

# 2016

**STALEXPORT AUTOSTRADY S.A.  
MANAGEMENT BOARD REPORT ON  
THE GROUP'S OPERATIONS  
IN 1H 2016**

Mysłowice | 1 August 2016



**STALEXPORT  
AUTOSTRADY S.A.**

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## Definitions and abbreviations

Listed below are definitions of abbreviations used in the present Report.

ADT	Average Daily Traffic
ASPI	Autostrade per l'Italia S.p.A. with the registered office in Rome (Italy)
Atlantia	Atlantia S.p.A. with the registered office in Rome (Italy)
Financing Banks	Portigon AG (Branch in London), FM Bank PBP S.A., FMS Wertmanagement, KfW IPEX-Bank GmbH and PEKAO S.A.
Biuro Centrum	Biuro Centrum Sp. z o.o. with the registered office in Katowice
Deloitte	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. (former Deloitte Audyt Sp. z o.o.) with the registered office at Al. Jana Pawła II No. 19, entered into the list of entities authorised to audit financial statements kept by the National Chamber of Statutory Auditors under No. 73
GDDKiA	General Directorate for National Roads and Motorways
WSE	Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange)
Group, Stalexport Autostrady Group	Stalexport Autostrady S.A. Group with the registered office in Mysłowice
CCC, Code of Commercial Companies	Act of 15 September 2000 – Code of Commercial Companies (Journal of Laws of 2000, No. 94, item 1073, as amended)
Independent Engineer	JPL Project Sp. z o.o. with the registered office in Warsaw
PPP	Public-Private Partnership
SAM, Concessionaire	Stalexport Autostrada Małopolska S.A. with the registered office in Mysłowice
Report	Management Board Report on the operations of Stalexport Autostrady S.A. in 1H 2016
Stalexport Autoroute	Stalexport Autoroute S.a r.l. with the registered office in Luxembourg
Stalexport Autostrady, Company	Stalexport Autostrady S.A. with the registered office in Mysłowice
Concession Agreement	Concession Agreement of 19 September 1997 for the development by adjustment of A4 motorway, section: Katowice (Murckowska junction, 340.2 km) – Kraków (Balice junction, 401.1 km) to the requirements of the toll motorway and exploitation of the motorway within the said section, as amended under further annexes, the rights and obligations under which were transferred in full from Stalexport Autostrady to SAM on 26 July 2004

Loan Agreement

Agreement made on 28 December 2005 by and between SAM and 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 Agreement comprised the extension of a loan to the amount of PLN 380 million for financing the project related to toll motorway A4 in Katowice–Kraków section (i.e. Stage II Construction Works and refinancing of Stage I Construction Works)

VIA4

VIA4 Spółka Akcyjna with the registered office in Mysłowice

GM

General Meeting

# 1. Letter of the President of the Management Board of Stalexport Autostrady



Dear Shareholders,  
Dear Sir/Madam,

I am pleased to inform you that in 1H 2016 we maintained the upwards trend in the scope of both revenues as well as net profit generated by Stalexport Autostrady S.A. Group.

In 1H of the year net profit amounted to PLN 73.2 million, and revenues for the period reached the level of approx. PLN 137.6 million. The profit was achieved thanks to approx. 42% decrease in sales costs due to reduction in the value of provision for resurfacing works on A4 Katowice–Kraków motorway administered by us, as well as increase in revenues from motorway tolls by approx. 15.7%, i.e. up to the level of PLN 135.4 million, as the result of 11.4% increase in traffic as compared with the corresponding period of the previous year, as well as change of toll rates in March 2015.

As far as traffic on A4 Katowice–Kraków motorway is concerned, in the 1H 2016 it reached the level of 38.2 thousand vehicles per day. Passenger car traffic increased by 11.3 % and HGV traffic by approx. 11.9 % as compared with 1H 2015.

Already several years ago the constant traffic increase on A4 Katowice–Kraków motorway made it necessary for us to take a series of actions that have resulted in faster passing through toll gates. At the beginning of January this year a new toll payment method was launched – using proximity cards **A4Cards**. Even at that time we were well aware that fleet cars, banks cards or even our cards will not dramatically reduce the waiting time at toll plazas in case of heavy short-term traffic. For about four years we applied for the permission of GDDKiA to include our motorway section in the national toll collection system – viaToll and viaAuto, which would definitely shorten the queues to motorway gates. Despite our declaration to cover the investment costs of implementing the system and no technical and IT obstacles, we unfortunately did not come across sufficient will to cooperate. Therefore in March this year we commenced the works on our own electronic toll collection – **A4Go**. We managed to launch this definitely the fastest and most comfortable way of collecting tolls in an extremely short time on 20 July this year. We hope that the system will be very attractive to the users of our motorway. For now A4Go operates in all motorway gates, but we also plan to launch slow & go lines intended only for A4Go that will allow drivers to pass through gates at the speed of approx. 40 km/h.

Other significant projects implemented on A4 Katowice–Kraków motorway include, inter alia, reconstruction of junctions in Mysłowice and Rudno that commenced last year and are now continued, modernisation of

motorway drainage system in Śląskie voivodeship and resurfacing works. The latter works commenced in May this year are carried out in a manner as to minimise traffic obstacles and preserve two traffic lanes for each running direction.

A major event in 1H 2016 was payment of a dividend by Stalexport Autostrada Małopolska S.A. for the very first time in the history of operation of this concession company to its sole Shareholder, i.e. Stalexport Autoroute S.à r.l. The dividend in the amount of PLN 86 million was already paid to Stalexport Autostrady S.A., which is the sole shareholder in Stalexport Autoroute S.à r.l.

More information about our actions can be found in the further part of this report. I truly hope that you will find it interesting.

We would like to take this opportunity to thank our Shareholders and the Supervisory Board for all remarks and good cooperation. I would like to thank all employees of the Group for their diligence, involvement and achieving desired goals.

I wish you an enjoyable read.

Kind regards,

President of the Management Board

General Director



Emil Wąsacz

## 2. Basic information about Stalexport Autostrady Group

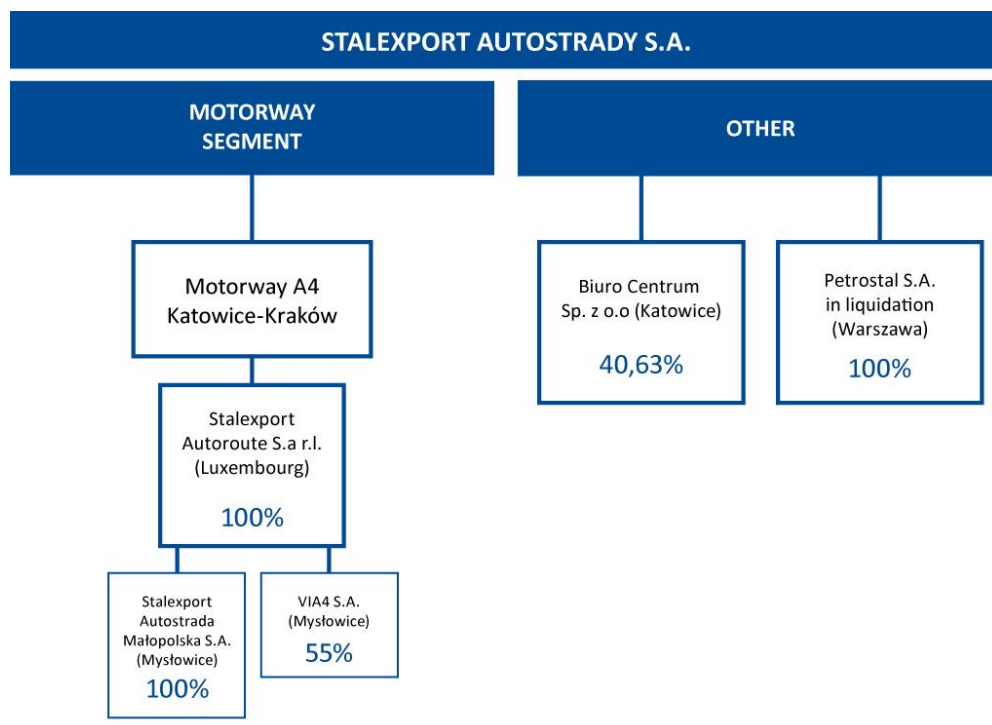
Currently the operations of the Company and of entities included in the Group are primarily focused on motorway activities. These include operation and maintenance of the section of A4 Katowice–Kraków motorway. The activities are performed by SAM and VIA4 through a special purpose holding vehicle Stalexport Autoroute.

Moreover due to the fact that the Group co-owns an office building in the centre of Katowice, Stalexport Autostrady Group also conducts activities related to the lease of office and parking spaces. The activities are performed by the Company itself as the co-owner of the real property, and by an affiliate Biuro Centrum Sp. z o.o., as the real property administrator.

The following scheme presents the organisation structure of Stalexport Autostrady Group by: (i) core operations, that is motorway segment and (ii) other operations.

### CHART 1

Organisational structure of Stalexport Autostrady Group as at 30 June 2016



Source: Authors

The following table present basic consolidated data of Stalexport Autostrady Group and stand-alone data related to three major member entities, i.e. Stalexport Autostrady, SAM and VIA4. Apart from results generated by the companies in 1H 2016 also the results generated thereby in the corresponding period of the previous year are included for comparison, whereas for balance sheet data figures as at 31 December 2015 are presented.



STALEXPORT AUTOSTRADY S.A.  
MANAGEMENT BOARD REPORT ON THE GROUP'S OPERATIONS IN 1H 2016

**TABLE 1**

Key figures of some Stalexport Autostrady Group entities [in PLN thousand]

	Group		Stalexport Autostrady		SAM		VIA4	
balance sheet data	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Fixed assets	1,132,503	1,170,249	76,478	76,516	1,117,390	1,155,278	8,691	9,287
Current assets	281,351	205,048	220,956	134,574	54,561	63,221	10,693	13,929
Equity	493,561	423,095	295,913	206,836	253,265	271,170	7,860	11,051
Long-term liabilities	765,433	766,960	611	69	763,782	765,956	4,907	5,682
Short-term liabilities	154,860	185,242	910	4,185	154,904	181,373	6,617	6,483
Net debt***	-225,489	-134,382	-210,737	-107,037	-9,910	-7,213	9,398	5,455
output data	1H2016	1H2015	1H2016	1H2015	1H2016	1H2015	1H2016	1H2015
Revenues from sales	137,643	119,237	1,904	1,867	135,383	117,020	20,786	20,367
Gross profit/(loss) on sales	113,960	78,532	-34	27	103,085	67,141	10,244	10,758
EBITDA*	115,369	98,187	-1,079	-1,454	107,855	89,750	8,697	9,347
EBIT	100,562	66,633	-1,339	-1,729	94,093	59,853	7,919	8,638
Profit/(loss) on financial activity	-10,305	-11,307	89,962	3,489	-11,598	-12,726	-133	-155
Net profit/(loss)	73,243	45,048	89,072	1,934	66,670	38,201	6,302	6,870
EBIT margin**	73%	56%	-70%	-93%	70%	51%	38%	42%
ROE	15%	11%	30%	1%	26%	14%	80%	62%

\*EBITDA = EBIT + depreciation + provision for resurfacing works

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

\*\*\*Net debt = total liabilities – provision for capital expenditure – derivative liability (including deferred tax) – long-term deposits – cash and cash equivalents

Source: Authors

## 2.1. Stalexport Autostrady



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The Management Board:

**Emil Wąsacz** –

President of the Management  
Board,

General Director

**Mariusz Serwa** –

Vice-president of the Management  
Board,

Finance Director

KRS [National Court Register

Number]: 0000016854

District Court Katowice-Wschód in  
Katowice, 8th Commercial Division  
of the National Court Register

NIP [Tax Identification Number]:

634-013-42-11

REGON: 271936361

Share capital:

PLN 185,446,517.25 (paid in full)

Website:

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

Stalexport Autostrady S.A. plays a superior role in the Group focusing on modernisation and extension of motorway infrastructure. The Company, as the first in Poland, obtained a concession for the implementation of a pioneer project for operation, reconstruction and adaptation of A4 Katowice–Kraków motorway section to the requirements of a toll motorway.

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

Since mid 2006 the Company is a member of Italian group Atlantia. The group currently manages a network of approx. 5,000 km toll motorways in Italy, Brasil, Chile, India and Poland and it is a leader in the scope of automatic toll collection systems on motorways. More information about Atlantia group can be found at [www.atlantia.it](http://www.atlantia.it).

The Company, apart from activities related to the construction and operation of toll motorways, also leases office spaces in an office building in Katowice, of which it is a co-owner.

## 2.2. Consolidated entities and consolidation methods

Stalexport Autostrady is a parent company and draws up consolidated financial statements. Consolidated entities as at 30 June 2016, apart from the parent company, are listed in the table below.

**TABLE 2**

Members of the Group as at 30 June 2016 (apart from the Company)

Company name	Registered office	Key business area	Company status	Share in capital and number of votes	Date of obtaining control / Acquisition date	Consolidation method
Stalexport Autoroute S.a r.l.	Luxembourg	Management	Subsidiary	100%	2005	Full consolidation
Stalexport Autostrada Małopolska S.A.	Mysłowice	Motorway construction and operation	Subsidiary	100%*	1998	Full consolidation
VIA4 S.A.	Mysłowice	Motorway operation	Subsidiary	55%*	1998	Full consolidation
Biuro Centrum Sp. z o.o.	Katowice	Real property administration	Affiliate	40.63%	1994	Equity method
Petrostal S.A. in liquidation **	Warsaw	Does not pursue any activity	Subsidiary	100%	2005	-

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

\*\*entity not included in the consolidation due to limitations in exercising control

Source: Authors

## 2.3. Characteristics of other companies of Stalexport Autostrady Group

### 2.3.1. Stalexport Autoroute S.a r.l.

412F, route d'Esch  
L-1471 Luxembourg

registered under No. B 113660

in Registre de Commerce et  
des Sociétés de Luxembourg

Share Capital: EUR 56,149,500

Shareholding: 100% –  
Stalexport Autostrady

Stalexport Autoroute was registered on 30 December 2005. Establishment of this entity was one of basic conditions of SAM's obtaining financial closure, i.e. effective conclusion of a long-term loan agreement with the consortium of banks.

Based on the aforementioned loan agreement, the necessary funds up to the amount of PLN 380 million were obtained for the purpose of financing the modernisation of road surface and bridge structures on A4 motorway in Katowice–Kraków section.

The entity conducts no operations apart from holding shares in SAM and VIA4 companies for the purpose of correct implementation of the security package (lien on shares) to the Loan Agreement.

### 2.3.2. Stalexport Autostrada Małopolska S.A.



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

The Management Board:

**Emil Wąsacz** –

President of the Management Board

**Mariusz Serwa** –

Vice-president of the Management Board,  
Financial Director

**Paweł Kocot** –

Member of the Management Board

KRS [National Court Register Number]: 0000026895  
District Court Katowice-  
Wschód in Katowice, 8th  
Commercial Division of the  
National Court Register

NIP [Tax Identification Number]: 634-22-62-054  
REGON: 273796214

Share Capital:  
PLN 66,753,000  
(paid in full)

Shareholding:  
100% – Stalexport Autostrady  
(through Stalexport  
Autoroute)

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

SAM company was incorporated based on the notary deed of 19 December 1997 as a company intended as a special vehicle entity for the purpose of the project of managing A4 motorway in Katowice–Kraków section.

Activity under the Statute includes management of motorway projects and entirety of tasks arising from the Concession Agreement, including construction management, adjustment to requirements applicable to toll motorway and operation of the part of A4 motorway in Katowice–Kraków section (the said concession was originally granted to Stalexport Autostrady and then transferred to SAM by the decision of the Minister of Infrastructure of 28 July 2004).

Pursuant to the Concession Agreement, SAM has been authorised to collect rent payments and tolls for the said section of the motorway. In accordance with the provisions of the Concession Agreement, it is obliged, in return, to ensure on-going maintenance of the motorway and to continue with any further necessary investment tasks.

SAM finances its activities by revenue generated from tolls and other revenues, incl. rent payments received.

For the execution of the expected investment program, SAM was granted external financing to the amount of PLN 380 million under the Loan Agreement concluded on 28 December 2005 with the Financing Banks.

In H1 2016, the Company repaid its liabilities under the Loan Agreement in the amount of approx. PLN 17.08 million. The nominal balance of liabilities arising from the said agreement as at 30 June 2016 was approx. PLN 174.13 million.

Selected financial data of SAM were presented in the table at the beginning of this chapter.

### 2.3.3. VIA4 S.A.



ul. Piaskowa 20  
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tel. +(48) 32 762 73 50  
fax +(48) 32 762 73 55

The Management Board:

**Henri Skiba** –

President of the Management Board

**Mieczysław Skołyżyński** –

Vice-president of the Management Board

KRS [National Court Register Number]: 0000162861

District Court Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register

NIP [Tax Identification Number]: 634-22-98-951  
REGON: 276194390

Share Capital:  
PLN 500,000  
(paid in full)

Shareholding:  
55% – Stalexport Autostrady  
(through Stalexport Autoroute)

45% – Egis Road Operation S.A. (France)

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

VIA4 (former: Stalexport Transroute Autostrada S.A.) was incorporated pursuant to the notarial deed of 14 May 1998. The subject matter of VIA4's activity is activity related to the operation of toll A4 motorway in Katowice–Kraków section. The entity actually provides its services to one customer, i.e. SAM, being the entity that manages that section of the motorway under the Concession Agreement.

In consideration for services provided, it receives lump-sum remuneration which depends mainly on the intensity of traffic on the motorway and inflation.

The most important tasks performed by VIA4 include services of on-going operation and maintenance of the A4 toll motorway section (Katowice–Kraków), incl.: operation of the toll collection system; management of traffic on the motorway; maintenance of motorway infrastructure in a proper technical condition; full maintenance of the entirety of the motorway lanes; maintenance of the motorway in winter; management and consulting on future repairs of road surface and projects to upgrade the road standard.

Equally important are tasks related to traffic safety under which VIA4 ensures: 24/7 motorway patrols, which in cooperation with the Motorway Management Centre ensure identification of events as soon as possible; operation of the SOS phone system along the motorway; cooperation with the police and other services in order to keep the motorway drivable in the event of collisions, accidents or other events.

Selected financial data of VIA4 are presented in the table at the beginning of this chapter.

### 2.3.4. Biuro Centrum Sp. z o.o.



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

**The Management Board:**

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

KRS [National Court Register  
Number]: 0000087037  
District Court Katowice-  
Wschód in Katowice, 8th  
Commercial Division of the  
National Court Register

NIP [Tax Identification  
Number]: 634-10-03422  
REGON: 272254793

Share Capital:  
PLN 80,000  
(paid in full)

Shareholding:  
59.37% – WĘGLOKOKS S.A  
40.63% – Stalexport  
Autostrady

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

Biuro Centrum company was incorporated pursuant to the notarial deed of 9 June 1994.

Basic activity of Biuro Centrum consists in the management and provision of technical service for the office and conference venue in Katowice at 29 Mickiewicza Street, owned jointly by Stalexport Autostrady (40.47%) and Węglokoks S.A. (59.53%).

Biuro Centrum ensures high standards and professional approach in all services related to real property management and provision of related technical services. It has modern organisational, technical and office facilities.

As a part of ancillary services, Biuro Centrum provides food services in "Restauracja pod wieżami" that it operates and it provides catering services for the conference venue.

### 3. Information relevant for assessing the financial and property position, financial result of Stalexport Autostrady Group and changes thereof as well as information relevant for assessing possibility of obligation being satisfied by the Issuer and its Group

#### 3.1. Discussion of financial results

The table below presents basic financial results of Stalexport Autostrady Group achieved in H1 2016 along with comparative data for the corresponding period in the previous year.

**TABLE 3**

Selected items of the statement of comprehensive income of Stalexport Autostrady Group in H1 2016 and in the corresponding period of the previous year (consolidated data)

thousand PLN	H1 2016	H1 2015	Change [%]
Revenues from sales	137,643	119,237	15%
Cost of sales	-23,683	-40,705	-42%
<b>Gross profit on sales</b>	<b>113,960</b>	<b>78,532</b>	<b>45%</b>
Other revenues	1,747	3,939	-56%
Costs of general management	-15,079	-15,756	-4%
Other costs	-66	-82	-20%
<b>Operating profit</b>	<b>100,562</b>	<b>66,633</b>	<b>51%</b>
Financial revenues	6,021	7,219	-17%
Financial costs	-16,326	-18,526	-12%
<b>Financial activity balance</b>	<b>-10,305</b>	<b>-11,307</b>	<b>-9%</b>
Share in the profit (loss) of affiliated entities	113	47	140%
<b>Profit before tax</b>	<b>90,370</b>	<b>55,373</b>	<b>63%</b>
Income tax	-17,127	-10,325	66%
<b>Net profit/(loss)</b>	<b>73,243</b>	<b>45,048</b>	<b>63%</b>

Source: Authors



In H1 2016, the Group achieved revenues from sales higher by 15% than in the corresponding period of the previous year, mainly due to increase in traffic and changes of toll rates on A4 Katowice–Kraków section.

The gross result from sales increased by 45% in comparison to the analogical period in the previous year. Dynamics of the increase in the gross result was impacted first and foremost by increase in sales revenue and lower level of provisions for road surface replacement included in the cost of sales (- PLN 7,388 thousand in H1 2016 in comparison to PLN 10,850 thousand in H1 2015).

### 3.1.1. Amount and structure of operating revenue

The financial results of Stalexport Autostrady Group is shaped mainly by conducted motorway activities consisting in management and operation of A4 toll motorway in Katowice–Kraków section, conducted by a subsidiary, SAM, under the Concession Agreement binding until 2027.



The traffic of vehicles driving the motorway section covered by the concession, in particular in terms of heavy goods vehicles, depends to a large extent on the rate of economic growth measured by the Gross Domestic Product (GDP).

In H1 2016, average daily traffic in the Katowice–Kraków section of A4 motorway covered by the concession was 38,161 vehicles and it was 11.4% higher than the traffic reported in the corresponding period of 2015 (34,246 vehicles). Revenues from tolls in H1 2016 were PLN 135,383 thousand, which was 15.7% higher than in the corresponding period of 2015 (PLN 117,020 thousand).



For passenger cars, average daily traffic increased from 28,540 vehicles in H1 2015 to 31,774 vehicles in H1 2016 (increase by 11.3%). Toll revenues from HGV in H1 2016 were PLN 92,627 thousand, i.e. they increased by 15.9% in comparison to H1 2015 (PLN 79,927 thousand). Differences in dynamics of increase in the toll revenues in comparison to dynamics of increase in average daily passenger car traffic is mainly a result of changes in toll rates since 1 March 2015 (from PLN 9 to PLN 10).

For heavy goods vehicles, average daily traffic increased approx. by 11.9%, from 5,706 vehicles in H1 2015 to 6,387 vehicles in H1 2016. Toll revenues from HGV in H1 2016 were PLN 42,756 thousand, i.e. they increased by

15.3% in comparison to H1 2015 (PLN 37,093 thousand). The difference in the dynamics of increase in toll revenue in comparison to the dynamics of increase in average daily HGV traffic is a result of changes in toll rates since 1 March 2015 (from PLN 15 to PLN 16.5 and from PLN 24.5 to PLN 26.5) and differences in vehicle classification structure (other toll rates apply depending on the category).

The table below presents Average Daily Traffic in H1 2016 in comparison to H1 2015 along with dynamics.




**TABLE 4**  
Average Daily Traffic (ADT)

ADT	H1 2016	H1 2015	Change
 Passenger cars	31,774	28,540	11.3%
 Heavy-goods vehicles	6,387	5,706	11.9%
<b>Total</b>	<b>38,161</b>	<b>34,246</b>	<b>11.4%</b>

Source: Authors

The table below presents toll revenues in H1 2016 in comparison to H1 2015 along with dynamics.

**TABLE 5**  
Toll revenues

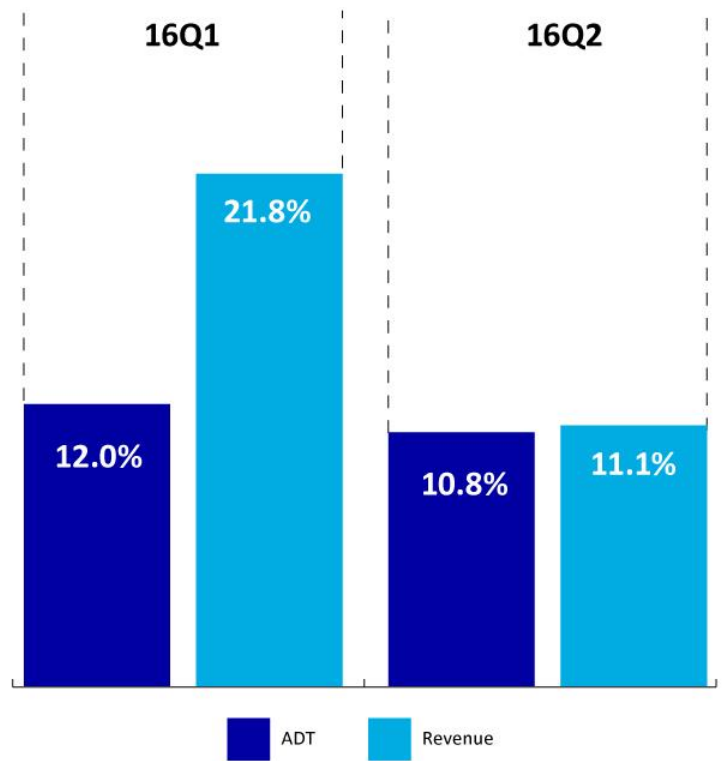
[thousand PLN]	H1 2016	H1 2015	Change
 Passenger cars	92,627	79,927	15.9%
 Heavy-goods vehicles	42,756	37,093	15.3%
 <b>Total</b>	<b>135,383</b>	<b>117,020</b>	<b>15.7%</b>

Source: Authors

The charts below present dynamics of Average Daily Traffic (ADT) and toll revenues in H1 2016 in comparison to H1 2015 divided into quarters, by passenger cars and heavy goods vehicles.

**CHART 2**

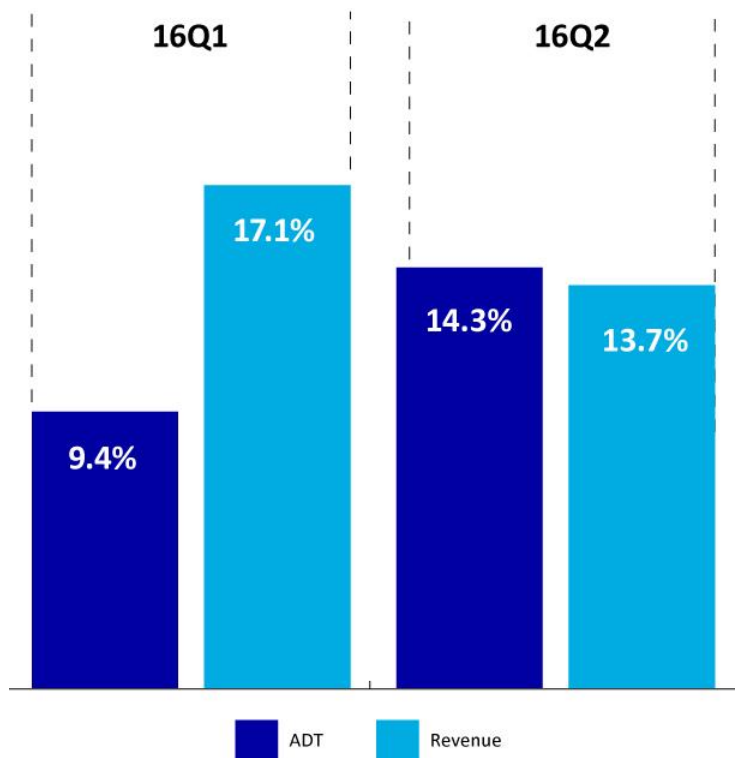
Dynamics of Average Daily Traffic (ADT) and toll revenue from passenger cars in H1 2016 in comparison to H1 2015 (quarter to quarter of the previous year)



Source: Authors

**CHART 3**

Dynamics of Average Daily Traffic (ADT) and toll revenue from heavy goods vehicles in H1 2016 in comparison to H1 2015 (quarter to quarter of the previous year)



Source: Authors

The difference in dynamics of increase in revenue in specified quarters arises mainly from changes in toll rates introduced on 1 March 2015.

Apart from the toll collection, the Group generated also extra revenue related to the operation of the motorway in the amount of PLN 554 thousand, including PLN 334 thousand from compensation for infrastructure damaged by road users.

Apart from motorway activities, revenue from sales of Stalexport Autostrady Group in the amount of PLN 1,706 thousand were related to the lease of space in the office building located in Katowice at 29 Mickiewicza Street and to the provision of IT services. The revenue was higher by 1.7% in comparison to H1 2015 (PLN 1,678 thousand).

In H1 2016 remaining revenues were PLN 1,747 thousand, of which the biggest item was rent payments for the use of real property along A4 motorway in Katowice–Kraków section, being PLN 1,451 thousand.



### 3.1.2. Amount and structure of operating costs

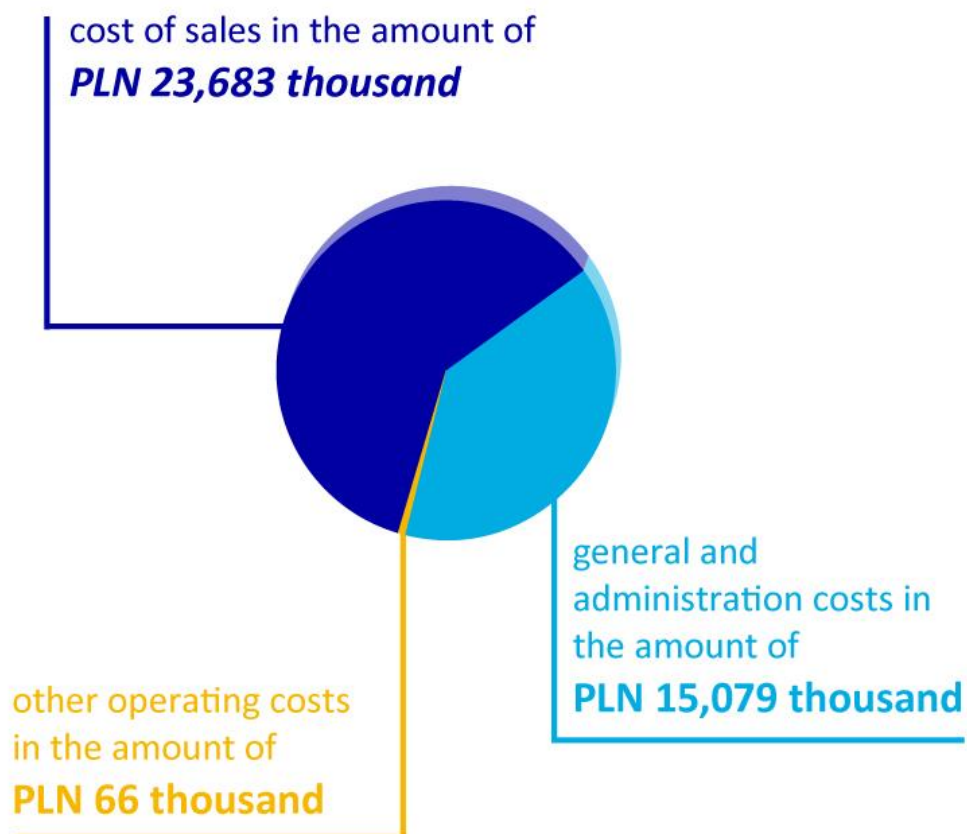
In H1 2016 the operating costs of Stalexport Autostrady Group was PLN 38,828 thousand, being 31.3% lower than in the corresponding period of the previous year (PLN 56,543 thousand).

In H1 2016 the operating costs consisted of:

- cost of sales in the amount of PLN 23,683 thousand, which in comparison to the corresponding period in the previous year decreased by 42% (i.e. by PLN 17,022 thousand). This situation was shaped mainly by the level of costs of the provisions established for the purpose of replacing road surfaces included in the cost of sales (external services), lower by PLN 18,238 thousand in comparison to the corresponding period in the previous year;
- general and administration costs in the amount of PLN 15,079 thousand, whose value decreased by PLN 677 thousand (-4%) in comparison to the analogical period in the previous year;
- other operating costs in the amount of PLN 66 thousand.

#### CHART 4

Structure of operating costs of Stalexport Autostrady Group in H1 2016



Source: Authors

### 3.1.3. Financial activity

In H1 2016, the Group achieved the negative balance on financial activity in the amount of PLN 10,305 thousand, i.e. achieved financial revenues (PLN 6,021 thousand) were lower than the incurred financial cost (PLN 16,326 thousand).

The financial revenues were impacted mainly by interest on bank accounts and deposits in the amount of PLN 5,933 thousand.

Financial costs, in turn, were impacted mainly by the discount of liabilities and provisions in the total amount of PLN 9,405 thousand, of which: PLN 5,442 thousand was related to the liability towards the State Treasury under the concession payment; PLN 3,060 thousand was related to provisions for Stage II investment works on A4 motorway, and PLN 903 thousand was related to the provision for road surface replacement. At this point it is worth noting that in accordance with the International Accounting Standards and International Financial Reporting Standards, both the subordinated debt towards the State Treasury under the concession payment and the provisions established for the replacement of road surface are disclosed by the Group in financial statements at their current values. Such amount represents therefore the nominal value of a given liability or expected expense discounted as at the date of drafting financial statements with the market interest rate applied.

As far as other financial costs are concerned, significant items were interest and commissions on the loan (PLN 4,425 thousand) and loss due to transactions entered into by SAM to hedge changes of interest rate (PLN 2,413 thousand).

It is also worth noting that the negative balance on financial activity reported in H1 2016 (PLN 10,305 thousand) was lower than in H1 2015 (PLN 11,307 thousand). This was caused mainly by the decrease in interest rates which translated into the lower value of interest on the loan, lower value of provisions discount and lower revenues from interest on bank accounts and deposits.

## 3.2. Property and financial position

The table below presents the concise statements of financial position of the Group as at 30 June 2016. For comparative purposes, values and structure of specified items at the end of 2015 was also presented.

**TABLE 6**

Concise statements of financial position of Stalexport Autostrady Group (consolidated data) – as at 30 June 2016 and 31 December 2015

Data in thousand PLN	Dynamics			Structure	
	30 Jun 2016	31 Dec 2015	2016/2015	30 Jun 2016	31 Dec 2015
Non-current assets	1,132,503	1,170,249	-3%	80%	85%
Current assets	281,351	205,048	37%	20%	15%
Equity	493,561	423,095	17%	35%	31%
Long-term liabilities	765,433	766,960	0%	54%	56%
Short-term liabilities	154,860	185,242	-16%	11%	13%
<b>Balance sheet total</b>	<b>1,413,854</b>	<b>1,375,297</b>	<b>3%</b>	<b>100%</b>	<b>100%</b>

Source: Authors

### 3.2.1. Assets

The biggest item of **non-current assets** were intangible assets, whose value as at the end of H1 2016 was PLN 511,115 thousand and, almost entirely, it consisted of concession-related intangible assets. In comparison to the end of 2015, their value decreased by PLN 11,566 thousand. The decrease is mainly a result of the decrease in concession-related intangible assets by the amount of PLN 19,068 as a result of amortisation and increase in concession values by PLN 6,614 thousand in connection with the update of valuation of planned construction works on A4 Katowice–Kraków section.

The value of long-term investments decreased at the end of H1 2016 to the amount of PLN 487,596 thousand from PLN 506,623 thousand reported at the end of 2015. This was an effect of the decrease by PLN 19,027 thousand in cash held by SAM on deposit/provision accounts created in accordance with the provisions of the Concession Agreement for the purpose of performing strictly specified tasks defined therein (they cover, first and foremost, financing of the investment project to be carried out).

Another significant item of non-current assets were deferred income tax assets, whose value at the end of H1 2016 was decreased to PLN 95,431 thousand. This item included deferred tax assets related, among others, to fixed assets and established provisions, compensated by the deferred tax liability, mainly in connection with concession-related intangible assets.

As for the structure of **current assets**, the biggest item was cash (PLN 265,842 thousand), whose value at the end of H1 2016 increased by PLN 77,835 thousand in comparison to the end of 2015. Another significant current asset were trade receivables and other receivables (PLN 11,601 thousand), which decreased by PLN 1,821 thousand. The value of short-term investments in the amount of PLN 1,502 thousand decreased slightly in comparison to the end of 2015.

### 3.2.2. Liabilities and provisions

As at 30 June 2016 total **liabilities and provisions** of the Group were PLN 920,293 thousand, of which 83% were non-current items. Main liabilities and provisions included:

- PLN 171.620 thousand of the bank loan (after taking into account interest charged and financing costs paid in advance) earmarked for the financing of investments carried out on the managed section of A4 motorway;
- PLN 13.414 thousand of liabilities under hedging derivative instruments;
- PLN 201.106 thousand of liabilities towards the State Treasury under the concession, disclosed in the Group's balance sheet at their (discounted) current value;
- PLN 381.548 thousand of provisions on investment expenses under Stage II of investments carried out on the managed section of A4 motorway;
- PLN 106.318 thousand of the provision established for the planned replacement of motorway road surface;
- PLN 17.992 thousand of trade liabilities and other liabilities;
- PLN 9.668 thousand of payments made in advance due to the lease of Motorway Service Area and lands for optical fibres – (refers to Katowice–Kraków section of A4 motorway);
- PLN 4.199 thousand – value of sold but unused subscriptions and proximity cards kartA4 for Katowice–Kraków A4 motorway.



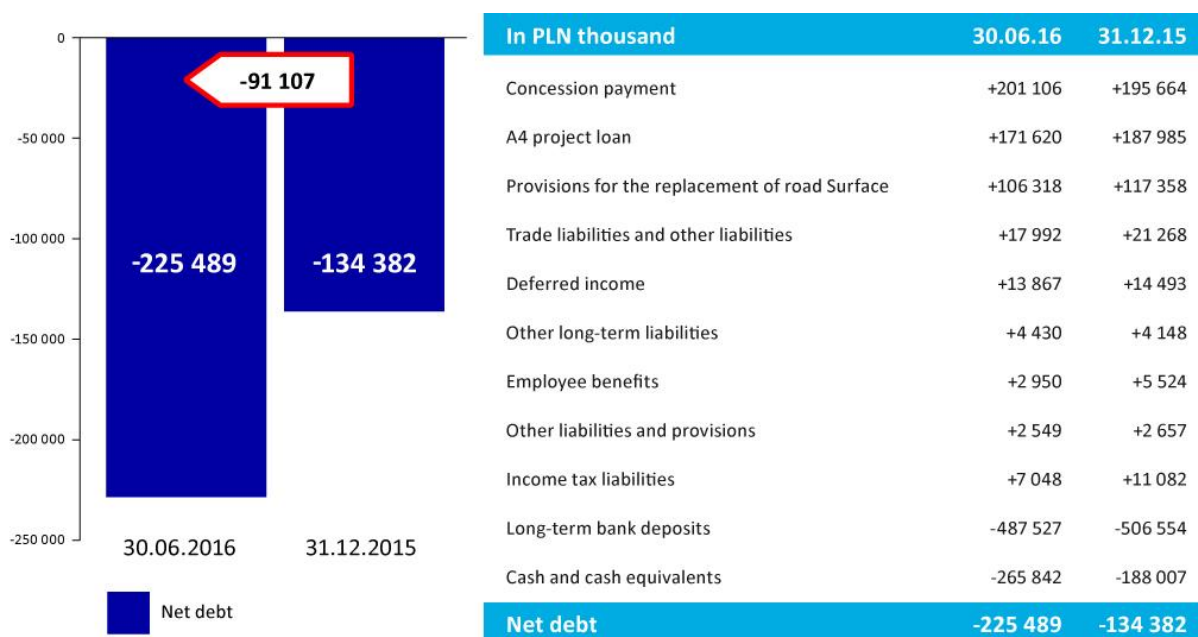
### 3.2.3. Net debt

Excluding provisions for Stage II construction works and liability under hedging derivative instruments (incl. deferred tax), net debt of the Group decreased from minus PLN 134,382 thousand at the end of 2015 to the amount of minus PLN 225,489 thousand at the end of H1 2016. The net debt of the Group was impacted on the one hand by the bank loan provided by the Financing Banks for the implementation of the project of A4 toll motorway in Katowice–Kraków section and concession payment (liability towards the National Road Fund), and on the other hand – by cash held on long-term and short-term deposits.

A detailed method of calculating the ratio and its value at the end of H1 2016 and as at 31 December 2015 is presented below.

#### CHART 5

Group's net debt (consolidated data) – as at 30 June 2016 and 31 December 2015



Source: Authors

### 3.2.4. Capital expenditure

Capital expenditure incurred by Stalexport Autostrady Group in H1 2016 was PLN 8,411 thousand and included mainly construction works carried out on the managed Katowice–Kraków section of A4 motorway. The expenditure was related to performed contracts for the reconstruction of Mysłowice and Rudno joints, construction of noise barriers and replacement of toll collection devices. Other capital expenditure of the Group are related mainly to the purchase of equipment necessary for on-going maintenance of the motorway as well as office supplies and means of transport. The stated value of capital expenditure includes also the cost of Independent Engineer and designing.

All actions described above were included in the capital expenditure plans of the Group for 2016. At this point it should be noted that the financing of investment tasks arising from the Concession Agreement concluded by SAM is secured with own funds generated from the operation of A4 motorway (tolls) and, additionally, with the Loan Agreement concluded in December 2005 with the Financing Banks. The said agreement secured the external financing to the amount of PLN 380,000 thousand. To the end of H1 2016, the nominal value of related banks loans was PLN 174,134 thousand (while after taking into account interest charged and cost of financing paid in advance, the value of the loan is PLN 171,620 thousand). The value of Group's liabilities under this item will be decreased in further periods in compliance with the repayment schedule until 2020.

## 4. Other information about the Stalexport Autostrady Group

### 4.1. Information on agreements material for the operations of the Capital Group, including shareholders' agreements, insurance contracts or cooperation agreements the Company is aware of

**On 5 February 2016** SAM (hereinafter "the Employer") signed a material agreement with a consortium of companies comprising: Pavimental Polska Sp. z o.o. with its registered office in Warsaw (00-013), ul. Królewska 16 and Pavimental S.p.A., with its registered office in Italy, Via Giuseppe Donati 174, Rome 00159 (hereinafter "the Contractor").

The agreement covers the implementation of Contract No. HM-3-2016 "Resurfacing 2016-2017". A Fixed-Rate Contract for a Fixed Price of net PLN 40,227 thousand (hereinafter "the Contract").

The General Conditions for the implementation of the said Contract will be "Conditions of Contract for Construction for Building and Engineering Works Designed by the Employer", First Edition 1999, developed by Fédération Internationale des Ingénieurs-Conseils (FIDIC), a copy in Polish (fourth English-Polish edition, unamended, 2008). The supplement to the General Conditions of Contract are the Particular Conditions of Contract. General Conditions of Contract prevail, unless the Particular Conditions of Contract provide otherwise. General Conditions of Contract and Particular Conditions of Contract jointly constitute the Conditions of Contract.

The agreement provides for the following penalties to the Contractor:

- delay damages – the limit of damages under Clause 8.7 of the Conditions of Contract is 15% of the approved net Contract Price;
- damages for the failure to timely remedy any defects or damage in the works – the limit of damages under Clause 11.4 of the Conditions of Contract is 15% of the approved net Contract Price;
- damages for unjustified traffic obstruction – the limit of damages under Clause 8.13 of the Conditions of Contract is 2% of the approved net Contract Price.

The Management Board also announces that due to the extensive scope of works related to the implementation of the above Contract the "Rules of Conduct in the Case of Construction Repair Works between Toll Plazas Resulting in Failure to Maintain Motorway Standards", adopted for use by Stalexport Autostrada Małopolska S.A. the text of which was published on the SAM website ([www.autostrada-a4.pl](http://www.autostrada-a4.pl)).

**On 1 April 2016** SAM (hereinafter "the Employer") signed a material agreement with a consortium of companies comprising: Pavimental Polska Sp. z o.o. with its registered office in Warsaw (00-013), ul. Królewska 16 and Pavimental S.p.A., with its registered office in Italy, Via Giuseppe Donati 174, Rome 00159 (hereinafter "the Contractor").

The agreement covers the implementation of Contract No. F2b-6-2014 "Reconstruction of Drainage of the A4 Motorway in the Śląsk Section – Part II." A Fixed-Rate Contract for a Fixed Price of net PLN 23.420 thousand (hereinafter "the Contract").

The General Conditions for the implementation of the said Contract will be "Conditions of Contract for Construction for Building and Engineering Works Designed by the Employer", First Edition 1999, developed by Fédération Internationale des Ingénieurs-Conseils (FIDIC), a copy in Polish (fourth English-Polish edition, unamended, 2008). The supplement to the General Conditions of Contract are the Particular Conditions of Contract. General Conditions of Contract prevail, unless the Particular Conditions of Contract provide otherwise. General Conditions of Contract and Particular Conditions of Contract jointly constitute the Conditions of Contract.

The agreement provides for the following penalties to the Contractor:

- delay damages – the limit of damages under Clause 8.7 of the Conditions of Contract is 15% of the approved net Contract Price;
- damages for the failure to timely remedy any defects or damage in the works – the limit of damages under Clause 11.4 of the Conditions of Contract is 15% of the approved net Contract Price;

**On 22 July 2016**, SAM received a document entitled "Transfer Certificate", indicating a change of one of the lenders being a party to the Credit Agreement, i.e. FM Bank PBP S.A. with its registered office in Warsaw (Existing Lender) to Raiffeisen Bank Polska S.A. (Acceding Lender). The change of lenders will take effect as of 30 September 2016.

Further, in connection with the above change of lenders, SAM on the same day:

- received from the Acceding Lender a representation (Accession Agreement) on the accession to the agreement (Intercreditor Deed) concluded on 22 March 2006 between SAM S.A., Stalexport Autoroute S.a.r.l., Stalexport Transroute Autostrada S.A. (currently VIA4 S.A.), Stalexport SA (currently Stalexport Autostrady S.A.) and the Financing Banks (currently Portigon AG London Branch, FM Bank PBP S.A., FMS Wertmanagement, KfW Ipex-Bank GmbH, Bank Pekao S.A.), WestLB Bank London Branch (currently FM Bank PBP S.A. following the role of Agent to another entity) as Agent, WestLB Bank London Branch (currently FM PBP Bank S.A. following the role of Security Agent to another entity) as Security Agent and Hedging Providers (currently FM PBP Bank S.A., FMS Wertmanagement, Bank Pekao SA). The Intercreditor Deed is an agreement which regulates technical and formal and legal issues associated with security granted in connection with the conclusion of the Loan Agreement by SAM S.A.;
- concluded an agreement providing for the replacement of the Existing Lender by the Acceding Lender in the Hedging Agreement concluded on 22 March, 2006.

During the reporting period and until the date hereof no other agreements material for the Group have been concluded.

#### 4.2. Information on changes in the organisational or capital relations of the Capital Group with other entities

During the reporting period and until the date hereof, there have been no such changes.

#### 4.3. Information on transactions concluded by the Company or its subsidiaries with affiliated entities on conditions different than arm's length

All transactions concluded by the Company or its subsidiaries with affiliated entities were concluded at arm's length. However, the Management Board of the Company wishes to point to the six major agreements concluded by its subsidiaries with affiliated entities.

- The first agreement of this type is the **Operation and Maintenance Agreement**, which was originally concluded in 1998 between Stalexport Autostrady and VIA4. The existing agreement was concluded between SAM and VIA4 on 22 March 2006.

The Operation and Maintenance Agreement was concluded for the term of the Concession Agreement (until 2027), and its subject matter are a very specific works related to the concession project A4, including

toll collection services and ongoing operation and maintenance of motorways (including winter maintenance). The contractual level of the operator's remuneration for the term of the agreement separates in the long term the risk of impact of frequent changes in the market prices on the cost of operation and maintenance and ensures continuity of service and operation during the long-term period of the investment project. In 1H 2016, the value of the transaction between SAM and VIA4 under the abovementioned Agreement amounted to PLN 20,161 thousand.

Due to the nature and scope of the agreement described above, as well as a very limited market for such services, it is difficult to benchmark the provisions of the Operation and Maintenance Agreement with the conditions possible to achieve on the so-called free market. In the opinion of the Management Board of the Company, the said agreement was nevertheless concluded at arm's length, and its provisions do not differ from those realisable if signed with an entity outside the Group.

- The second agreement is the **contract between SAM and Autostrade-Tech S.p.A.** (an entity from the Atlantia capital group, which holds 100% of shares in Autostrade-Tech S.p.A.) for the **Replacement of Toll Collection Systems (RTCS)**.

The contractor for this contract was selected on the basis of established procedures for conducting the tender. On 31 May 2012, SAM sent to the selected companies an invitation to tender. By the appointed date, (i.e. by 10 July 2012) tenders from two companies were received: (i) Autostrade-Tech S.p.A. and (ii) Egis Project S.A. As a result of the works of the tender committee with the participation of the Independent Engineer, the highest score was awarded to the bid submitted by Autostrade-Tech S.p.A., contracted on 14 September 2012, having first obtained the consent of the Financing Bank. The contract is implemented in the "design-build" formula.

To ensure full compliance of the scope of the RTCS contract with the state of development of the two toll plazas, it was necessary to issue change orders No. 1, No. 2, No. 3, No. 4 and No. 5, as a result of which, and in connection with agreeing additional costs associated with the extension of time to complete the contract, the current value of the contract amounts to PLN 25,183 thousand. In 1H 2016 subsequent change orders were issued: No. 6, No. 7 and No. 9, aimed at providing new forms of payments, but those changes have not yet been finally priced. The net value of the works settled under this contract totals PLN 23,101 thousand (i.e. 91.73% of the current value of the contract), of which PLN 477 thousand in 1H 2016.

In the opinion of the Management Board of the Company, the said agreement was concluded at arm's length, and its provisions do not differ from those realisable if signed with an entity outside the Group.

- The third agreement is the **contract between SAM and the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o.** (entities from the Atlantia capital group, which holds 99.6% of shares in Pavimental S.p.A., i.e. the sole shareholder of Pavimental Polska Sp. z o.o.) for the **reconstruction of drainage of the A4 motorway for 11 basins in Śląskie voivodship**.

The contractor for that was selected on the basis of a tendering procedure, the terms of which had been agreed with GDDKiA (in accordance with the provisions of the Concession Agreement, the Concessionaire shall select each contractor by tender and GDDKiA has the right to verify the criteria and conditions of the tender before the notice of each of the tenders) and the Financing Banks. The tender notice was published on 22 April 2013. Tender documents were issued to 5 potential bidders. By the appointed date, i.e. 5 June 2013, only one bid was submitted – by the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. Following the opening of the bid and the verification thereof, the tender committee found that it is valid and complete. It also found that the amount requested for contract completion was higher than the value resulting from the investor cost estimate. As a result of the analysis of the components of the bidding price by the members of the tender committee and price negotiations conducted with

the consortium, the contract value was finally lowered and the amount of PLN 19,803 thousand was agreed upon. The contract was signed on 26 July 2013. The works commencement order was issued on 3 September 2013 and the time for the completion of works provided under the contract was 450 days of that date.

As a result of change orders No. 1 (18 February 2014) and No. 2 (26 March 2015), the scope of work was expanded to include an additional drainage basin and the necessary ditch clearing works, and the works completion period was eventually extended until 31 December 2015. The main and additional works were completed until that time. Due to a defect in one of the reservoirs, resulting from a design fault, on 27 June 2016 change order No. 3 was issued relating to repair works pertaining to the reservoir. Having accounted for all change orders, the current value of the contract is PLN 21,222 thousand. The total net value of the works as invoiced by the consortium under the contract is PLN 19,745 thousand (i.e. 93.04% of the current value of the contract), and has not changed compared to 31 December 2015.

Given the procedure followed in order to appoint the contractor for the above contract, the Management Board of the Company believes it must be considered concluded at arm's length conditions.



- The fourth agreement is the **contract between SAM and the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o.** (entities from the Atlantia capital group, which holds 99.6% of shares in Pavimental S.p.A., i.e. the sole shareholder of Pavimental Polska Sp. z o.o.) for the **extension of the Mysłowice junction and the construction of the Rudno junction.**

On 4 March 2015, the tender notice was published and since 9 March 2015 tender documents were issued. The date appointed for filing the bids was 20 April 2015. By the appointed date only one bid was received, which was submitted by the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. The consortium offered to perform the full scope of Works for the price of net PLN 22 046 thousand. As the result of the tendering procedure the Pavimental consortium was appointed the contractor and on 15 June 2015 the contract for the completion of construction works was concluded.

The works started on 1 July 2015 and the expected term of completion of the contract is 300 days for the Mysłowice junction and 600 days for the Rudno junction. In 2015 mobilisation was completed and the basic construction works began in 2016. The total net value of works invoiced by the consortium under the contract is PLN 7,873 thousand (i.e. 35.71% of the contract value), of which PLN 4.702 thousand in 1H 2016.

Given the procedure followed in order to appoint the contractor for the above contract, the Management Board of the Company believes it must be considered concluded at arm's length conditions.

- The fifth agreement is the **contract between SAM and the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o.** (entities from the Atlantia capital group, which holds 99.6% of shares in Pavimental S.p.A., i.e. the sole shareholder of Pavimental Polska Sp. z o.o.) for the **resurfacing of sections of the motorway totalling 59.88 km in the years 2016-2017.**

The contractor for that contract was appointed following a tendering procedure. By the prescribed date three entities had submitted their bids: (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 works of the tender committee, with the participation of the Independent Engineer, the highest scoring was awarded to the bid of the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. The contract was concluded for the amount of PLN 40,227 thousand on 5 February 2016 and the term for the completion of the contracted works was 620 days of the date of commencement thereof, i.e. 19 February 2016. Following the mobilisation period, basic works were started on 4 May 2016. On 5 May 2016 change order No. 1 was issued which excluded surface and accompanying works on bridge M48 and on 15 June 2016 change order No. 2 was issued, which covered the scope of works to supplement the roadworks difficulties information panels with panels containing additional information. As a result of change orders Nos. 1 and 2, the total value of the contract was reduced to PLN 40,058 thousand. The total net value of works invoiced by the consortium under the contract is PLN 4.254 thousand (i.e. 10.62% of the current value of the contract), of which all in 1H 2016.

Given the procedure followed in order to appoint the contractor for the above contract, the Management Board of the Company believes it must be considered concluded at arm's length conditions.

- The sixth agreement is the **contract between SAM and the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o.** (entities from the Atlantia capital group, which holds 99.6% of shares in Pavimental S.p.A., i.e. the sole shareholder of Pavimental Polska Sp. z o.o.) for the **reconstruction of drainage for the A4 motorway in the Śląsk section – part II.**

The contractor for that was selected on the basis of a tendering procedure, the terms of which had been agreed with GDDKiA (in accordance with the provisions of the Concession Agreement, the Concessionaire shall select each contractor by tender and GDDKiA has the right to verify the criteria and conditions of the tender before the notice of each of the tenders) and the Financing Banks. Following the tender notice tender documents were issued to potential bidders. By the appointed date only one bid was submitted – by the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. Following the opening of the bid and the verification thereof, the tender committee found that it is valid and complete. The contract comprising the reconstruction of drainage for 8 basins in the Śląskie voivodship was concluded for PLN 23,420 thousand on 1 April 2016 and the term for the completion of the contracted works was 580 days of the date of the commencement thereof, i.e. 4 May 2016. The mobilisation period was not completed, hence by the end of 1H 2016 the consortium did not invoice any works, i.e. the commitment amounts to 0.00% of the current value of the contract.

Given the procedure followed in order to appoint the contractor for the above contract, the Management Board of the Company believes it must be considered concluded at arm's length conditions.

#### 4.4. Information on guarantees and security granted and received during a given financial year, with particular emphasis on guarantees and security granted to affiliated entities

No guarantees or security were granted in the reporting period.

#### 4.5. Information on the issuance of securities with a description of allocation of proceeds from the issuance

The Company did not issue any securities in the reporting period.

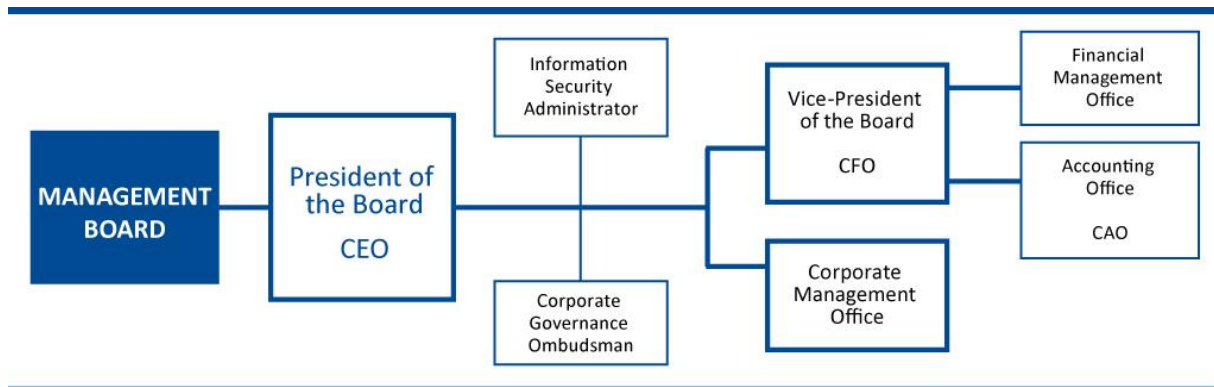
#### 4.6. Information relevant to the assessment of the hiring situation of the Stalexport Autostrady Group

##### (i) The organizational structure of Stalexport Autostrady

In 1H 2016, the Company's organisational structure did not change. The Company's organisation chart as per 30 June 2016 is presented in the following figure.

##### CHART 6

Stalexport Autostrady S.A.: organisational structure as per 30 June 2016



Source: Company's own study

The structure of the Capital Group along with the description of its constituent entities has been presented in section 2 hereof.



**(ii) Employment in the Capital Group**

As at 30 June 2016, Stalexport Autostrady S.A. employed 23 employees (six and three eighths of full-time employment), thus it changed slightly, compared to 31 December 2015 and 30 June 2015 when it employed 22 employees (six and one eighth of full-time employment).

As at 30 June 2016, the Stalexport Autostrady Group employed 298 employees, including 5 managers (board members), and 18 mid-level managers (directors, managers).

As a comparison, as at 31 December 2015, Stalexport Autostrady Group employed (in persons) 281 employees, and as at 30 June 2015 – 284 employees, while the number of managers and executives in the comparable periods remains unchanged.

Employment growth in the Capital Group as regards 30 June 2015 and until 31 December 2015, amounting to, respectively, 4.9% and 6%, was due largely to increased employment of collectors and road workers in the operator company VIA4 due to increased traffic and extended scope of works (additional motorway patrols and an additional maintainability brigade), as well as employment growth at customer service points (operated by SAM) in connection with the introduction of new forms of toll collection and in other SAM organisational units (Technical Department).

**(iii) Changes in the composition of the Company and Capital Group management and supervision bodies during the reporting period**

**Stalexport Autostrady**

○ **Management Board**

Pursuant to Section 10 of the Articles of Association of the Company, the Management Board consists of 1 to 3 members. 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. The common term of office of the Board members is three years, and their mandates expire on the date of the General Meeting approving the financial statements for the last full year as a member of the Board.

During the reporting period (and until the date hereof), the Management Board has not changed and is as follows:

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

On 2 March 2016, pursuant to the decision of the Supervisory Board of Stalexport Autostrady S.A., the Board was appointed in the current composition for another term:



Emil Wąsacz – President of the Board



Mariusz Serwa – Vice-President of the Board

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#### ○ **Supervisory Board**

According to Section 14 of the Articles of Association, the Supervisory Board consists of 5 to 9 members elected for a joint term of three years. The General Meeting appoints and dismisses members of the Supervisory Board, having previously determined their number for a given term.

On 3 April 2013, the Annual General Meeting (by Resolution No. 21) resolved that the Supervisory Board of Stalexport Autostrady for the 8<sup>th</sup> term of office (2013-2015) will comprise seven members.

From 1 January 2016 to 14 April 2016, the Supervisory Board acted in the following composition of seven members:

1. Roberto Mengucci – President of the Supervisory Board,
2. Aleksander Galos – Vice-President of the Supervisory Board,
3. Michelangelo Damasco – Secretary,
4. Nicolás Caffo,
5. Pietro La Barbera,
6. Costantino Ivoi,
7. Tadeusz Włudyka.

On 14 April 2016, the Annual General Meeting of Stalexport Autostrady S.A. resolved that the Supervisory Board of Stalexport Autostrady for the 9<sup>th</sup> term of office (2016-2018) will comprise seven members, and appointed the following members to the Supervisory Board for the subsequent term:

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

On 20 May 2016, pursuant to Section 14 para. 4 and Section 15 para. 1 of the Articles of Association of the Company, the Supervisory Board members appointed:

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

On the same day, acting pursuant to Section 25 para. 2 of the Rules of the Supervisory Board of Stalexport Autostrady and in accordance with Best Practices of WSE Listed Companies, the Board appointed from among its members the Audit Committee and the Committee for Remuneration, comprising the following members:

**Committee for Remuneration:**

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

**Audit Committee:**

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

Until the date hereof, the above committees of the Supervisory Board operated in unchanged compositions.

**Mr Aleksander Galos** and **Mr Tadeusz Włudyka** meet the criteria of independence from Stalexport Autostrady and entities with significant connections with the Company within the meaning of Schedule II to the 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, including the Best Practices of WSE Listed Companies, effective from 1 January 2016.

## **SAM**

During the reporting period and until the date hereof, no changes occurred in the composition of the Management Board and the Supervisory Board of SAM.

## **VIA 4**

During the reporting period and until the date hereof, no changes occurred in the composition of the Management Board and the Supervisory Board of VIA4.

## **BIURO CENTRUM**

During the reporting period and until the date hereof, no changes occurred in the composition of the Management Board and the Supervisory Board of Biuro Centrum.

#### 4.7. The Company shares and shares in the Company's affiliated entities held by persons managing and supervising the companies from the Stalexport Autostrady Group

The number and nominal value of shares of Stalexport Autostrady held by persons managing and supervising the companies from the Capital Group, are given based on the submitted representations. The situation as at 30 June 2016 (and the date hereof) is presented in the following table.

**TABLE 7**

Number and nominal value of shares of Stalexport Autostrady held by persons managing and supervising the Capital Group – as per 30 June 2016 (and the date hereof)

No.	First and last name	No. of shares	Nominal value [in PLN]
1.	Emil Wąsacz	59 000	44 250.00
1.	Katarzyna Bijak	2 000	1 500.00

Source: Own calculation, based on representations made by persons managing and supervising the Capital Group

Persons managing and supervising the companies from the Stalexport Autostrady Group do not hold shares of the affiliated entities of Stalexport Autostrady.

#### 4.8. Indication of shareholders holding directly or indirectly significant blocks of shares, along with the number of shares held by those entities, their percentage share in the share capital, the number of votes resulting therefrom and their percentage share in the total number of votes at the General Meeting of Shareholders of the Company

The following table contains a list of shareholders, who – according to the best knowledge of the Company – hold at least 5% of the total number of votes at the General Meeting of Stalexport Autostrady.

**TABLE 8**

The list of shareholders of Stalexport Autostrady holding significant blocks of shares of the Company (as per 30 June 2016 and the date hereof)

Name of entity	Number of ordinary bearer shares held	Share in share capital [%]	No. of votes at GM	Share in the overall no. of votes at GM [%]
ASPI	149 923 463	60.63%	149 923 463	60.63%

Source: Own calculations based on notifications received by the Company from the shareholders on the basis of Art. 69 and 69a in conjunction with Art. 87 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies

#### 4.9. Information on court proceedings, authority competent for arbitration or a public authority

The Company is not a party to any proceedings before common or arbitration courts or public administration bodies in cases where the amount in dispute exceeds the amount of at least 10% of its equity. This applies to both any single case and all cases conducted by the Company and against the Company jointly.

Neither are any other entities – members of the Capital Group – a party to any proceedings before common or arbitration courts or public administration bodies in cases where the amount in dispute exceeds the amount of at least 10% of their equity.

## 5. Development prospects and description of risk and threats, characteristics of external and internal factors material for the development of the Group

### 5.1. Development prospects

In recent years, the company participated in tenders related to the construction, management and operation of toll motorways. The Road Construction Programme creates a potential market for the Company, as well as for the entities belonging to the Capital Group. It should be emphasised that the area of road infrastructure is a sector heavily dependent on the state regulator. Consequently, the number of tenders being interesting projects for the Company, as well as the possibility of their implementation under the PPP formula, is a consequence of the policy implemented by the public partner within the road construction sector and the condition of the state budget. The prospects for the external growth of Stalexport Autostrady result from a possible implementation of potential motorway projects.

However, as part of its internal development, the Capital Group undertakes and will continue to undertake actions to improve the quality of motorway users service through the currently implemented toll systems replacement project, allowing the customers to use different forms of toll payment, including electronic toll collection. These measures are aimed both at increasing the capacity of toll plazas, as well as shortening the transaction time.

### 5.2. Description of basic risks and threats, characteristics of external and internal factors material for the development of the Stalexport Autostrady Group and the ways of combating the risks

The basic risks and threats, as well as external and internal factors material for the operations of Stalexport Autostrady and its Group, can be divided into three main areas related to:

- **the ongoing A4 Katowice-Kraków project**

In this area, the prevailing risks are economic and financial risks and factors relating to the general economic situation and the current situation on the construction works market, as well as political and legal risks.

The **economic situation** prevailing in Poland primarily affects the number of vehicles using the A4 motorway (this factor mainly affects trucks traffic), and, thus, the level of revenue from toll generated by the Concessionaire. The Capital Group reduces that risk by implementing appropriate (optimal) pricing policy, as well as taking steps to improve the quality of customer service on the motorway section it operates, its efforts consisting in the ongoing replacement of toll systems, allowing the customers to use different forms of toll payment.

As regards the **construction works market**, positive economic situation drives the increase of prices of construction services and reduces the effectiveness of the A4 Katowice-Kraków project, and in the period of economic downturn, the Group can obtain more favourable conditions for the execution of the necessary

works, thus leaving more funds at the shareholders' disposal. The Company seeks to reduce the risk in this area through active management, within the authority vested with it under the Concession Agreement, as well as the schedule of planned and ongoing construction works.

The instability of the institutional and legal environment regulating the infrastructure sector in Poland is the main factor in the group of **political and legal risks**. Through, inter alia, promoting good practices and solutions aimed at creating an appropriate legal framework for the implementation of infrastructure projects, actively participating in public debate on new legislative solutions, the Company seeks to counter those risks. That group of risks also includes potential actions aimed at amending the applicable law, which amendments may have an impact on the revenue and expenses in the A4 Katowice-Kraków project. It should be emphasised that the Concession Agreement includes provisions permitting claims for damages against the State Treasury in the event that the public partner takes actions that adversely affect the profitability of the A4 Katowice-Kraków project.

Additional risks also arise from the **decision of the Office of Competition and Consumer Protection** (hereinafter "the OCCP") of 2008, which, among others, considered as competition-restricting the Concessionaire's practice consisting, in the opinion of the OCCP, in "imposing unfair prices for the passage on the toll section of the motorway, in the amount specified in the price list, during the renovation of a motorway section causing significant difficulties in traffic", and ordered the Concessionaire to refrain from it. For future renovations causing considerable difficulties in traffic the Concessionaire should take the decision into account in the development of a policy for determining the toll rates. The company has reduced this risk by introducing appropriate rules of implementation of renovation works which reduce traffic congestion during the implementation thereof.

- **renting office space and investing cash held**

This area includes risks related to the economic conditions and the investment climate, as well as the risk of market interest rate.

The **economic situation** prevailing in Poland has a direct impact on the office rental market, and thus on the vacant space and the level of rents. The Company reduces that risk by using flexible pricing policy and other measures to increase the attractiveness of office space and improve the safety of its users. The Company continuously conducts activities aimed at attracting new tenants.

Due to the revenue structure and the nature of the business, the Company's financial performance is exposed to a relatively **high interest rate risk**. The risk stems from the volatility of financial markets and is manifested in the fluctuations of the price of money. Stalexport Autostrady reduces that risk by diversifying the terms for which the cash is deposited.

- **overall activity of the Capital Group**

The aforementioned instability of the institutional and legal environment affects not only the A4 Katowice-Kraków project, but the overall activity of the Capital Group and the Company, taking particular account of Stalexport Autostrady functioning as a public company.

The company seeks to mitigate the risks by ongoing monitoring of amendments to legal (national and EU) regulations, the use of consulting firms specialised in the field, the Board and staff responsible for a given area of the Company operations taking part in training and conferences on new regulations and the implementation of appropriate procedures and good practices at both the Company and the entire Capital Group level.

## 6. Summary

Concluding the Report, we wish to emphasise that the Stalexport Autostrady Group, operating in the motorway sector, stands on solid financial foundations, which guarantees the stability of the current operations and provides opportunities for the realisation of future, usually very capital-intensive projects related to the construction and management of motorways.

Vice-President of the Board

CFO



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Mariusz Serwa

President of the Board

CEO



.....

Emil Wąsacz

Mysłowice, 1 August 2016



## 7. Representations

- 7.1. Representation of the Board that according to their best knowledge, the interim condensed consolidated financial statements and the comparative data were prepared in accordance with applicable accounting principles and give a true, fair and clear view of the financial and property position of the Group and its financial result and that the interim report on the operations of the Capital Group presents a true picture of development and achievements and the situation of the Capital Group, including basic risks and threats

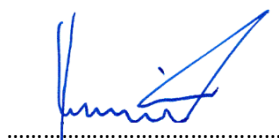
### Representation

We hereby represent that to the best of our knowledge, the interim condensed consolidated financial statements of the Company for 1H 2016 and the comparative data were prepared in accordance with applicable accounting principles and give a true, fair and clear view of the financial and property position of the Stalexport Autostrady Group and its financial result.

We also represent that the interim Board report on the operations of the Stalexport Autostrady Group presents a true picture of development and achievements and the situation of the Company's Capital Group, including basic risks and threats.

Vice-President of the Board

CFO



Mariusz Serwa

President of the Board

CEO



Emil Wąsacz

Mysłowice, 1 August 2016

- 7.2. Representation of the Board stating that the entity authorised to audit financial statements which audited the interim condensed consolidated financial statements was appointed in accordance with the law and that the entity and auditors auditing the statements met the conditions to issue an impartial and independent report on the review of the condensed consolidated financial statements in accordance with relevant laws and professional standards

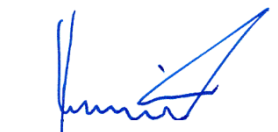
#### Representation

We hereby represent that Deloitte, authorised to audit financial statements, which audited the interim condensed consolidated financial statements for 1H 2016 was appointed in accordance with the law, i.e. pursuant to Section 18 para. 3 item 8 of the Articles of Association of Stalexport Autostrady.

We also represent that the above entity and auditors auditing the interim condensed consolidated financial statements met the conditions to issue an impartial and independent report on the review of the condensed consolidated financial statements in accordance with relevant laws and professional standards.

Vice-President of the Board

CFO



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Mariusz Serwa

President of the Board

CEO



.....

Emil Wąsacz

Mysłowice, 1 August 2016

## 8. Appendix

[Appendix 1](#) Selected financial data of Stalexport Autostrady Group

STALEXPORT AUTOSTRADY S.A.  
MANAGEMENT BOARD REPORT ON THE GROUP'S OPERATIONS IN 1H 2016  
APPENDIX No 1

**TABLE 9**

Financial data relating to the condensed interim consolidated financial statements of the Stalexport Autostrady Group for 6 months ended 30 June 2016

	thousand PLN		thousand EUR	
	1H 2016	1H 2015	1H 2016	1H 2015
Revenue	137 643	119 237	31 422	28 842
Operating profit	100 562	66 633	22 957	16 118
Profit before tax	90 370	55 373	20 630	13 394
Net profit for the reporting period	73 243	45 048	16 720	10 897
Net profit attributable to the owners of the Parent	70 407	41 956	16 073	10 149
Weighted average no. of shares at period end (in thousand items)	247 262	247 262	247 262	247 262
Profit of the owners of the Parent per one ordinary share (in PLN/EUR)	0.28	0.17	0.07	0.04
Diluted profit of the owners of the Parent per one ordinary share (in PLN/EUR)	0.28	0.17	0.07	0.04
Net cash from operating activity	94 411	92 132	21 553	22 286
Net cash from investment activity	10 850	(42 277)	2 477	(10 226)
Net cash from financial activity	(27 426)	(26 668)	(6 261)	(6 451)
Total net cash flow	77 835	23 187	17 769	5 609
	<b>30.06.2016</b>	<b>31.12.2015</b>	<b>30.06.2016</b>	<b>31.12.2015</b>
Total assets	1 413 854	1 375 297	319 479	322 726
Non-current assets	1 132 503	1 170 249	255 904	274 610
Current assets	281 351	205 048	63 575	48 116
Total liabilities	920 293	952 202	207 952	223 443
Long-term liabilities	765 433	766 960	172 960	179 974
Short-term liabilities	154 860	185 242	34 993	43 469
Total equity	493 561	423 095	111 527	99 283
Equity of owners of Parent	490 024	418 122	110 727	98 116
Non-controlling assets	3 537	4 973	799	1 167
Share capital	185 447	185 447	41 904	43 517

Source: Company's own information

STALEXPORT AUTOSTRADY S.A.  
MANAGEMENT BOARD REPORT ON THE GROUP'S OPERATIONS IN 1H 2016  
APPENDIX No 1

**TABLE 10**

Financial data relating to the condensed interim financial statements of Stalexport Autostrady for the 6 months ended 30 June 2016

	thousand PLN		thousand EUR	
	1H 2016	1H 2015	1H 2016	1H 2015
Revenue	1 904	1 867	435	452
Loss on operating activity	(1 339)	(1 729)	(306)	(418)
Profit before tax	88 623	1 760	20 231	426
Net profit for the reporting period	89 072	1 934	20 334	468
Weighted average no. of shares at period end (in thousand items)	247 262	247 262	247 262	247 262
Profit per 1 ordinary share (in PLN/EUR)	0.36	0.01	0.08	0.00
Diluted profit per 1 ordinary share (in PLN/EUR)	0.36	0.01	0.08	0.00
Net cash from operating activity	(2 080)	(422)	(475)	(102)
Net cash from investment activity	90 952	3 362	20 763	813
Total net cash flow	88 872	2 940	20 288	711
	<b>30.06.2016</b>	<b>31.12.2015</b>	<b>30.06.2016</b>	<b>31.12.2015</b>
Total assets	297 434	211 090	67 209	49 534
Non-current assets	76 478	76 516	17 281	17 955
Current assets	220 956	134 574	49 928	31 579
Total liabilities	1 521	4 254	344	998
Long-term liabilities	611	69	138	16
Short-term liabilities	910	4 185	206	982
Total equity	295 913	206 836	66 865	48 536
Share capital	185 447	185 447	41 904	43 517

Source: Company's own information

*Selected financial data converted to EUR according to the following rules:*

- a) *the items in the consolidated and separate statements of comprehensive income and statement of cash flows for 1H 2016 and 1H 2015 according to the arithmetic mean of the average exchange rates published by the NBP on the last day of each month of the financial period, i.e. 4.3805 PLN/EUR and 4.1341 PLN/EUR, respectively;*
- b) *individual assets and liabilities according to the average exchange rate published by NBP, applicable as per the balance sheet date, i.e. 4.4255 PLN/EUR on 30 June 2016 and 4.2615 PLN/EUR on 31 December 2015, respectively.*