorate for National Roads and Motorways
<b>GPW</b>	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
<b>Capital Group, Stalexport Autostrady Group, Group</b>	The Stalexport Autostrady S.A. Capital Group with its registered office in Mysłowice
<b>KSH, Commercial Companies Code</b>	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)
<b>Independent Engineer</b>	JPL Project Sp. z o.o. with its registered office in Warsaw until 19 July 2019 / JS Consult Sp. z o.o. from 22 July 2019
<b>Pavimental Polska</b>	Pavimental Polska Sp. z o.o. with its registered office in Trzebinia (32-450), at ul. Słowackiego 49
<b>Ordinance on current and periodic information</b>	Ordinance of the Minister of Finance of 29 March 2018 concerning current and periodic information provided by issuers of securities and the conditions for considering as equivalent information required by the law of a non-member state as equivalent (Dz.U. of 2018, item 757).

<b>SAM, Concessionaire</b>	Stalexport Autostrada Małopolska S.A. with its registered office in Mysłowice
<b>Report</b>	Report of the Management Board on the activities of the Company and of the Stalexport Autostrady S.A. Group in 2019
<b>Stalexport Autoroute</b>	Stalexport Autoroute S.à r.l. with its registered office in Luxembourg
<b>Stalexport Autostrady, Company, Issuer</b>	Stalexport Autostrady S.A. with its registered office in Mysłowice
<b>Concession Agreement</b>	<p>The Concession Agreement dated 19 September 1997 on construction by adaptation of the A4 motorway on the following section: Katowice (Murckowska Junction, 340.2 km) – Kraków (Balice Junction, 401.1 km) to the toll motorway standards and motorway operation on this section, including modifications made on the basis of subsequent amendments, the rights and obligations under which were transferred in their entirety from Stalexport Autostrady to SAM on 28 July 2004</p> <p>Agreement dated 28 December 2005, entered into between SAM and the banks, i.e. WESTLB BANK POLSKA S.A., Warsaw, WESTLB AG (London Branch), DEPFA BANK PLC, Dublin, Ireland, KfW Frankfurt, Germany and BANK BPH SPÓŁKA AKCYJNA, Warsaw. The object of the Loan Agreement was to grant a loan of up to PLN 380 million to finance the A4 toll motorway project on the Katowice–Kraków section (i.e. to finance the construction works of Phase IIa and to refinance the Construction Works of Phase I)</p>
<b>Project Loan Agreement</b>	
<b>Act on Auditors</b>	Act of 11 May 2017 on statutory auditors, auditing firms and public supervision (Dz.U. of 2017, item 1089)
<b>Act on Offering</b>	Act of 29 July 2005 on public offer and the conditions for introducing financial instruments to the organised trading system, and on public companies (Dz.U. of 2005, item 1539, uniform text)
<b>UOKiK</b>	Office of Competition and Consumer Protection
<b>VIA4</b>	VIA4 Spółka Akcyjna with its registered office in Mysłowice
<b>General Meeting</b>	The General Meeting of Shareholders

# PART 1

## LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD OF STALEXPORT AUTOSTRADY



Dear Sir, Dear Madam,  
Dear Shareholders,

I hope that you will not find the financial results presented in this report surprising when it comes to the Group's net profit, which decreased by approx. 57%, to PLN 80.4 million, despite the increase in revenue by over 4.4% compared 2018, i.e. to approx. PLN 351.5 million.

We have already informed you about the reasons for this in our periodic reports for H1 2019 and for Q1–Q3 2019, but since they continue to raise doubts, I believe that the matter is worth explaining once again.

The profit decreased due to payments to the State Treasury resulting from the obligations of the concessionaire of the A4 Katowice–Kraków motorway – Stalexport Autostrada Małopolska S.A. (SAM) – set out in the Concession Agreement. They represent the State Treasury's share in the profits from the A4 Katowice–Kraków project and are calculated as at 31 March and 30 September. The basis for this calculation is the amount of funds to be distributed, which are calculated after the project costs have been covered and after transfers have been made to the required reserve accounts. These payments are recognised as general and administrative expenses. In 2019, net costs related to payments to the State Treasury amounted to PLN 88.8 million. In December 2019, the concession company submitted a request to the Director of the National Treasury Information Unit (KIS) for interpretation on whether SAM can classify the above payments to the State Treasury as tax deductible costs. In SAM's opinion, these payments are precisely such costs. We are currently waiting for a response from KIS.

Important projects carried out last year included activities aimed at reducing financial expenses and costs of functioning, and at simplifying the structure of the Group by way of the following: prepayment, on 30 September 2019, of the entire amount of the outstanding debt resulting from the long-term loan agreement concluded on 28 December 2005 to finance the A4 Katowice–Kraków project and adoption of the plan for the cross-border merger of Stalexport Autostrady S.A. and Stalexport Autoroute S.à r.l, with its registered office in Luxembourg. The merger takes place by the taking over of the entire equity (both assets and liabilities) of Stalexport Autoroute by Stalexport Autostrady S.A. Let us remind you that the condition for obtaining the above-mentioned long-term financing was the establishment of the Stalexport Autoroute company, and after the repayment of the loan, its further operation is no longer economically justified.

As regards the Group's main source of revenue, i.e. revenues from toll collection, in 2019 they increased by 4.5% versus 2018, i.e. to the level of PLN 347.4 million, which was mainly due to the change of toll rates for heavy goods vehicles, introduced on 1 March 2019. The average daily traffic on the A4 Katowice–Kraków motorway was similar to that of 2018 and amounted to 45.6 thousand vehicles per day. The highest traffic was recorded in Q3 of last year (the summer holiday season): 51.3 thousand vehicles per day.

We continue to adopt measures to significantly streamline the handling of such a large number of travellers at the toll plazas.

Since 2016, the A4Go electronic toll collection system has been in operation, and so far we have issued more than 37,000 onboard devices, which make it possible to drive through the toll gates rapidly with no additional actions required from the driver.

In July 2019, we launched videotolling, i.e. toll collection using the special Autopay application for smartphones and number-plate recognition – very useful especially for those motorway users who use the motorway during holiday and weekend trips. This way of paying the toll does not require the driver to perform additional actions at the toll gate either, as the latter opens automatically. We are very keen to popularise the above-mentioned methods of toll payment, and consequently, since 1 January 2020, drivers using A4Go or Autopay have been paying much less for using our A4 section – e.g. a passenger car driver pays PLN 7 instead of PLN 10 at each motorway toll gate. We are pleased to hear the announcements that videotolling will also be possible on motorways managed by the General Directorate for National Roads and Motorways, because we have been making efforts for many years to make toll collection systems in Poland uniform and to make it easier for drivers to use the motorways.

In 2019, the programme of modernisation and development of the motorway infrastructure of the A4 Katowice–Kraków section was continued. Capital expenditures in the Group last year amounted to approx. PLN 32.5 million. Modernisation of the motorway drainage system, which ensures the protection of groundwater, continued, three bridge structures were renovated, and the toll collection system was expanded to include the aforementioned videotolling. The Group's remaining capital expenditures were related mainly to the purchase of equipment required for systematic maintenance of the motorway.

In 2020, we intend to complete the renovation works on one of the above-mentioned bridge structures, and launch a new sales and customer service website together with a post-paid service for the A4Go electronic toll collection (currently, only a prepaid system is in operation). Upgrade of motorway drainage will be continued and culverts located in the motorway right-of-way will also be modernised. Capital expenditures planned for 2020 will amount to approximately PLN 83 million. This year, there are also plans to complete the resurfacing works and to widen the lanes leading to the automatic toll collection gates.

As far as the separate result of Stalexport Autostrady S.A. is concerned, sales revenues last year increased slightly versus 2018 and amounted to PLN 3.77 million. These revenues come mainly from the lease of office space in the building in Katowice co-owned by the Company. Separate net profit, in turn, increased more than twofold, i.e. to the level of PLN 10.4 million, due to dividend of PLN 10.9 million, which the Company obtained through Stalexport Autoroute S.à r.l from the concession company.

Events in 2019 which were significant for our shareholders also included the payment of dividend in the amount of approx. PLN 91.5 million, i.e. 0.37 PLN per share, based on a resolution of the Ordinary General Meeting of Shareholders on the allocation of funds accumulated in the Company's supplementary capital for the aforementioned dividend.

I invite you to read the financial statements of Stalexport Autostrady S.A. and of the Stalexport Autostrady Group as well as the Management Board's report on the activities of the Company and of the Group in 2019.

I would like to thank our shareholders and partners very much for their interest in our activities. I would also like to thank the members of the Supervisory Boards for their support, commitment and cooperation.

Finally, my thanks go to the management staff and to all the employees across the Group for their diligent work, which they performed with dedication. I appreciate the fact that I can count on you.

Enjoy your reading!

Yours faithfully,

President of the Management Board  
CEO

Emil Wąsacz

## PART 2

### BASIC INFORMATION ON THE COMPANY AND ON THE STALEXPORT AUTOSTRADY GROUP

#### 2.1. STALEXPORT AUTOSTRADY S.A.

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

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

**KRS [company reg. no.]:  
0000016854  
NIP [tax ID]: 634-013-42-11  
REGON [statistical no.]:  
271936361**

**Share capital:  
PLN 185,446,517.25  
(paid-up in full)**

**[www.stalexport-autostrady.pl](http://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](http://www.atlantia.it).

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

## 2.2. STALEXPORT AUTOSTRADY GROUP

The activities of the Company and of the entities belonging to its Capital Group focus primarily on activities related to motorways. They include operation and maintenance of the Katowice–Kraków section of the A4 motorway. The activities are conducted by the SAM and VIA4 companies through the special purpose holding: Stalexport Autoroute (currently in the process of cross-border merger with the Company).

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 leasing of office and parking spaces. These activities are carried out by the Company itself as the co-owner of the property, as well as by its affiliate Biuro Centrum Sp. z o.o. as the property managing entity.

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

FIGURE 1 | ORGANISATIONAL CHART OF THE STALEXPORT AUTOSTRADY GROUP AS AT 31 DECEMBER 2019



Source: The Company's own compilation

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

Stalexport Autostrady is the parent company and it draws up the consolidated financial statements. The entities covered by consolidation as at 31 December 2019, except the parent entity, have been described in the following table.

**TABLE 1 | ENTITIES BEING PART OF THE GROUP AS AT 31 DECEMBER 2019 (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
<b>Stalexport Autoroute S.à r.l.*</b>	Luxembourg	Management activity	Subsidiary	100%	2005	Full method
<b>Stalexport Autostrada Małopolska S.A.</b>	Mysłowice	Motorway construction and operation	Subsidiary	100%**	1998	Full method
<b>VIA4 S.A.</b>	Mysłowice	Motorway operation	Subsidiary	55%	1998	Full method
<b>Biuro Centrum Sp. z o.o.</b>	Katowice	Real estate administration	Affiliate	40.63%	1994	Equity method
<b>Petrostal S.A. in liquidation***</b>	Warsaw	Inactive	Subsidiary	100%	2005	-

\* currently in the process of cross-border merger with Stalexport Autostrady S.A. More information in paragraph 2.4.1 of these Statements.

\*\* through Stalexport Autoroute S.à r.l.

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

Source: The Company's own compilation

The table below includes basic consolidated data of Stalexport Autostrady Group as well as separate data regarding the three major entities belonging to the Group, i.e. Stalexport Autostrady, SAM and VIA4. Apart from the results achieved by the said companies in 2019, for the purpose of comparison, the results are also included achieved by the companies in the corresponding period of the previous year, while as regards the balance sheet data, figures are presented as at 31 December 2019 and as at 31 December 2018.

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

balance sheet data	Group		Stalexport Autostrady		SAM		VIA4	
	31 Dec 2019	31 Dec 2018****	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018****	31 Dec 2019	31 Dec 2018
<b>Non-current assets</b>	<b>918,245</b>	936,345	<b>78,420</b>	77,224	<b>907,429</b>	927,186	<b>16,324</b>	9,637
<b>Current assets</b>	<b>403,807</b>	394,556	<b>195,666</b>	276,989	<b>189,244</b>	109,636	<b>24,314</b>	13,525
<b>Total shareholders' equity</b>	<b>795,764</b>	804,671	<b>268,240</b>	349,460	<b>572,618</b>	499,645	<b>20,954</b>	10,227
<b>Non-current liabilities</b>	<b>344,696</b>	357,896	<b>4,231</b>	99	<b>344,267</b>	362,622	<b>11,243</b>	5,168
<b>Current liabilities</b>	<b>181,592</b>	168,334	<b>1,615</b>	4,654	<b>179,788</b>	174,555	<b>8,441</b>	7,767
<b>Net debt***</b>	<b>-626,920</b>	-576,056	<b>-181,763</b>	-263,193	<b>-424,054</b>	-290,086	<b>3,786</b>	7,801
performance data	2019	2018****	2019	2018	2019	2018****	2019	2018
<b>Revenues from sales</b>	<b>351,487</b>	336,529	<b>3,767</b>	3,702	<b>347,424</b>	332,377	<b>49,109</b>	47,575
<b>Gross profit/loss from sales</b>	<b>262,390</b>	283,417	<b>-114</b>	-342	<b>240,957</b>	261,080	<b>19,204</b>	20,334
<b>EBITDA*</b>	<b>194,245</b>	274,494	<b>-2,954</b>	-4,013	<b>182,012</b>	262,199	<b>16,707</b>	16,645
<b>EBIT</b>	<b>129,153</b>	245,399	<b>-3,606</b>	-4,561	<b>118,388</b>	234,423	<b>13,822</b>	14,943
<b>Result on financial activities</b>	<b>-4,518</b>	-10,642	<b>14,642</b>	9,545	<b>-6,818</b>	-14,398	<b>-384</b>	-211
<b>Net profit/loss</b>	<b>80,396</b>	186,263	<b>10,397</b>	4,432	<b>70,646</b>	175,050	<b>10,822</b>	11,760
<b>EBIT margin**</b>	<b>37%</b>	73%	<b>-96%</b>	-123%	<b>34%</b>	71%	<b>28%</b>	31%
<b>ROE</b>	<b>10%</b>	23%	<b>4%</b>	1%	<b>12%</b>	35%	<b>52%</b>	115%

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

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

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

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

Source: The Company's own compilation

## 2.4. DESCRIPTION OF OTHER COMPANIES OF THE STALEXPORT AUTOSTRADY GROUP

### 2.4.1. STALEXPORT AUTOROUTE S.À R.L

**412F, route d'Esch**

**L-1471 Luxembourg**

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

**Share capital: EUR  
56,149,500**

**Ownership structure:  
100% – Stalexport  
Autostrady**

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

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

On 24 July 2019, the Management Board of Stalexport Autostrady decided that in the event of effective prepayment by SAM of the outstanding debt resulting from the above-mentioned Project Loan Agreement, it would take steps aimed at simplifying the Group's structure. The purpose of these activities was to reduce the costs of the Group's operations by discontinuing the business and the legal existence of Stalexport Autoroute. On 30 September 2019, the aforementioned debt was fully prepaid. Also on 30 September 2019, the Management Board of Stalexport Autostrady, acting jointly with the Sole Member of the Management Board (gérant unique) of the sole-shareholder company Stalexport Autoroute S.à r.l., adopted a plan for the merger of the Company with Stalexport Autoroute, consisting in the taking over of all of its equity (both assets and liabilities). On 31 October 2019, the Extraordinary General Meeting of Shareholders of Stalexport Autostrady adopted a resolution on the cross-border merger of the Company with Stalexport Autoroute. The legal existence of Stalexport Autoroute will end by way of the cross-border merger of Stalexport Autostrady and Stalexport Autoroute without an increase of the Company's share capital, using a simplified merger procedure in accordance with the Commercial Companies Code and pursuant to the applicable provisions of the laws of Luxembourg.

## 2.4.2. 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**  
(through Stalexport  
Autoroute)

**[www.autostrada-a4.pl](http://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.

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

### 2.4.3. VIA4 S.A.

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

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

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

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

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

**[www.via4.pl](http://www.via4.pl)**

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

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

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

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

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

#### 2.4.4. BIURO CENTRUM SP. Z O.O.

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

**Management Board:**  
**Ryszard Krzeszowiak**

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

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

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

**Ownership structure:**  
**59.37% – WĘGLOKOKS S.A.**  
**40.63% – Stalexport**  
**Autostrady**

**[www.biurocentrum.com.pl](http://www.biurocentrum.com.pl)**

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

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

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

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

## PART 3

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

#### 3.1. STALEXPORT AUTOSTRADY

##### 3.1.1. PRESENTATION OF FINANCIAL RESULTS

The table below shows the Company's basic financial results achieved in 2019 and comparative figures for the previous year (2018).

**TABLE 3 | SELECTED ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME OF STALEXPORT AUTOSTRADY IN 2019 AND 2018 (SEPARATE FIGURES)**

PLN '000	2019	2018	Change [%]
Revenues from sales	3,767	3,702	2%
Cost of sales	-3,881	-4,044	-4%
<b>Gross loss on sales</b>	<b>-114</b>	<b>-342</b>	<b>-67%</b>
Other operating revenue	59	35	69%
General and administrative expenses	-3,543	-4,224	-16%
Other operating expenses	-10	-20	-50%
Reversal of loss/(Losses) on impairment of trade receivables and other receivables	2	-10	-120%
<b>Loss on operating activities (EBIT)</b>	<b>-3,606</b>	<b>-4,561</b>	<b>-21%</b>
Financial revenue	14,758	9,549	55%
Financial expenses	-116	-4	2800%
<b>Balance on financial activities</b>	<b>14,642</b>	<b>9,545</b>	<b>53%</b>
<b>Profit before tax</b>	<b>11,036</b>	<b>4,984</b>	<b>121%</b>
Income tax	-639	-552	16%
<b>Net profit</b>	<b>10,397</b>	<b>4,432</b>	<b>135%</b>

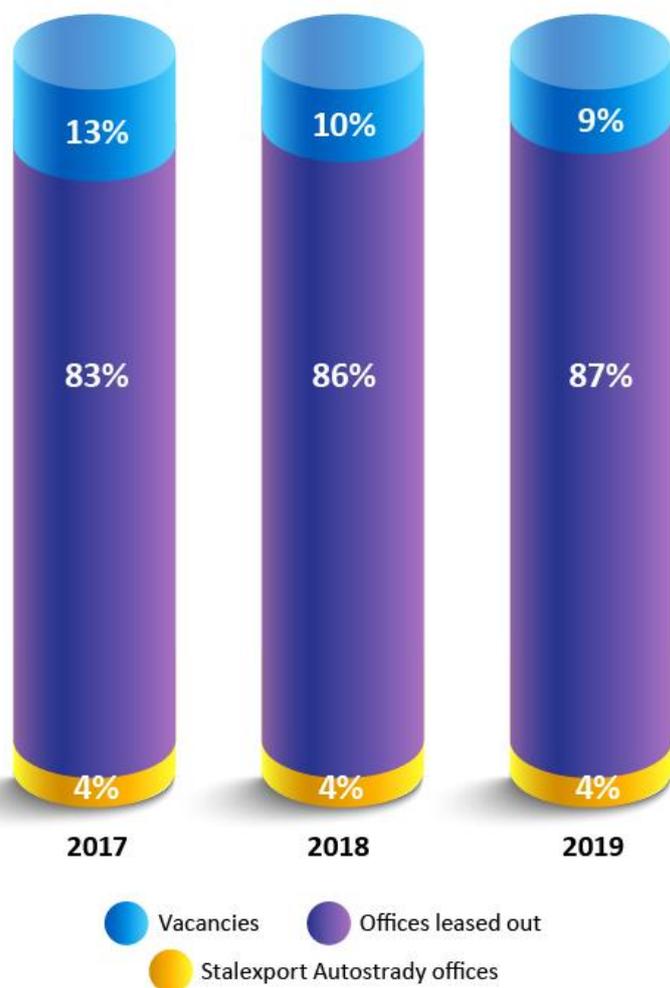
Source: The Company's own compilation based on the Company's separate financial statements

The amount of net profit generated in 2019 was mainly a result of positive financial operations described in more detail in paragraph 3.1.1.3 of the Report.

### 3.1.1.1. AMOUNT AND STRUCTURE OF OPERATING REVENUE

Stalexport Autostrady runs its motorway business through its subsidiaries. Thus, the separate **revenue from sales** generated by the Company includes mainly revenue from services related to the lease of space in the office building in Katowice at ul. Mickiewicza 29 and of parking spaces located next to that office building. In relation to this, in 2019, Stalexport Autostrady generated total revenue in the amount of PLN 3,358 thousand versus PLN 3,244 thousand in the previous year.

Stalexport Autostrady is a co-owner of the office building in Katowice at ul. Mickiewicza 29 As part of the co-ownership, the Company has at its sole disposal office space of 4,734 m<sup>2</sup> (and additionally 212 m<sup>2</sup> of conference rooms), of which 183 m<sup>2</sup> as at the end of 2019 was occupied by Stalexport Autostrady for its own needs (slightly more compared to the end of 2018).



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

Source: The Company's own compilation

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

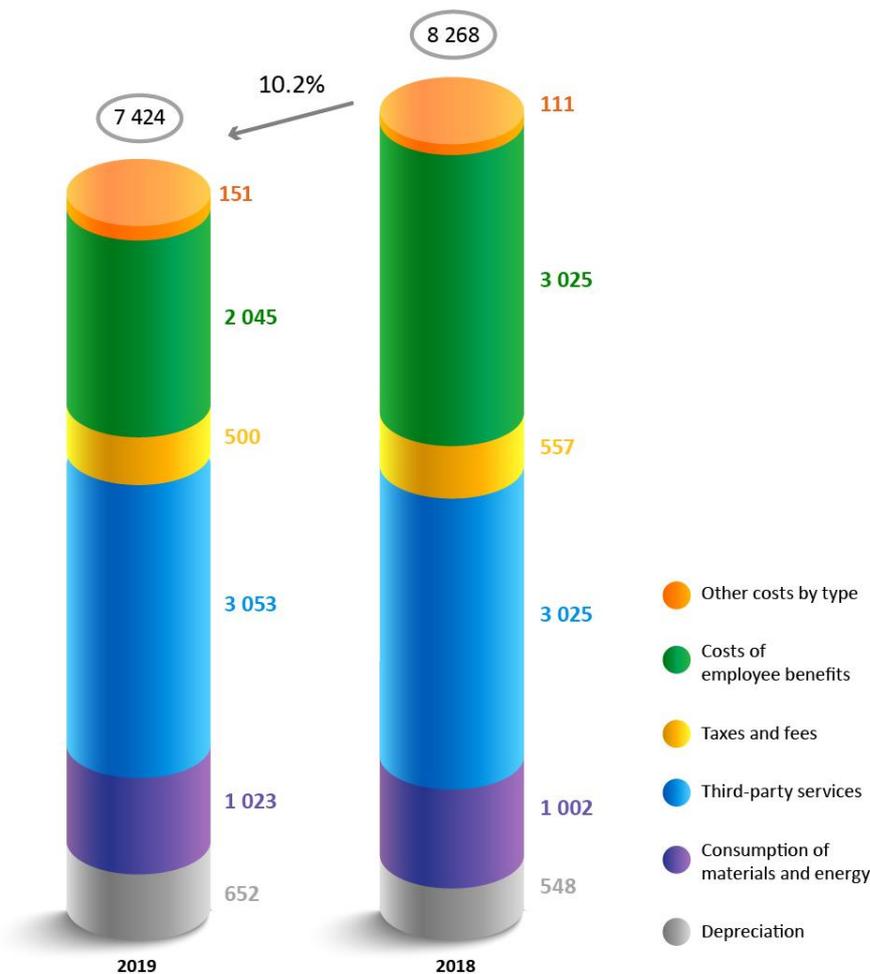
This year, the plan is to continue the efforts in order to maintain the current office space occupancy while maintaining the optimum rent rates.

Other revenue from sales amounting to PLN 409 thousand was generated by the Company from the provision of services for related entities, including mainly work related to IT services, and from the fee received from VIA4 in relation to the performance guarantee granted to this company. In 2019, this revenue decreased by PLN 49 thousand versus the previous year.

### 3.1.1.2. AMOUNT AND STRUCTURE OF OPERATING EXPENSES

In 2019, the expenses incurred by Stalexport Autostrady – including the cost of sales as well as general and administrative expenses – decreased by 10.2%.

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



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

The largest item of costs by type incurred by Stalexport Autostrady was represented by outsourced services (including, but not limited to property administration, repair, maintenance and cleaning service, property security, service involving lease of office spaces and rental, and consultancy services). In 2019, those costs increased versus 2018 (by approx. 0.9%).

The second largest item in the structure of the Company's costs by type consists of employee benefits, including remuneration, whose value in 2019 decreased vs 2018 (by 32.4%).

In 2019, consumption of materials and energy increased by approx. 2.1% vs the previous year. Depreciation in 2019 was higher compared to 2018, while taxes and fees were lower. Other costs by type increased by 36.0%.

In 2019, other operating expenses amounted to PLN 10 thousand.

### 3.1.1.3. FINANCIAL OPERATIONS

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

The figures in this area of operation are influenced to the greatest extent by financial revenue which in 2019 comprised the following:

- dividend received from subsidiaries (PLN 10,908 thousand);
- interest related to investments consisting in depositing financial resources with banks (PLN 3,440 thousand);
- interest related to finance lease (PLN 169 thousand).

In 2019, total financial revenue amounted to PLN 14,758 thousand and was higher by PLN 5,209 thousand vs the previous year, mainly as a result of dividend from the subsidiary Stalexport Autoroute.

In turn, the amount of financial expenses in 2019 was influenced by interest on liabilities measured at depreciated cost, including interest on lease liabilities, in the amount of PLN 116 thousand.

### 3.1.2. ASSETS AND FINANCIAL POSITION

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

**TABLE 4 | SYNTHETIC REPORT ON THE STATEMENT OF FINANCIAL POSITION OF STALEXPORT AUTOSTRADY AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018 – SEPARATE FIGURES**

in PLN'000			<i>Dynamics</i>	<i>Structure</i>	
	31 Dec 2019	31 Dec 2018	2019/2018	31 Dec 2019	31 Dec 2018
<b>Non-current assets</b>	<b>78,420</b>	77,224	<b>2%</b>	29%	<b>22%</b>
<b>Current assets</b>	<b>195,666</b>	276,989	<b>-29%</b>	71%	<b>78%</b>
<b>Total shareholders' equity</b>	<b>268,240</b>	349,460	<b>-23%</b>	98%	<b>99%</b>
<b>Non-current liabilities</b>	<b>4,231</b>	99	<b>4174%</b>	2%	<b>0%</b>
<b>Current liabilities</b>	<b>1,615</b>	4,654	<b>-65%</b>	1%	<b>1%</b>
<b>Balance sheet total</b>	<b>274,086</b>	<b>354,213</b>	<b>-23%</b>	<b>100%</b>	<b>100%</b>

Source: The Company's own compilation

#### 3.1.2.1. ASSETS

As far as the structure of **non-current assets** is concerned, the main item consists in the shares of the subsidiary running the motorway business, i.e. Stalexport Autoroute (PLN 67,086 thousand). The increase in the value of fixed assets recorded in the analysed period is mainly due to an increase in the value of investment property by PLN 2,690 thousand (decrease by PLN 105 thousand in 2018). [The change in 2019 results from the recognition of the right of perpetual usufruct of land as an operating lease agreement]. On the other hand, the value of finance lease receivables and of deferred income tax assets decreased in the period discussed here respectively by PLN 1,017 thousand and PLN 421 thousand (in 2018: decrease respectively by PLN 502 thousand and PLN 638 thousand). The amount of fixed assets was also influenced by a decrease in tangible fixed assets by PLN 86 thousand and an increase in other non-current investments by PLN 30 thousand (in 2018: increase respectively by PLN 185 thousand and PLN 73 thousand).

The amount of **current assets** is determined by the amount of cash and cash equivalents that can be used to implement future motorway projects. The value of this item decreased from PLN 267,946 thousand in 2018 to PLN 187,609 thousand in 2019, mainly as a result of dividend paid. Stalexport Autostrady invested these funds in the money market in the form of short-term bank deposits.

Other significant items of Stalexport Autostrady's current assets include shares held for sale in the amount of PLN 1,574 thousand, short-term lease finance receivables in the amount of PLN 1,336 thousand, as well as trade receivables and other receivables in the amount of PLN 5,147 thousand.

### 3.1.2.2. LIABILITIES

In 2019, retained earnings increased within the equity structure, amounting to PLN 10,410 thousand as at the end of the year (increase by PLN 5,951 thousand vs. 2018). Other reserve and supplementary capitals decreased by PLN 87,055 thousand vs the end of 2018, to PLN 64,662 thousand. The above is a consequence of the transfer of net profit generated last year to other supplementary capitals (PLN 4,432 thousand) and of the payment of dividends to the Company's shareholders from other reserve and supplementary capitals, in the amount of PLN 91,487 thousand. At the same time, the Company generated a net profit in the reporting period in the amount of PLN 10,397 thousand.

As at 31 December 2019, the Company's total liabilities amounted to PLN 5,846 thousand and increased by PLN 1,093 thousand vs 31 December 2018, which was caused by recognition of lease liabilities in the amount of PLN 3,237 thousand as at the date of the first application of IFRS 16 *Leasing* i.e. on 1 January 2019 (for more information see Note 4 to the Company's separate financial statement). On the other hand, this item was influenced by liabilities related to employee benefits, whose value decreased by PLN 2,086 thousand.

## 3.2. THE GROUP

### 3.2.1. PRESENTATION OF FINANCIAL RESULTS

The following table includes basic financial results of the Stalexport Autostrady Group generated in 2019 along with comparative data for the previous year.

**TABLE 5 | SELECTED ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME OF THE STALEXPORT AUTOSTRADY GROUP IN 2019 AND 2018 – CONSOLIDATED**

PLN '000	2019	2018*	Change [%]
Revenues from sales	<b>351,487</b>	336,529	<b>4%</b>
Cost of sales	<b>-89,097</b>	-53,112	<b>68%</b>
<b>Gross profit on sales</b>	<b>262,390</b>	<b>283,417</b>	<b>-7%</b>
Other operating revenue	<b>6,313</b>	10,396	<b>-39%</b>
General and administrative expenses	<b>-139,033</b>	-45,075	<b>208%</b>
Other operating expenses	<b>-514</b>	-3,282	<b>-84%</b>
Reversal of losses/(Losses) on impairment of trade receivables and other receivables	<b>-3</b>	-57	<b>-95%</b>
<b>Profit on operating activities (EBIT)</b>	<b>129,153</b>	<b>245,399</b>	<b>-47%</b>
Financial revenue	<b>11,360</b>	13,661	<b>-17%</b>
Financial expenses	<b>-15,878</b>	-24,303	<b>-35%</b>
<b>Balance on financial activities</b>	<b>-4,518</b>	<b>-10,642</b>	<b>-58%</b>
Share in profit of affiliates	<b>137</b>	207	<b>-34%</b>
<b>Profit before tax</b>	<b>124,772</b>	<b>234,964</b>	<b>-47%</b>
Income tax	<b>-44,376</b>	-48,701	<b>-9%</b>
<b>Net profit</b>	<b>80,396</b>	<b>186,263</b>	<b>-57%</b>

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

Source: The Company's own compilation

In 2019, the Group obtained revenues from sales higher by 4% vs the previous year, mainly as a result of the changed rates for heavy goods vehicles on the toll section of the A4 Katowice–Kraków motorway.

The gross profit from sales decreased by 7% vs the previous year. The gross profit dynamic was fundamentally driven by the increase in revenue from sales and by the increase in the cost of sales (mainly as a result of the change in the cost of establishing the provisions for motorway resurfacing by PLN 31,091 thousand).

### 3.2.1.1. AMOUNT AND STRUCTURE OF OPERATING REVENUE

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

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

In 2019, Average Daily Traffic (ADT) on the concession section of the A4 motorway Katowice–Kraków amounted to 45,569 vehicles and was 0.6% higher than the traffic level recorded in 2018 (45,298 vehicles). In 2019, toll revenue amounted to PLN 347,424 thousand, i.e. it was 4.5% higher than in 2018 (PLN 332,377 thousand).

As far as passenger cars are concerned, Average Daily Traffic increased from 38,067 thousand vehicles in 2018 to 38,349 vehicles in 2019 (up by 0.7%). Toll revenue from passenger cars amounted to PLN 223,462 thousand in 2019, i.e. it increased by 0.6% versus 2018 (PLN 222,051 thousand).

As far as heavy goods vehicles are concerned, Average Daily Traffic decreased by approximately 0.2%, i.e. from 7,231 vehicles in 2018 to 7,220 vehicles in 2019. Toll revenue from heavy goods vehicles in 2019 amounted to PLN 123,962 thousand, i.e. it increased by 12.4% compared to 2018 (PLN 110,327 thousand). The difference between the toll revenue growth dynamic and the Average Daily Traffic change dynamic for heavy goods vehicles is mainly due to the change of toll rates starting from 1 March 2019 (from PLN 18 to 20 and from PLN 30 to 35) as well as from differences in the structure of vehicle categories (different toll rates are charged depending on the category).

The tables below show the Average Daily Traffic (ADT) and the toll revenue in 2019 versus 2018, with the relevant dynamics.

**TABLE 6 | AVERAGE DAILY TRAFFIC (ADT)**

ADT	2019	2018	Change
 Passenger cars	38,349	38,067	0.7%
 Heavy goods vehicles	7,220	7,231	-0.2%
<b>Total</b>	<b>45,569</b>	<b>45,298</b>	<b>0.6%</b>

Source: The Company's own compilation

**TABLE 7 | TOLL REVENUE**

[PLN '000]	2019	2018	Change
 Passenger cars	223,462	222,051	0.6%
 Heavy goods vehicles	123,962	110,327	12.4%
<b>Total</b>	<b>347,424</b>	<b>332,377</b>	<b>4.5%</b>

Source: The Company's own compilation

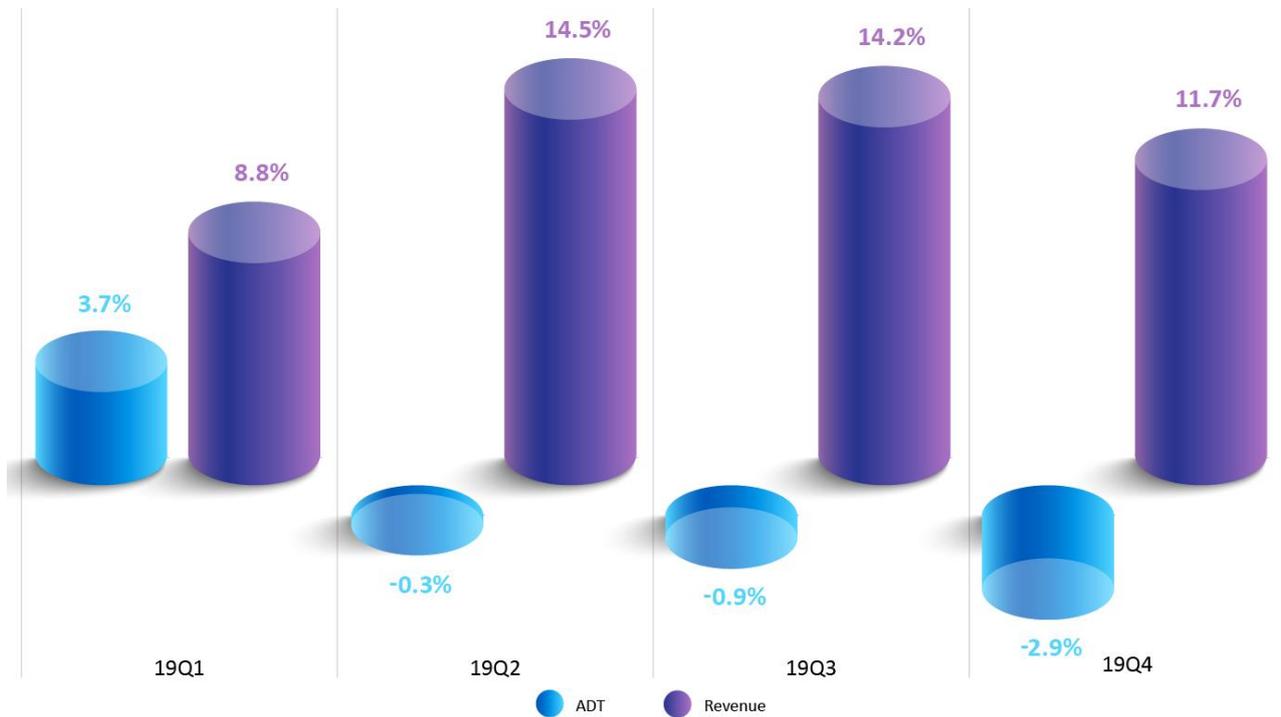
The following figures show the dynamics of Average Daily Traffic (ADT) and of toll revenue in 2019 vs 2018 on a quarterly basis, separately for passenger cars and heavy goods vehicles.

**FIGURE 4 | DYNAMICS OF ADT AND OF TOLL REVENUE FOR PASSENGER CARS IN 2019 VERSUS 2018 (QUARTER ON QUARTER OF THE PREVIOUS YEAR)**



Source: The Company's own compilation

**FIGURE 5 | DYNAMICS OF ADT AND OF TOLL REVENUE FOR HEAVY GOODS VEHICLES IN 2019 VERSUS 2018 (QUARTER ON QUARTER OF THE PREVIOUS YEAR)**



Source: The Company's own compilation

The difference between the quarters in terms of the revenue dynamic results from the changes in the toll rates introduced starting from 1 March 2019.

Apart from toll collection, the Group also obtained revenue from sales related to motorway operation in the amount of PLN 703 thousand, including PLN 648 thousand in compensation for damaged motorway infrastructure.

Apart from the motorway activity, revenue from sales of the Stalexport Autostrady Group in the amount of PLN 3,360 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 2018, the amount of revenue unrelated to motorway activities increased slightly.

In 2019, other operating revenue amounted to PLN 6,313 thousand and included revenue from rest and service area lease (PLN 4,916 thousand), refund of overpaid property tax for previous years (PLN 214 thousand), compensation obtained, contractual penalties, reimbursement of fees and costs of court proceedings (PLN 209 thousand), profit from disposal of tangible and intangible fixed assets (PLN 173 thousand), interest on receivables (PLN 13 thousand), and other revenue (PLN 788 thousand).

### 3.2.1.2. AMOUNT AND STRUCTURE OF OPERATING EXPENSES

In 2019, operating expenses of the Stalexport Autostrady Group amounted to PLN 228,644 thousand and were higher by 125.3% vs the previous years (PLN 101,469 thousand – figures restated in relation to the change of approach with regard to the Concession Fees – see note 5.2 to the Group’s consolidated financial statements), mainly as a result of recognising in the current period the higher costs related to “Payments to the State Treasury” the amount of PLN 88,800 (in 2018: PLN 5,912 thousand).

In 2019, the costs of operating activities consisted of the following:

- cost of sales in the amount of PLN 89,097 thousand. The value of this cost group was approx. 67.8% higher than in the previous year (PLN 53,112 thousand), mainly as a result of the increase in the cost of establishing provisions for motorway resurfacing (PLN 31,091 thousand);
- general and administrative costs in the amount of PLN 139,033 thousand, higher by PLN 93,958 thousand (208.4%) vs the same period in the previous year (including as a result of recognising “Payments to the State Treasury” in the amount of PLN 88,800 thousand);
- other operating expenses in the amount of PLN 514 thousand, influenced decisively by the adjustment of the revenues from the lease of rest and service areas for previous years as a result of a refund of property tax obtained (PLN 214 thousand).

### 3.2.1.3. FINANCIAL OPERATIONS

In 2019, the Group generated a negative balance on financial activities in the amount of PLN 4,518 thousand, i.e. the financial revenue generated (PLN 11,360 thousand) was lower than the financial expenses incurred (PLN 15,878 thousand).

The financial revenue was mainly influenced by the interest on bank deposit accounts in the amount of PLN 11,043 thousand.

The financial expenses were mainly influenced by the discounting of liabilities and provisions in the total amount of PLN 6,671 thousand, of which: PLN 6,178 thousand corresponded to provisions for Phase II investment works on the A4 motorway, and PLN 493 thousand corresponded 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 payables and provisions indicated above are recognised by the Group in the financial statements at their present value. The relevant figure reflects, therefore, the nominal value of the given liability or of the expected expenditure, discounted as at the day the financial statements are prepared, using the market interest rate.

Significant items of other financial expenses included the following: interest and commission on the loan (PLN 3,053 thousand), loss on transactions entered into by SAM to hedge against interest rate variations (PLN 3,048 thousand), and discounting the liability related to Concession Fees (PLN 2,803 thousand).

The negative balance on financial activities recorded in 2019 (PLN 4,518 thousand) was at a lower level compared to the balance recorded in the previous year (PLN 10,642 thousand – restated figures). This was caused mainly by the decrease in financial expenses as a result of planned repayment of loan liabilities and earlier repayment of loan liabilities.

### 3.2.2. ASSETS AND FINANCIAL POSITION

The following table contains the synthetic statement of financial position of the Group and its structure as at 31 December 2019. For the sake of comparison, the figures reflecting particular items and their structure as at the end of 2018 have also been included.

**TABLE 8 | SYNTHETIC REPORT ON STALEXPORT AUTOSTRADY'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018 – CONSOLIDATED FIGURES**

in PLN'000	31 Dec 2019	31 Dec 2018*	Dynamics		Structure	
			2019/2018	31 Dec 2019	31 Dec 2018	
<b>Non-current assets</b>	<b>918,245</b>	936,345	<b>-2%</b>	69%	<b>70%</b>	
<b>Current assets</b>	<b>403,807</b>	394,556	<b>2%</b>	31%	<b>30%</b>	
<b>Equity</b>	<b>795,764</b>	804,671	<b>-1%</b>	60%	<b>60%</b>	
<b>Non-current liabilities</b>	<b>344,696</b>	357,896	<b>-4%</b>	26%	<b>27%</b>	
<b>Current liabilities</b>	<b>181,592</b>	168,334	<b>8%</b>	14%	<b>13%</b>	
<b>Balance sheet total</b>	<b>1,322,052</b>	<b>1,330,901</b>	<b>-1%</b>	<b>100%</b>	<b>100%</b>	

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

Source: The Company's own compilation

#### 3.2.2.1. ASSETS

The largest item in **non-current assets** consisted of intangible assets, amounting at the end of 2019 to PLN 438,177 thousand, and consisting virtually entirely of concession intangible assets. Their value decreased by PLN 11,745 thousand versus the end of 2018. The decrease is a resultant of (i) depreciation of concession and other intangible assets (PLN 49,787 thousand), (ii) increase in concession intangible assets as a result of revaluation (PLN 31,079 thousand), (iii) acquisition (PLN 8,163 thousand), (iv) transfer to property, plant and equipment and inventories (PLN 1,185 and 7 thousand, respectively), and (v) sale and liquidation (PLN 8 thousand).

The second largest item was represented by other non-current investments, whose value as at the end of 2019 decreased to the amount of PLN 417,794 thousand vs PLN 419,343 thousand as at the end of 2018. 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 31,813 thousand) and deferred income assets (whose value decreased to the amount of PLN 23,033 thousand as at the end of 2019) constituted other significant items of non-current assets. Deferred income tax assets included items related, among others, to property, plant and equipment as well as the provisions established, set off against the deferred tax provision, related mainly to concession intangible assets.

The largest item in the **current assets** structure was cash (PLN 372,868 thousand), whose value as at the end of 2019 increased by PLN 39,127 thousand vs the end of 2018. Trade receivables and other receivables constituted another significant item of current assets (PLN 26,301 thousand); they decreased by PLN 11,059 thousand mainly as a result of the decrease in VAT receivables. Apart from the above, inventories (PLN 3,064 thousand) increased vs 2018 by PLN 340 thousand, while the value of non-current investments in the amount of PLN 1,574 thousand decreased vs the end of 2018 (PLN 1,823 thousand)

### 3.2.2.2. LIABILITIES

As at 31 December 2019, the Group's total **payables and provisions** amounted to PLN 526,288 thousand, of which 65% were non-current items. The main items of payables and provisions included the following:

- PLN 362,719 thousand: provisions for capital expenditures within Phase II of the investments being implemented on the managed section of the A4 motorway;
- PLN 90,307 thousand: trade and other payables, including mainly Payments to the State Treasury in the amount of PLN 54,667 thousand;
- PLN 20,555 thousand: income tax payables;
- PLN 17,567 thousand: other non-current payables, including mainly PLN 11,363 thousand in relation to Concession Fees;
- PLN 14,001 thousand: provision established for planned motorway resurfacing;
- PLN 6,570 thousand: value of the toll for the A4 Katowice–Kraków motorway sold in the form of the prepaid KartA4 proximity cards and of the A4Go onboard devices, but unused;
- PLN 5,969 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 5,309 thousand: payables related to employee benefits.

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

Capital expenditures incurred by the Group in 2019 amounted to PLN 32,522 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 the equipment required for the purpose of ongoing motorway maintenance, replacement of office equipment and means of transportation. The above-mentioned value of capital expenditure also includes the Independent Engineer's costs and design costs.

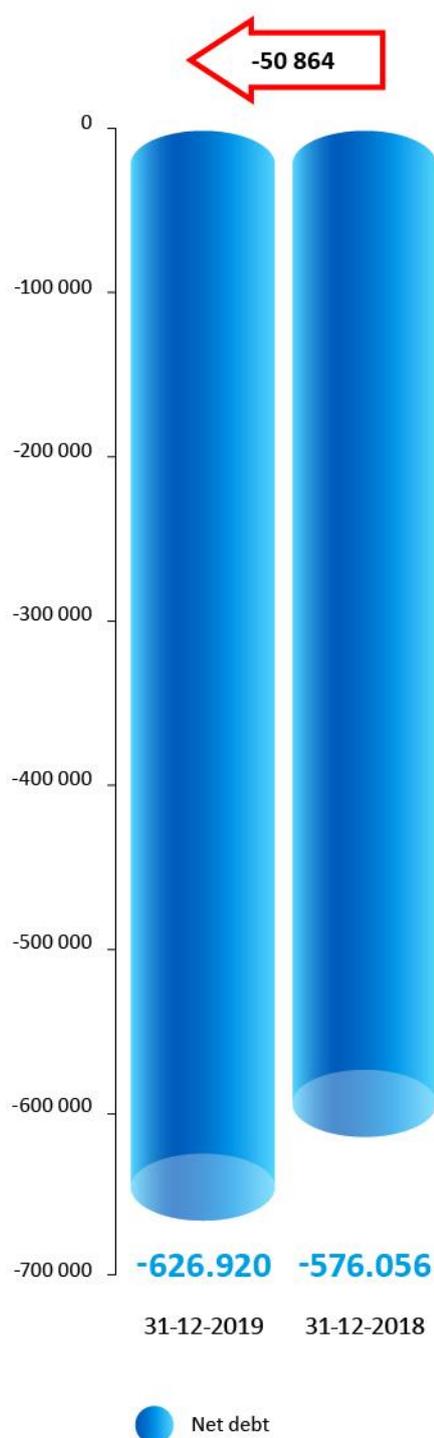
All the above-mentioned investment activities of the Group were allowed for in the capital expenditure budget for 2019 and had been approved earlier by the Supervisory Board of Stalexport Autostrady. At this point, it is worth mentioning that financing of the investment tasks resulting from the Concession Agreement concluded by SAM is secured with own funds generated from the operation of the A4 motorway (tolls). The said Agreement secured external financing up to the amount of PLN 380,000 thousand. On 30 September 2019, a full prepayment of the outstanding debt under the Project Loan Agreement was made, as further described in paragraph 5.9 of this report.

### 3.2.2.4. NET DEBT

Excluding from the liabilities the provisions for Phase II construction works and the payable related to derivative instruments used as hedging (taking into account deferred tax), the Group's net debt as at the end of 2019 decreased by the amount of approx. PLN 50,864 thousand. The net debt of the Group was primarily influenced by the bank loan granted by the Financing Banks for the implementation of A4 Katowice–Kraków project on the one hand, and by cash in current and non-current deposits on the other hand.

The detailed method of calculation of this ratio and its value in the years 2018–2019 are presented below.

**FIGURE 6 | NET DEBT OF THE GROUP (CONSOLIDATED FIGURES) – BALANCE AS AT 31 DECEMBER 2018 AND AS AT 31 DECEMBER 2019**



PLN'000	31/12/2019	31/12/2018*
A4 project loan	0	+77,405
Resurfacing provisions	+14,001	+30,074
Trade and other payables	+90,307	+30,287
Deferred income	+6,023	+6,854
Other non-current payables	+17,567	+18,385
Payables related to employee benefits	+5,309	+6,987
Payables related to agreements	+6,570	+6,102
Other payables and provisions	0	+587
Lease payables	+3,237	0
Income tax payables	+20,555	+204
Long-term bank deposits	-417,621	-419,200
Cash and cash equivalents	-372,868	-333,741
<b>Net debt</b>	<b>-626,920</b>	<b>-576,056</b>

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

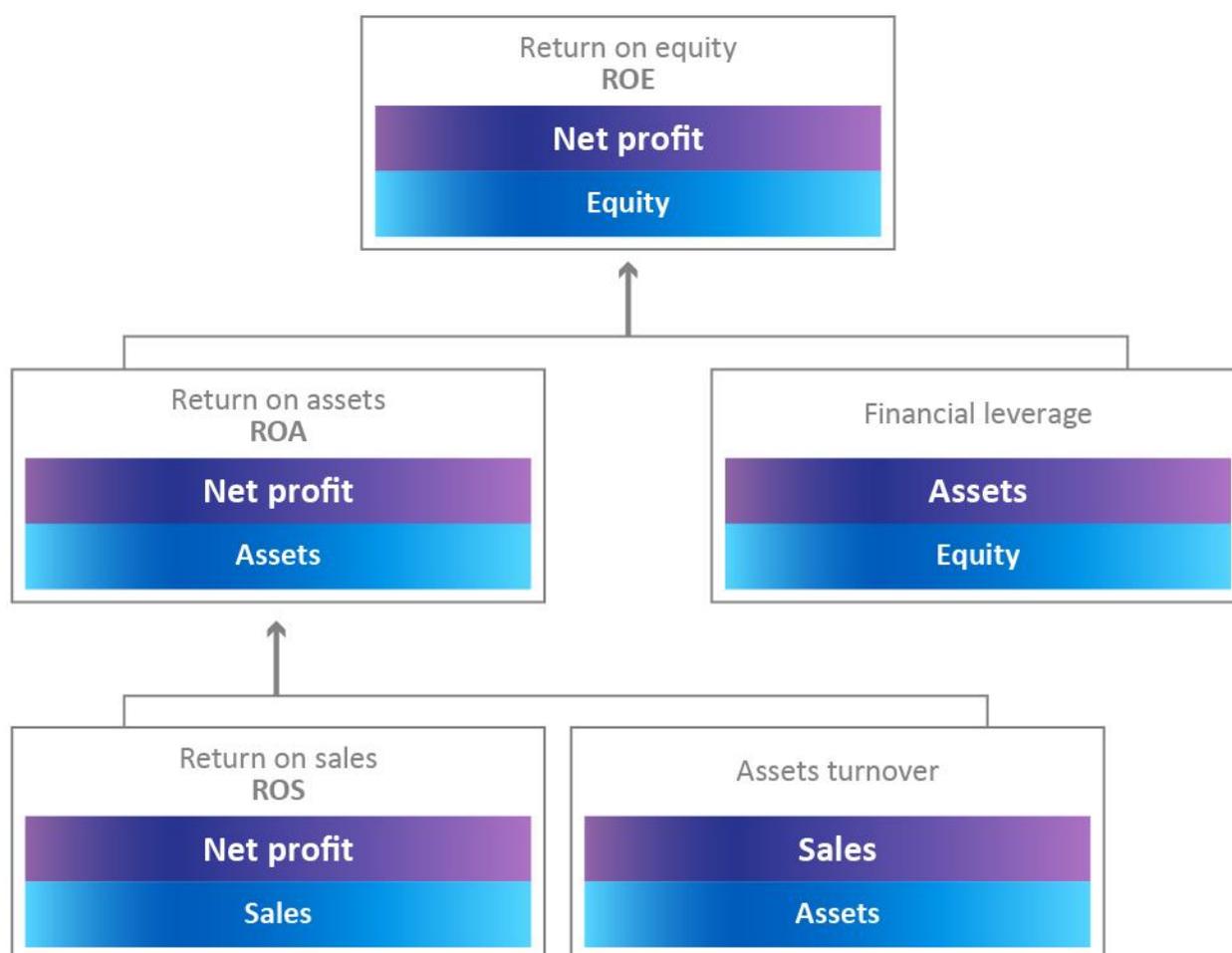
Source: The Company's own compilation

### 3.2.3. DUPONT ANALYSIS

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

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

**FIGURE 7 | DUPONT ANALYSIS DIAGRAM**



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

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

**TABLE 9 | RETURN ON EQUITY (ROE), INCLUDING DECOMPOSITION OF THE RATIO – CALCULATIONS FOR THE YEARS 2017-2019**

Ratio	2019	2018	2017
<b>Return on equity (ROE)</b>	<b>10.1%</b>	23.1%	<b>22.7%</b>
<b>Return on assets (ROA)</b>	<b>6.1%</b>	14%	<b>11%</b>
<b>Return on net sales (ROS)</b>	<b>22.9%</b>	55.3%	<b>49.8%</b>
<b>Asset Turnover</b>	<b>0.27</b>	0.25	<b>0.22</b>
<b>Financial Leverage</b>	<b>1.66</b>	1.65	<b>2.06</b>

*ROE = net profit/equity*

*ROA = net profit/total assets*

*ROS = net profit/sales revenue*

*Asset turnover=revenue on sales/total assets*

*Financial leverage=total assets/equity*

Source: The Company's own compilation

In the Group's case, ROE is influenced to a significant extent by the return on sales (ROS), which was 22.9% in the analysed period. The decrease of the analysed ratio as well as of the return ratios listed below, as compared to 2018, results mainly from the payment to the State Treasury recognised in the general and administrative expenses.

ROE is also influenced by the level of applied Financial Leverage, which makes it possible for the company to hold assets significantly exceeding its equity. In the case of the Group, the Financial Leverage ratio decreased from 2.06 at the end of 2017 to 1.65 at the end of 2018, and at the end of 2019 amounted to 1.66.

The Group's revenue is characterised by a relatively high degree of stability and predictability, which is possible owing to the multiannual contract related to the management of the A4 motorway Katowice–Kraków toll section (Concession Agreement). The activity pursued makes it possible to generate a relatively high margin, which is confirmed by the sales margin ratios of over 50% (74.7% in 2019) as well as EBIT of over 30% (36.7% in 2019).

**TABLE 10 | PROFITABILITY OF THE STALEXPORT AUTOSTRADY GROUP IN THE YEARS 2017–2019 ON THE INDIVIDUAL LEVELS OF ITS ACTIVITY PURSUED**

Ratio	2019	2018	2017
<b>Sales margin</b>	<b>74.7%</b>	84.2%	77.9%
<b>EBITDA margin</b>	<b>55.3%</b>	81.6%	83.4%
<b>EBIT margin</b>	<b>36.7%</b>	72.9%	67.9%

*Sales margin = gross profit on sales / sales revenue*

*EBITDA margin = (profit/loss on operating activities excluding depreciation and amortisation and the resurfacing provision) / sales revenue*

*EBIT margin = operating profit / sales revenue*

Source: The Company's own compilation

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

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

**TABLE 11 | STALEXPORT AUTOSTRADY GROUP'S PERFORMANCE RATIOS IN THE YEARS 2017–2019**

Ratio	2019	2018	2017
<b>Asset Turnover</b>	<b>0.27</b>	0.25	0.22
<b>Working Capital Turnover</b>	<b>1.58</b>	1.49	2.2
<b>Receivables Turnover</b>	<b>13.36</b>	9.01	12.53
<b>Liabilities Turnover</b>	<b>0.67</b>	0.64	0.43

*Asset turnover ratio = sales revenue / total assets*

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

*Receivables turnover = sales revenue / short-term receivables*

*Liabilities turnover = sales revenue / liabilities*

Source: The Company's own compilation

In the period discussed here, the turnover ratios for assets and liabilities increased compared to the years 2017–2018. On the other hand, working capital and receivables turnover ratios increased in comparison to 2018, which in the case of the former results from the faster growth in sales revenues vs short-term liabilities, while in the case of the latter, it results from the increase in revenue and the decrease in receivables in relation to 2018.

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

**TABLE 12 | STALEXPORT AUTOSTRADY GROUP'S LIQUIDITY AND DEBT RATIOS IN THE YEARS 2017–2019**

Ratio	2019	2018	2017
<b>Current liquidity</b>	<b>2.22</b>	2.34	<b>1.51</b>
<b>Quick liquidity</b>	<b>2.21</b>	2.22	<b>1.49</b>
<b>Debt to assets</b>	<b>0.4</b>	0.4	<b>0.51</b>
<b>Debt to equity</b>	<b>0.66</b>	0.65	<b>1.06</b>
<b>Long-term debt</b>	<b>0.43</b>	0.44	<b>0.65</b>

*Current liquidity ratio = current assets/short-term liabilities*

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

*Debt to assets ratio = liabilities / total assets*

*Debt to equity ratio = liabilities / equity*

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

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

Source: The Company's own compilation

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

## PART 4

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

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

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

The updated document defines the objectives and priorities, both in terms of investments and of road network maintenance. The Programme indicates the material scope scheduled to be implemented in the years 2014–2023 as far as new road investments are concerned. The estimated level of capital flow for their implementation under the National Road Fund is estimated, after the update, at PLN 156.7 billion. This amount is allocated to the implementation of investment tasks consisting in the construction of motorways, expressways and bypasses of certain towns or cities.

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

Nevertheless, the decreasing, in the longer-term perspective of European Union funds for the development of infrastructure in the traditional system led to the indication, by the Economic Committee of the Council of Ministers, in June 2018, of 4 smaller road projects planned to be implemented in the PPP formula, i.e. S6 Bypass of the Tri-City Metropolis, S6 Koszalin–Bożepole Wielkie, S6 Western Road Bypass of Szczecin and S10 Bydgoszcz–Toruń. At the end of 2019, the General Directorate for National Roads and Motorways provided information about its plan to launch a pilot tender procedure in H1 2020, using the competitive dialogue procedure, for the design, construction and maintenance of the S6 Bypass of the Tri-City Metropolis.

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

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

## PART 5

### OTHER INFORMATION ON THE STALEXPORT AUTOSTRADY GROUP

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

**On 4 February 2019**, 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 had accepted the Contractor's tender submitted in the procedure related to the implementation of fixed price lump-sum contract no. HM-4-2019 "2019–2020 Resurfacing" (hereinafter referred to as the HM-4-2019 Contract). On the same day, SAM and the Contractor signed an agreement related to the performance of the HM-4-2019 Contract, whose provisions are consistent with the form presented in the tender procedure documents.

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

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

The General Conditions for implementation of the HM-4-2019 Contract will be provided by the "Conditions of Contract for Construction for Building and Engineering Works Designed by the Employer", first ed. 1999, published by Fédération Internationale des Ingénieurs-Conseils (FIDIC), copy in Polish (fourth English-Polish edition, unchanged, 2008). The General Conditions of Contract will be complemented by the Specific Conditions of Contract. The General Conditions of Contract remain in force unless the Specific Conditions of Contract provide otherwise. The General and the Specific Conditions of the Contract together form the Conditions of Contract.

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

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

**On 9 July 2019**, SAM issued a letter of approval for Pavimental Polska (hereinafter referred to as the "Contractor"). The issuing of the said letter of approval means that SAM accepted the Contractor's tender submitted in the procedure related to the implementation of the fixed price lump-sum contract "Alteration of A4 motorway drainage – Part III "F2b-10-2018")," (hereinafter referred to as the "Contract"). 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 net value of the Contract is PLN 15,032,717.49 (hereinafter: the Approved Net Contractual Amount).

Under the contract, a 2,750 m section of the A4 Katowice–Kraków motorway drainage system will be altered.

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

Contract remain in force unless the Specific Conditions of Contract provide otherwise. The General and the Specific Conditions of the Contract together form the Conditions of Contract.

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

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

On 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 means that the Contracting Authority accepted the Contractor’s tender submitted in the procedure related to the performance of the lump-sum contract “MPA12-2019 – Modernisation of 12 culverts located in the right-of-way of the concession section of the A4 motorway Katowice–Kraków” (hereinafter referred to as the “Contract”).

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

The 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 Katowice–Kraków carriageway will be modernised.

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

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

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

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

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

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

On 31 October 2019, an Extraordinary General Meeting of Stalexport Autostrady was held, which adopted a resolution on the cross-border merger of the Company with Stalexport Autoroute. The merger will be carried out pursuant to Article 492 § 1 point 1) in conjunction with Article 5161ff. of the Commercial Companies Code and Article 278 of the Luxembourg Commercial Companies Act of 10 August 1915, as amended, through the acquisition of Stalexport Autoroute by the Company (merger by acquisition). The merger will be carried out under the terms and conditions set forth in the Merger Plan agreed by the Company's Management Board and the Sole Member of the Management Board (gérant unique) of Stalexport Autoroute on 30 September 2019 (hereinafter referred to as the Merger Plan). The Extraordinary General Meeting of the Company gave its consent to the Merger Plan.

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

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

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

The Operation and Maintenance Agreement was entered into for the term of the Concession Agreement (until 2027) and concerns strictly defined works connected with the A4 concession project, including toll collection services and current maintenance and operation of the motorway (including winter maintenance). The contractual level of the operator's remuneration in the term of the Agreement separates in a long term the risk of impact of frequent market price fluctuations on maintenance and operation costs as well as ensures continuity of services and operation through the many years of implementation of the investment project. In 2019, the value of the transactions between SAM and VIA4 under the above-mentioned Agreement amounted to PLN 48,253 thousand.

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

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

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

The Company incurred maintenance costs and costs related to security and functioning of the said office facility and car park, and all the expenses mentioned above were made through Biuro Centrum. The total amount of the said expenses in 2019 attributable to the Company was PLN 3,043 thousand.

- **Contract between SAM and the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o.** (the said entities belong to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Sp. z o.o.) **for resurfacing on motorway sections of a total length of 59.88 km.**

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

After the mobilisation period, performance of the basic works started on 4 May 2016. In total, 10 variation orders were issued until the end of 2019, as a result of which the scope of the works was increased, while the total value of the contract amounts to PLN 44,864 thousand. The total net value of works invoiced by the consortium on account of that contract amounts to PLN 44,864 thousand (i.e. 100% of the current contract value), of which PLN 1,323 thousand in 2019, when the contract was completed.

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

- **Contract between SAM and the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o.** (the said entities belong to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Sp. z o.o.) **for the alteration of the A4 motorway drainage on the Silesian voivodeship section – part II.**

The contractor for this contract was selected on the basis of a tendering procedure, the conditions of which were agreed with GDDKiA (pursuant to the provisions of the Concession Agreement, the Concessionaire selects each contractor by means of a tender and GDDKiA has a right to verify the tendering criteria and conditions before announcing each of the tender procedures) and with the Financing Banks. The tender dossier was provided to the potential tenderers after the invitation to tender was published. Only one tender was received within the deadline, submitted by the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. Having opened and having verified the tender, the tender committee found it to be valid and complete. The contract related to the alteration of the drainage system for 8 catchment areas in the Silesian voivodeship was entered into for the amount of PLN 23,420 thousand on 1 April 2016, and the time set for completion of the works envisaged by the contract was 580 days from the initial date, i.e. 4 May 2016. The construction works started in 2016 after the mobilisation period. Until the end of 2019, 14 variation orders were issued, extending the construction works for instance by adding an additional catchment area, 4s. Taking into account the above variation orders, the contract value increased to PLN 28,812 thousand. The total net value of the works invoiced by the consortium amounts to PLN 28,812 thousand (i.e. 100% of the current contract value), of which PLN 758 thousand in 2019, when the contract was completed.

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

- **Contract between SAM and Pavimental Polska Sp. z o.o.** (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.) **for the renovation of the M48 bridge structure supports.**

The contractor for this contract was selected on the basis of a tendering procedure during which tenders from three entities were received: (i) Pavimental Polska Sp. z o.o. (ii) Freyssinet Polska Sp. z o.o. and (iii) the consortium

of DROG-BUD Sp. z o.o. and BTH FORMAT Andrzej Karapyta. As a result of the tender committee work with the participation of the Independent Engineer, the tender submitted by the consortium of Pavimental Polska Sp. z o.o. obtained the highest score. The contract was entered into for the amount of PLN 21,300 thousand on 4 July 2017, and the time set for completion of the works envisaged by the contract is up to 860 days from the initial date, i.e. 18 July 2017.

The construction works started after the mobilisation period. Five variation orders were issued until the end of 2019, increasing the total contract value to PLN 23,092 thousand. The total net value of works invoiced by the contractor on account of this contract amounts to PLN 22,157 thousand (i.e. 95.95% of the contract value), of which the amount of PLN 10,728 thousand was invoiced in 2019.

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

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

The contractor in this case was selected on the basis of a tendering procedure. The contract was entered into for the amount of PLN 8,694 thousand on 21 November 2018, and the time set for completion of the works envisaged by the contract is 700 days from the initial date, i.e. from 31 December 2018. In 2019, the mobilisation period was completed and 5 variation orders were issued, which increased the total value of the contract to PLN 10,820 thousand. The total net value of the works invoiced by the contractor on account of this contract amounted to PLN 6,856 thousand (i.e. 63.5% of the contract value) and concerned entirely works settled in 2019.

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

- **Software service agreement between SAM, VIA4 and the company 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.)

As part of the successive phasing out in 2018 of the period of support and maintenance under the WUPO contract, on 30 November 2018 a Software Service Agreement was concluded, under which SAM is authorised to commission investment tasks related to the development of the toll collection system from other parties. In 2019, under the above-mentioned agreement, works were carried out for instance in relation to of videotolling and automation of dedicated lanes. The total value of investment expenditures for tasks commissioned under this agreement in 2019 amounted to PLN 7,340 thousand

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

- **Contract between SAM and Pavimental Polska Sp. z o.o.** (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.) **for 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 04 February 2019, and the time set for completion of the works envisaged by the contract is 600 days from the initial date, i.e. from 25 February 2019.

In 2019, the mobilisation period was completed and 6 variation orders were issued, which increased the total value of the contract to PLN 52,114 thousand. The total net value of the works invoiced by the contractor on account of this contract amounts to PLN 27,392 thousand (i.e. 52.56% of the contract value) and concerns entirely works settled in 2019.

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

- **Contract between SAM and Pavimental Polska Sp. z o.o.** (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.) for the **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 620 days from the initial date, i.e. from 19 August 2019.

In 2019, the mobilisation period was completed. The total net value of the works invoiced by the contractor on account of this contract amounts to PLN 729 thousand (i.e. 4.85% of the contract value) and concerns entirely works settled in 2019.

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

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

In 2019, the Company, just like the other entities from the Group, did not incur any new loans or credit. No credit or loan agreement was terminated in that period either. SAM took advantage of the possibility envisaged in the long-term loan agreement and made a prepayment of the entire outstanding amount of the debt on 30 September 2019.

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

In 2019, the Company, just like the other entities from the Capital Group, did not grant any loans to related parties or to entities not belonging to the Group.

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

In 2019, the Company did not grant or receive any sureties or guarantees. As at the end of 2019, the Company did not have any contingent liabilities either.

In 2019, SAM obtained a performance guarantee related to construction works and guarantees securing trade receivables resulting from agreements with issuers of fleet and fuel cards and with the provider of the electronic toll collection service.

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

In 2019, the Company, just like the other entities from the Group, did not issue any securities.

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

Neither the Company nor the Group published any financial result forecasts for 2019.

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

Currently, there are no threats related to the liquidity risk. The free funds held by the Company are fully sufficient to pay off the remaining liabilities and may be used to finance future motorway projects. Currently, free funds are deposited in the form of short-term bank deposits generating additional financial revenue.

In turn, revenues from toll collection on the concession section of the A4 motorway allowed SAM to repay in full, on 30 September 2019, earlier than initially assumed in the financial model, the outstanding debt resulting from the long-term loan agreement of 28 December 2005 for the financing of the A4 Katowice–Kraków project, in the following amounts: (i) PLN 56,020 thousand as repayment of the principal, (ii) PLN 1,091 thousand as repayment of the interest, and (iii) PLN 2,548 thousand as payments resulting from hedging agreements.

## **5.10. INVESTMENT PLANS FEASIBILITY ASSESSMENT**

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

Detailed information concerning the construction works currently in progress can be found in note 36 to the Group's consolidated financial statements.

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

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

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

After fulfilling the conditions set out in the Concession Agreement, in 2019 SAM recognised the net amount of PLN 88,800 thousand (in 2018: PLN 5,912 thousand) related to "Payments to the State Treasury", representing the State Treasury's share in the profits from the project on the concession section of the A4 motorway, of which it paid PLN 44,356 thousand net in 2019.

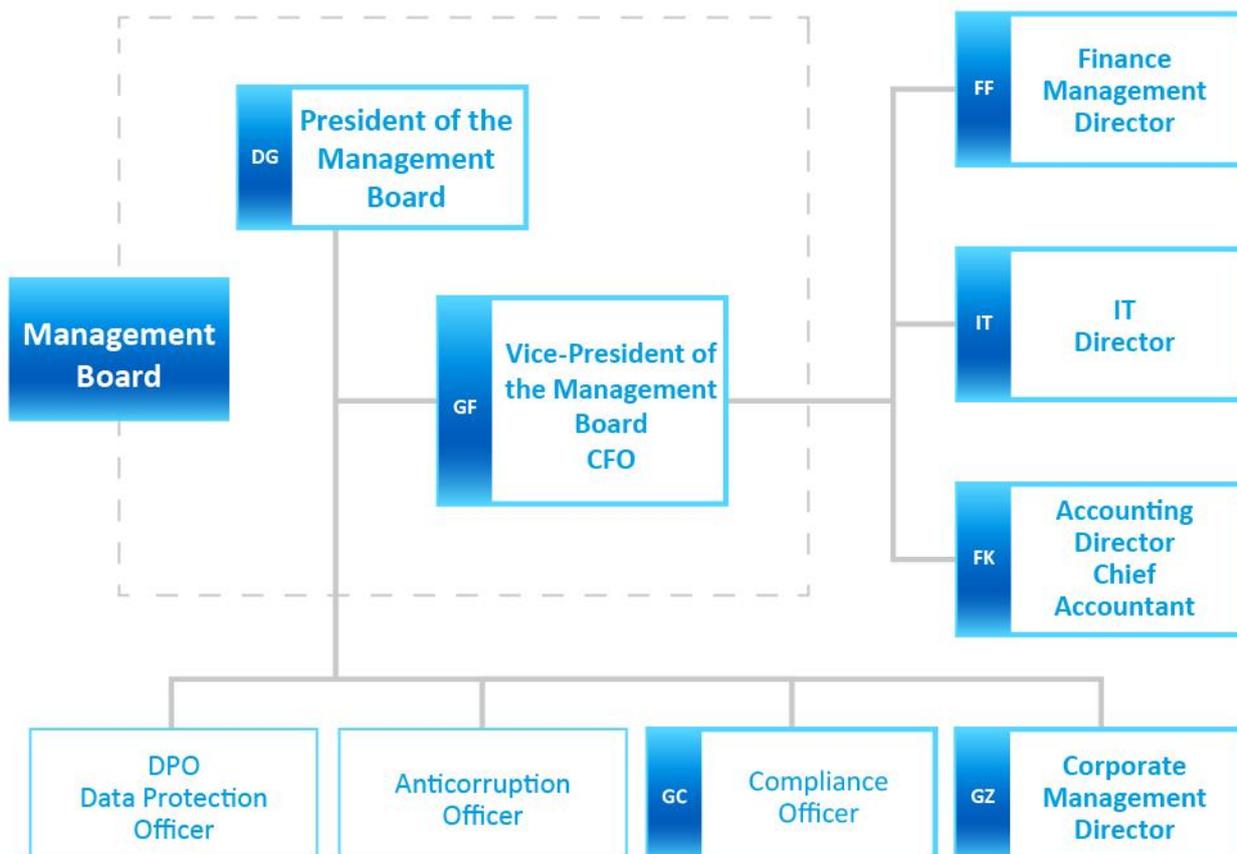
On 23 December 2019, SAM submitted a request to the Director of the National Treasury Information Unit (“KIS”) for an individual interpretation, the essence of which is to determine whether the “Payments to the State Treasury” can be classified by SAM as tax deductible expenses for the purposes of applying the Corporate Income Tax Act of 15 February 1992. In the opinion of SAM, Payments to the State Treasury are deductible expenses. If KIS shares SAM’s position, it is SAM’s intention to deduct the amount of “Payments to the State Treasury” from its corporate income tax base. Classification of the “Payments to the State Treasury” described above as well as of “Payments to the State Treasury” recognised in subsequent periods as tax deductible expenses will result in a significant improvement of the Group’s consolidated financial results.

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

#### Organisational structure of Stalexport Autostrady

The Company’s organisational structure did not change in 2019. The Company’s organisational chart as at 31 December 2019 is presented in the figure below.

FIGURE 8 | ORGANISATIONAL CHART OF STALEXPORT AUTOSTRADY S.A. AS AT 31 DECEMBER 2019



Source: The Company’s own compilation

Headcount at the Company as at 31 December 2019 was 26 (7% FTE), meaning that employment increased versus 31 December 2018, when the company had 25 employees (6% FTE).

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

(i) **Employment in the Group**

As at 31 December 2019, the Stalexport Autostrady Group had 335 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 2018, the Stalexport Autostrady Group had 317 employees, including 5 executive officers (members of management boards) and 21 middle management employees (directors and managers).

An increase in headcount was recorded in the Group as at 31 December 2019 versus 31 December 2018 (in persons), amounting to approx. 5.68%, results from the increase in headcount in the group of toll collection staff and road workers (VIA4).

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

The agreements with members of the Management Board performing such functions in 2019 provide for the following:

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

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

##### **Stalexport Autostrady**

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

##### **SAM**

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

(i) **Management Board:**

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

(ii) **Supervisory Board:**

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

#### VIA 4

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

##### (i) Management Board:

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

##### (ii) Supervisory Board:

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

#### BIURO CENTRUM

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

##### (i) Management Board:

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

##### (ii) Supervisory Board:

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

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

Pursuant to the Statutes of Stalexport Autostrady, the rules for the Management Board members' remuneration payment are defined by the Supervisory Board. In 2019, the total remuneration paid to the Company's managing persons, i.e. members of the Management Board, amounted to PLN 2,899.78 thousand. The total remuneration of the Company's managing persons obtained for being members of subordinated entities' bodies in the same period amounted to PLN 1,175.47 thousand. Detailed information regarding the amount of remuneration of the Company's managing persons in 2019 is presented in the table below.

**TABLE 13 | REMUNERATION PAID IN 2019 TO PERSONS MANAGING THE COMPANY [PLN'000]**

No.	Given name and surname	Function in the Company	Remuneration, rewards or benefits paid within the Company	Remuneration amounts received as members of subordinated entities' bodies	TOTAL
1.	<b>Emil Wąsacz</b>	President of the Management Board CEO	<b>2,224.11</b>	608.64	<b>2,832.75</b>
2.	<b>Mariusz Serwa</b>	Vice-President of the Management Board CFO	<b>675.67</b>	566.83	<b>1,242.50</b>
<b>Total</b>			<b>2,899.78</b>	<b>1,175.47</b>	<b>4,075.25</b>

Source: The Company's own compilation

The remuneration amounts presented in the table above include the payment of the amount of PLN 218.64 thousand on account of an annual reward paid in 2019 and concerning 2018, covered by a provision charged to 2018, and payment of the amount of PLN 1,994.11 thousand corresponding to the three-year incentive plan, covered by a provision charged to the period from 2016 until 2018.

The provision for the Management Board's annual reward for 2019, on the other hand, in the amount of PLN 215.48 thousand, and additionally the provision for payment of the three-year incentive plan (concerning the period from January 2019 until December 2021) in the amount of PLN 981.60 thousand, were charged to 2019.

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

In 2019, the total remuneration paid to the members of the Company's Supervisory Board amounted to PLN 69.76 thousand. Detailed information regarding the amount of remuneration paid to individual persons being members of the Supervisory Board of Stalexport Autostrady in that period is presented in the table below.

**TABLE 14 | REMUNERATION PAID IN 2019 TO MEMBERS OF THE COMPANY'S SUPERVISORY BOARD [PLN'000]**

No.	Given name and surname	Function in the Supervisory Board of Stalexport Autostrady	Remuneration amount
1.	<b>Roberto Mengucci</b>	Chairman	<b>did not receive remuneration</b>
2.	<b>Tomasz Dobrowolski</b>	Deputy Chairman	<b>36.20</b>
3.	<b>Stefano Rossi</b>	Secretary	<b>did not receive remuneration</b>
4.	<b>Aleksander Galos</b>	Member	<b>33.56</b>
5.	<b>Flavio Ferrari</b>	Member	<b>did not receive remuneration</b>
6.	<b>Marco Pace</b>	Member	<b>did not receive remuneration</b>
7.	<b>Massimo Sonogo</b>	Member	<b>did not receive remuneration</b>
8.	<b>Nicola Bruno</b>	Member	<b>did not receive remuneration</b>
<b>Total</b>			<b>69.76</b>

Source: The Company's own compilation

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

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

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

## 5.18. INFORMATION ON THE COMPANY'S OWN SHARES

The Company does not hold any of its own shares.

## 5.19. INFORMATION ON THE COMPANY'S BRANCH OFFICES

The Company does not have branch offices.

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

The number and nominal value of shares of Stalexport Autostrady and of related parties held by persons managing and supervising the Company is provided based on representations made by the relevant persons. The figures as at 31 December 2019 and as at the date of this Report are presented in the table below.

**TABLE 15 | NUMBER AND NOMINAL VALUE OF SHARES OF STALEXPORT AUTOSTRADY AND OF RELATED PARTIES HELD BY PERSONS MANAGING AND SUPERVISING THE COMPANY (AS AT 31 DECEMBER 2019 AND AS AT THE DATE OF THIS REPORT)**

No.	Given name and surname	Name of person/entity	Number of shares [units]	Nominal value
1.	<b>Emil Wąsacz</b>	Stalexport Autostrady	<b>59,000</b>	PLN 44,250
2.	<b>Roberto Mengucci</b>	Atlantia	<b>27,279</b>	27,279 EUR

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

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

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

## 5.22. INFORMATION ON THE CONTROL SYSTEM REGARDING EMPLOYEE SHARE SCHEMES

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

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

### (i) Stalexport Autostrady

In accordance with the powers stipulated in the Statutes of the Company, the Supervisory Board entrusted the audit of the financial statements of the Company and of the consolidated financial statements of the Stalexport Autostrady S.A. Group for 2019 to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k., entered on the list of entities authorised to audit financial statements under number 130.

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

The total remuneration of Ernst & Young for the audit and review of the financial statements for 2019 was set at the net amount of PLN 90 thousand, including remuneration for work related to the following:

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

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

The total remuneration of Ernst & Young for the audit and review of the financial statements for 2018, in turn, amounted to PLN 90 thousand, including remuneration for work related to the following:

- review of the interim separate and consolidated financial statements of Stalexport Autostrady for the period of 6 months ended on 30 June 2018: PLN 30 thousand;
- audit of the annual separate and consolidated financial statements of the Company for 2018: PLN 60 thousand.

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

#### (ii) Stalexport Autoroute

In accordance with the powers stipulated in the Statutes of Stalexport Autoroute, the audit of the financial statements of Stalexport Autoroute for 2019 was entrusted to Ernst & Young S.A. On 3 December 2018, Stalexport Autoroute entered into a contract with Ernst & Young S.A. on the audit of the financial statements in the period 2018–2020.

On 28 January 2020, the parties decided to terminate the above contract – the financial statements of Stalexport Autoroute for 2019 were not audited by a statutory auditor.

The total remuneration of Ernst & Young S.A. in relation to the performance of that contract with regard to 2018 amounted to PLN 20 thousand. The limit for additional costs subject to reimbursement was set at 5% and the actual additional costs amounted to PLN 1,000 (net of non-deductible VAT).

Additionally, the said companies signed, on 22 June 2018, a contract on the preparation of the *Reviseur d'Entreprises Agree* report in accordance with Article 198bis of the Act on commercial law companies of 10 August 2015 (in force in the legal system of the Grand Duchy of Luxembourg) for the purposes of paying the interim dividend in 2018. The remuneration of Ernst & Young S.A. in relation to the performance of this contract was set at PLN 20,000. The limit for additional costs subject to reimbursement was set at 5% and the actual additional costs amounted to PLN 1,000 (net of non-deductible VAT).

#### (iii) SAM

In accordance with the powers stipulated in the Statutes of SAM, the audit of the financial statements of SAM for 2019 was entrusted the Ernst & Young Company by the company's Supervisory Board.

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

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

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

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

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

The total remuneration of Ernst & Young for the audit of the financial statements for 2018 was set at the net amount of PLN 70 thousand, including remuneration for the following:

- audit of the condensed financial statements for the period of 12 months ended on 30 June 2018: PLN 30 thousand;
- audit of the financial statements for the period of 12 months ended on 31 December 2018: PLN 40 thousand.

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

#### (iv) VIA4

In accordance with the powers stipulated in the Statutes of VIA4, the audit of the financial statements of VIA4 for 2019 was entrusted to Ernst & Young by the Supervisory Board (by way of resolution no. 19/2018 of 11 May 2018). On 7 June 2018, VIA4 signed a contract with Ernst & Young on the audit of the financial statements in the years 2018–2020.

The total remuneration of Ernst & Young for the audit of the financial statements for 2019 was set at the net amount of PLN 65 thousand, including remuneration for work related to the following:

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

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

The total remuneration of Ernst & Young for the audit of the financial statements for 2018 amounted to PLN 65 thousand net, including remuneration for work related to the following:

- audit of the interim financial statements for the period of 6 months ended on 30 June 2018: PLN 25 thousand;
- audit of the annual financial statements for 2018: PLN 40 thousand;

The limit for additional costs subject to reimbursement was set at 10% and the actual additional costs amounted to PLN 3.1 thousand.

#### (v) Biuro Centrum

In accordance with the powers determined in the Articles of Association of Biuro Centrum, the Supervisory Board entrusted the audit of the financial statements of Biuro Centrum for 2019 to DB Audyt Sp. z o.o. with its registered office in Katowice, entered on the list of the National Council of Statutory Auditors of entities authorised to audit financial statements under no. 3245.

The contract on the audit of the separate financial statements of Biuro Centrum for 2019 was entered into on 31 October 2019. The remuneration which DB Audyt Sp. z o.o. will receive in relation to that will amount to PLN 8 thousand (net).

Also in accordance with the powers determined in the Articles of Association of Biuro Centrum, the Supervisory Board entrusted the audit of the financial statements of Biuro Centrum for 2018 to DB Audyt Sp. z o.o. with its registered office in Katowice.

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

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

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

## PART 6

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

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

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

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) 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](http://www.karta4go.pl)), 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 took measures aimed at introducing another form of payment based on what is referred to as videotolling. As a result of these measures, this payment method was implemented on 16 July 2019.

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

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

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

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

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

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

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

Additional risks are also related to the **decision of the Polish Office of Competition and Consumer Protection (hereinafter 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 related to the overall economic situation and to the investment climate, as well as to the market interest rate risk.

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

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

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

The institutional and legal instability of the environment, mentioned above, affects not only the implementation of the A4 Katowice–Kraków project, but also all of the Company's and of the Group's activities, with particular emphasis on the functioning of Stalexport Autostrady as a public company.

The Company seeks to counteract these risks by constantly monitoring all changes to legal regulations (both national and EU ones), by using consultancy services provided by companies specialising in the given fields, by participation of the Management Board and of the employees responsible for the given area of the Company's business in training courses and conferences related to the new regulations, and by implementing appropriate procedures and best practices, both in the Company and in the entire Group.

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

## PART 7

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

#### 7.1. INTRODUCTION

In compliance with the obligation stipulated in §70(4)(5) of the Ordinance concerning current and periodic information, the Management Board of Stalexport Autostrady publishes this statement of compliance by the Company with the corporate governance rules specified in the DPSN 2016 collection in the period from 1 January until 31 December 2019.

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

The Management Board of Stalexport Autostrady represents that the corporate governance rules the Company was subject to in 2019, i.e. the DPSN 2016, are publicly available on the following web pages:

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

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

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

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

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

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

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

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

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

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

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

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

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

Rule/ recommendation no.	Rule/recommendation contents	Reasons for the Company's departure from observance of the rule/recommendation
I.Z.1.9	Information on dividend planned and paid by the company in the period of the last 5 financial years, including data concerning the record date, the payment dates and the dividend amounts: in total and per share,	As far as planned dividend is concerned, the Company does not intend to observe that rule, due to the fact that the planning of dividend of significant value by Stalexport Autostrady depends on whether its subsidiary, i.e. Stalexport Autostrada Małopolska S.A., obtains consent from the banks financing that company's activity (on a project finance basis) to the payment of dividend by SAM.
III.Z.3.	The rules of independence set forth in generally recognised, international standards of professional practice for internal audit apply to the person in charge of the internal audit function and to the other persons responsible for the performance of its tasks.	This rule is not observed, except the function of compliance supervision, for which a Compliance Officer was appointed in the Company.
VI.Z.1.	The incentive programmes should be structured in such a way as to make sure, among other things, that the level of remuneration of members of the company's management board and of its key managers depends on the actual, long-term financial position of the company and on the long-term increase of value for shareholders and stability of the enterprise's functioning.	The Company has appropriate incentive programmes (long-term programmes) in place for the Management Board members. The Company did not introduce a similar incentive programme for key managers not being members of the Management Board.

**VI.R.1. Remuneration of members of the company's bodies and of key managers should result from the remuneration policy adopted**

Due to the size and type of business conducted, the Company does not have a formalised remuneration policy in place. In accordance with the Company's Statutes and the Rules of the Supervisory Board, remuneration of Supervisory Board members is determined by the General Meeting, while remuneration of Management Board members is determined by the Supervisory Board. In addition, the Company publishes data each year concerning remuneration of members of supervisory and management bodies in accordance with the applicable provisions of the law in force. Remuneration of managerial staff is determined on the basis of the Remuneration Rules prepared in accordance with the requirements of the labour code. This circumstance makes the remuneration principles in the Company transparent and consequently it does not entail any risk or negative consequences of the failure to apply this rule.

**VI.R.2. The remuneration policy should be closely linked to the company's strategy, its short- and long-term goals, its long-term interests and performance, and it should also take into account solutions aimed at avoiding discrimination for any reasons.**

The Company, as already indicated in the comment on recommendation VI.R.1., does not have a remuneration policy in place. However, the rules of remuneration adopted in the Company for members of the Management Board and managerial staff correspond to the requirements indicated in recommendation VI.R.2.

Source: The Company's own compilation

Moreover in 2019 the rule IV.Z.11., according to which members of the Management Board and the Supervisory Board should participate in a general meeting as necessary to answer questions asked at the general meeting, was violated incidentally.

At least one member of the Supervisory Board always attends the General Meetings of the Company, usually the Deputy Chairman of the Supervisory Board. The Deputy Chairman of the Supervisory Board could not participate in the Extraordinary General Meeting on 31 October 2019 for personal reasons.

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

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

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

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

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

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

The shareholders holding, according to the best knowledge of the Company, at least 5% of the total number of votes at the Stalexport Autostrady General Meeting as at 31 December 2019 and as at the date of this Report are listed in the table below.

**TABLE 17 | LIST OF STALEXPOR AUTOSTRADY SHAREHOLDERS HOLDING SIGNIFICANT BLOCKS OF THE COMPANY’S SHARES (AS AT 31 DECEMBER 2019 AND AS AT THE DATE OF THE REPORT)**

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

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

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

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

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

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

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

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

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

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

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

#### **7.12. AMENDMENTS TO THE COMPANY'S STATUTES**

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

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

The General Meetings of Stalexport Autostrady are held in line with the rules stipulated in the Commercial Companies Code, the Statutes and the Regulations of the General Meeting, and these rules do not differ from the rules applied by other GPW listed companies. In particular, apart from the shareholders, the members of the Management Board and of the Supervisory Board of the Company as well as guests, including experts invited by the body convening the General Meeting, may attend the General Meeting. A representative of the Company's statutory auditor attends the General Meetings whose agenda comprises financial matters of the Company, and provides explanations during such Meetings.

General Meetings are convened in the manner and according to the rules stipulated in the generally applicable regulations. This means that the notice convening the General Meeting is published on the web page of Stalexport Autostrady ([www.stalexport-autostrady.pl](http://www.stalexport-autostrady.pl)) not later than 26 days before the date of the general meeting. Moreover, in accordance with §38 of the Ordinance on current and periodic information, the Company provides, in the form of a current report, all the information related to the convening of the General Meeting, required by that regulation.

The shareholders holding shares of Stalexport Autostrady on the 16<sup>th</sup> day before the date of the General Meeting, which is the record date, are entitled to take part in the General Meeting. The basis for permitting a shareholder to attend the General Meeting is the placement of that shareholder on the list made available to the Company by Krajowy Depozyt Papierów Wartościowych S.A. not later than one week before the date of the General Meeting.

The General Meetings are held in the Company's registered office or in Katowice and the specific rules of procedure are specified for them in the Regulations of the General Meeting of Stalexport Autostrady. The Regulations of the General Meeting currently in force are available on the corporate web page of Stalexport Autostrady and they take into account the new rules for the organisation of the General Meetings of public (listed) joint stock companies, which were introduced on 3 August 2009, by the amendment to the Commercial Companies Code of 5 December 2008 (Dz.U. of 2009, No. 2, item 28)

The above-mentioned Regulations specify in particular the scope of rights of the shareholders (in relation to the most important right that is exercised by them, i.e. participation in the General Meeting) and the way such rights are exercised, the rules of appointing the Chairman of the General Meeting, the tasks of the Chairman of the General Meeting and his duties, the rules of appointing members of the Returning Committee and its duties. In practice, the Returning Committee is not appointed according to the decision made from time to time by the General Meeting, because the voting is carried out via a computer system of casting and counting the votes, and the printed results of the vote are signed by the Chairman of the General Meeting pursuant to §10a of the Regulations of the General Meetings.

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

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

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

### (i) Management Board

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

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

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



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

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

### (ii) Supervisory Board

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

From 1 January 2019 until 3 April 2019, the Supervisory Board was composed of the following 7 persons:

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.

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:

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.

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

### (iii) Supervisory Board Committees

The following committees function within the Supervisory Board: The Remuneration Committee and the Audit Committee, operating as advisory and opinion-forming bodies for the Supervisory Board,

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

#### a) until 3 April 2019

##### Remuneration Committee:

- Roberto Mengucci – Chairman,
- Tomasz Dobrowolski – Deputy Chairman,
- Aleksander Galos.

**Audit Committee:**

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

**b) from 19 April 2019****Remuneration Committee:**

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

**Audit Committee:**

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

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](http://www.stalexport-autostrady.pl)).

**(iv) Detailed information concerning the Audit Committee and the selection and work of the auditing firm****▪ Persons meeting the statutory criteria of independence**

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

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

**Mr Aleksander Galos and Mr Marco Pace** have knowledge and skills in the field of accounting or auditing of financial statements (which they confirmed by submitting the appropriate declarations, and which result from their education – in the case of Mr Marco Pace, and from experience and many years of professional practice – in the case of Mr Marco Pace and Mr Aleksander Galos). Detailed information concerning the qualifications and experience of the Supervisory Board members mentioned above is available on the Company's corporate web page ([www.stalexport-autostrady.pl](http://www.stalexport-autostrady.pl)).

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

**Mr Tomasz Dobrowolski, Mr Aleksander Galos and Mr Marco Pace** have knowledge and skills with regard to the sector in which the Company operates, which they acquired in the course of their professional career, for instance during work or performance of services for other entities from the Atlantia Group. Detailed information concerning the qualifications

and experience of the Supervisory Board members mentioned above is available on the Company's corporate web page ([www.stalexport-autostrady.pl](http://www.stalexport-autostrady.pl)).

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

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

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

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

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

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

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

adopted for application the following documents:

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

The above-mentioned documents are available on the corporate web page of Stalexport Autostrady ([www.stalexport-autostrady.pl](http://www.stalexport-autostrady.pl)).

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

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

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

- **Number of Audit Committee meetings held**

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

(v) **Proxies**

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

## PART 8

### CONCLUSION

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

27 February 2020

*Date*

**Emil Wąsacz**

\_\_\_\_\_  
President of the Management Board, CEO

*Signed with a qualified  
electronic signature*

27 February 2020

*Date*

**Mariusz Serwa**

\_\_\_\_\_  
Vice-President of the Management Board, CFO

*Signed with a qualified  
electronic signature*

## PART 9

### MANAGEMENT BOARD'S REPRESENTATIONS AND INFORMATION

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

#### Representation

We hereby represent that, according to our best knowledge, the annual financial statements of the Company for 2019 and the comparable data have been drawn up in line with the applicable accounting standards and they give a true, fair and clear view of Stalexport Autostrady's assets and financial position as well as of its financial profit or loss.

At the same time, we represent that the annual Management Board's Report on the Activities of Stalexport Autostrady S.A. in 2019 gives a true presentation of the Company's development, achievements and position, including a description of the major risks and threats.

27 February  
2020

*Date*

**Emil Wąsacz**

President of the Management Board, CEO

27 February  
2020

*Date*

**Mariusz Serwa**

Vice-President of the Management Board, CFO

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

**Representation**

We hereby represent that, according to our best knowledge, the annual consolidated financial statements of the Company for 2019 and the comparable data have been drawn up in line with the applicable accounting standards and they give a true, fair and clear view of the Stalexport Autostrady Capital Group’s assets and financial position as well as of its financial profit or loss.

At the same time, we represent that the annual Management Board’s Report on the Activities of the Stalexport Autostrady S.A. Group in 2019 gives a true presentation of the Capital Group’s development, achievements and position, including a description of the major risks and threats.

27 February 2020

*Date*

**Emil Wąsacz**

\_\_\_\_\_  
President of the Management Board, CEO

27 February 2020

*Date*

**Mariusz Serwa**

\_\_\_\_\_  
Vice-President of the Management Board, CFO

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

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

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

27 February 2020

*Date*

**Emil Wąsacz**

\_\_\_\_\_  
President of the Management Board, CEO

27 February 2020

*Date*

**Mariusz Serwa**

\_\_\_\_\_  
Vice-President of the Management Board, CFO

## ENCLOSURE

**Enclosure no. 1** Selected financial data of Stalexport Autostrady

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

## ENCLOSURE NO. 1

### SELECTED FINANCIAL DATA OF STALEXPORT AUTOSTRADY

Financial data concerning the separate financial statements of Stalexport Autostrady for the period of 12 months ended on 31 December 2019

	PLN '000		EUR '000	
	2019	2018	2019	2018
Revenues	<b>3,767</b>	3,702	<b>876</b>	868
Loss on operating activities	<b>(3,606)</b>	(4,561)	<b>(838)</b>	(1,069)
Profit before taxation	<b>11,036</b>	4,984	<b>2,565</b>	1,168
Net profit for the period	<b>10,397</b>	4,432	<b>2,417</b>	1,039
Weighted average number of shares as at the end of the period (in thousands)	<b>247,262</b>	247,262	<b>247,262</b>	247,262
Earnings per ordinary share (in PLN/EUR)	<b>0.04</b>	0.02	<b>0.01</b>	0.00
Diluted earnings per ordinary share (in PLN/EUR)	<b>0.04</b>	0.02	<b>0.01</b>	0.00
Net cash from operating activities	<b>(2,960)</b>	(1,651)	<b>(688)</b>	(387)
Net cash from investment activities	<b>14,236</b>	13,917	<b>3,309</b>	3,262
Net cash from financial activities	<b>(91,613)</b>	(71,706)	<b>(21,296)</b>	(16,805)
Total net cash flow	<b>(80,337)</b>	(59,440)	<b>(18,675)</b>	(13,930)
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Total assets	<b>274,086</b>	354,213	<b>64,362</b>	82,375
Non-current assets	<b>78,420</b>	77,224	<b>18,415</b>	17,959
Current assets	<b>195,666</b>	276,989	<b>45,947</b>	64,416
Total payables	<b>5,846</b>	4,753	<b>1,373</b>	1,105
Non-current liabilities	<b>4,231</b>	99	<b>994</b>	23
Current liabilities	<b>1,615</b>	4,654	<b>379</b>	1,082
Total shareholders' equity	<b>268,240</b>	349,460	<b>62,989</b>	81,270
Share capital	<b>185,447</b>	185,447	<b>43,547</b>	43,127

Source: The Company's own compilation

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

- the individual items of the consolidated statement of comprehensive income and of the consolidated cash flow statement the years 2019 and 2018 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 4.3018 PLN/EUR and 4.2669 PLN/EUR;
- the individual items of assets and liabilities: at the average exchange rate published by the National Bank of Poland, as at the balance sheet date, i.e. respectively 4.2585 PLN/EUR as at 31 December 2019 and 4.3 PLN/EUR as at 31 December 2018..

## ENCLOSURE NO. 2

### SELECTED FINANCIAL DATA OF THE STALEXPORT AUTOSTRADY CAPITAL GROUP

Financial data concerning the consolidated financial statements of Stalexport Autostrady for the period of 12 months ended on 31 December 2019

	PLN '000		EUR '000	
	2019	2018*	2019	2018*
Revenues	351,487	336,529	81,707	78,870
Profit on operating activities	129,153	245,399	30,023	57,512
Profit before taxation	124,772	234,964	29,005	55,067
Net profit for the period	80,396	186,263	18,689	43,653
Net profit attributable to the owners of the Parent Entity	75,526	180,971	17,557	42,413
Weighted average number of shares as at the end of the period (in thousands)	247,262	247,262	247,262	247,262
Earnings per share of the Parent Entity's owners (in PLN/EUR)	0.31	0.73	0.07	0.17
Diluted earnings per share of the Parent Entity's owners (in PLN/EUR)	0.31	0.73	0.07	0.17
Net cash from operating activities	226,628	230,512	52,682	54,023
Net cash from investment activities	(11,880)	(4,904)	(2,762)	(1,149)
Net cash from financial activities	(175,621)	(288,767)	(40,825)	(67,676)
Net cash flows, total	39,127	(63,159)	9,095	(14,802)
	31 Dec 2019	31 Dec 2018*	31 Dec 2019	31 Dec 2018*
Total assets	1,322,052	1,330,901	310,450	309,512
Non-current assets	918,245	936,345	215,626	217,755
Current assets	403,807	394,556	94,824	91,757
Total payables	526,288	526,230	123,585	122,379
Non-current payables	344,696	357,896	80,943	83,232
Current payables	181,592	168,334	42,642	39,147
Total shareholders' equity	795,764	804,671	186,865	187,133
Equity of the owners of the Parent Entity	786,335	800,069	184,651	186,063
Non-controlling shares	9,429	4,602	2,214	1,070
Share capital	185,447	185,447	43,547	43,127

\* Restated figures

Source: The Company's own compilation

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

- a) the individual items of the consolidated statement of comprehensive income and of the consolidated cash flow statement the years 2019 and 2018 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 4.3018 PLN/EUR and 4.2669 PLN/EUR;*
- b) the individual items of assets and liabilities: at the average exchange rate published by the National Bank of Poland, as at the balance sheet date, i.e. respectively 4.2585 PLN/EUR as at 31 December 2019 and 4.3 PLN/EUR as at 31 December 2018.*