

2017

**STALEXPORT AUTOSTRADY S.A.
MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES
OF THE GROUP IN H1 2017**

Mysłowice | 3 August 2017



STALEXPORT AUTOSTRADY S.A.

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DEFINITIONS AND ABBREVIATIONS

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

ADT	Average Daily Traffic
ASPI	Autostrade per l'Italia S.p.A. with its registered office in Rome (Italy)
Atlantia	Atlantia S.p.A. with its registered office in Rome (Italy)
Financing Banks	Portigon AG (London Branch), Raiffeisen Bank Polska S.A., FMS Wertmanagement, KfW IPEX-Bank GmbH and PEKAO S.A.
Biuro Centrum	Biuro Centrum Sp. z o.o. with its registered office in Katowice
Deloitte	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. (formerly Deloitte Audyt Sp. z o.o.) with its registered office in Warsaw, Al. Jana Pawła II nr 19, entered on 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
GPW	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
Stalexport Autostrady Group, Group	Stalexport Autostrady S.A. Group in Mysłowice
KSH, Commercial Companies Code	Act of 15 September 2000 – the Code of Commercial Companies and Partnerships (Polish Journal of Laws Dz.U of 2000 No. 94 item 1037 as amended)
Independent Engineer	JPL Project Sp. z o.o. with its registered office in Warsaw
PPP	Public-Private Partnership
SAM, Concessionaire	Stalexport Autostrada Małopolska S.A. with its registered office in Mysłowice

Report	Management Board's Report on the Activities of Stalexport Autostrady Group in 2016
Stalexport Autoroute	Stalexport Autoroute S.à r.l. with its registered office in Luxembourg
Stalexport Autostrady, Company, Issuer	Stalexport Autostrady S.A. with its registered office in Mysłowice
Concession Agreement	The Concession Agreement dated 19 September 1997 on building through conversion of the A4 motorway 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
Project Loan Agreement	Loan 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 PLN 380 million to finance the A4 toll motorway project on the Katowice–Kraków section (i.e. to finance the construction works of Phase II a and to refinance the construction works of Phase I)
VIA4	VIA4 Spółka Akcyjna with its registered office in Mysłowice
GM	General Meeting

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

Dear Shareholders,
Dear Sir, Dear Madam,

Over the recent years, we have accustomed our customers to good financial results. Our performance in H1 2017 was no exception: the revenues in the Stalexport Autostrady S.A. Group increased by 9.5% vs. H1 2016, i.e. from PLN 137.6 million to PLN 150.5 million, while our net profit increased by nearly 5%, i.e. from PLN 73.2 million to PLN 76.9 million.

We owe these good results to an increase in traffic intensity on the Katowice–Kraków section of the A4 motorway, by 7.5%, to the level of 41,009 vehicles per day, and to the consequent increase in toll revenues by 9.6% vs. the same period last year, i.e. from PLN 135.4 million in H1 2016 to PLN 148.4 million this year, an increase that was also driven by the changed toll rates for heavy goods vehicles.

H1 2017 brought a resolution of the Ordinary General Meeting of Stalexport Autostrady S.A., which decided on 13 April 2017 to pay dividend to the Company's shareholders in the amount of over PLN 44.5 million, i.e. PLN 0.18 per share. The dividend was paid on 16 May 2017.

It was possible to pay it because Stalexport Autostrady had obtained dividend from its subsidiary Stalexport Autoroute, which had previously obtained dividend from SAM, the A4 motorway Katowice–Kraków concessionaire, and VIA4, the operator of the said motorway.

Acting pursuant to the decision of the Ordinary General Meeting of SAM, the company paid dividend for the year 2016 to Stalexport Autoroute (its sole shareholder) in the amount of PLN 149.2 million, and additionally funds from the reserve capital in the amount of PLN 1.3 million. In this manner, SAM paid the total amount of dividend to its sole shareholder planned to be paid before the period of repayment of concession-related liabilities. The said liabilities consist in the refund towards the State Treasury of the loan granted by the European Bank for Reconstruction and Development for motorway upgrade and repair before its handing over for expansion and operation to the concessionaire.

It will be possible to pay further dividends from SAM after repayment of the said liabilities and after meeting other requirements related to the concession agreement and to agreements on motorway project financing.



A rather important event taking place in H1 2017 was the submission, by Catterick Investments Ltd., in which Stalexport Autostrady holds 10% of the shares, of a request for admission to participation in the public procurement procedure related to the National Toll Collection System together with activities related to electronic toll collection and activities related to ordinary toll collection, which according to the public party's plan is supposed to replace the existing national toll collection system in late 2018. We are currently waiting for the next stages of the said procedure.

As far as investment and maintenance work performed on the A4 Katowice–Kraków is concerned, it consisted mainly in the completion of the expansion of the Rudno junction, continued modernisation of the motorway drainage system, and continued motorway resurfacing. Work will start soon related to the building of further noise screens and to the installation of the first traffic management system devices.

In the previous Management Board reports, I mentioned our efforts and projects aimed at increasing toll plaza flow capacity. For a year now, the A4Go electronic toll collection has been in operation on the A4 Katowice–Kraków motorway, allowing drivers to drive through the toll gates much more rapidly. Our users have already purchased over 13 thousand A4Go on-board units, but we hope that interest in this solution will keep growing.

We continue to work on solutions that would contribute to the further improvement of passenger service as well as of the road infrastructure in Poland.

I invite you to read the financial statements of the Stalexport Autostrady Group and the Management Board's report on the Group's activities in H1 2017.

I would like to thank our shareholders and partners very much for their interest, trust and cooperation. I would also like to thank the Supervisory Board members for supporting our activity in many fields. I am grateful to the management staff and to the employees across the Group for their professionalism, creativity, and commitment.

Enjoy your reading!

Yours sincerely,

President of the Management Board
CEO



Emil Wąsacz

2017



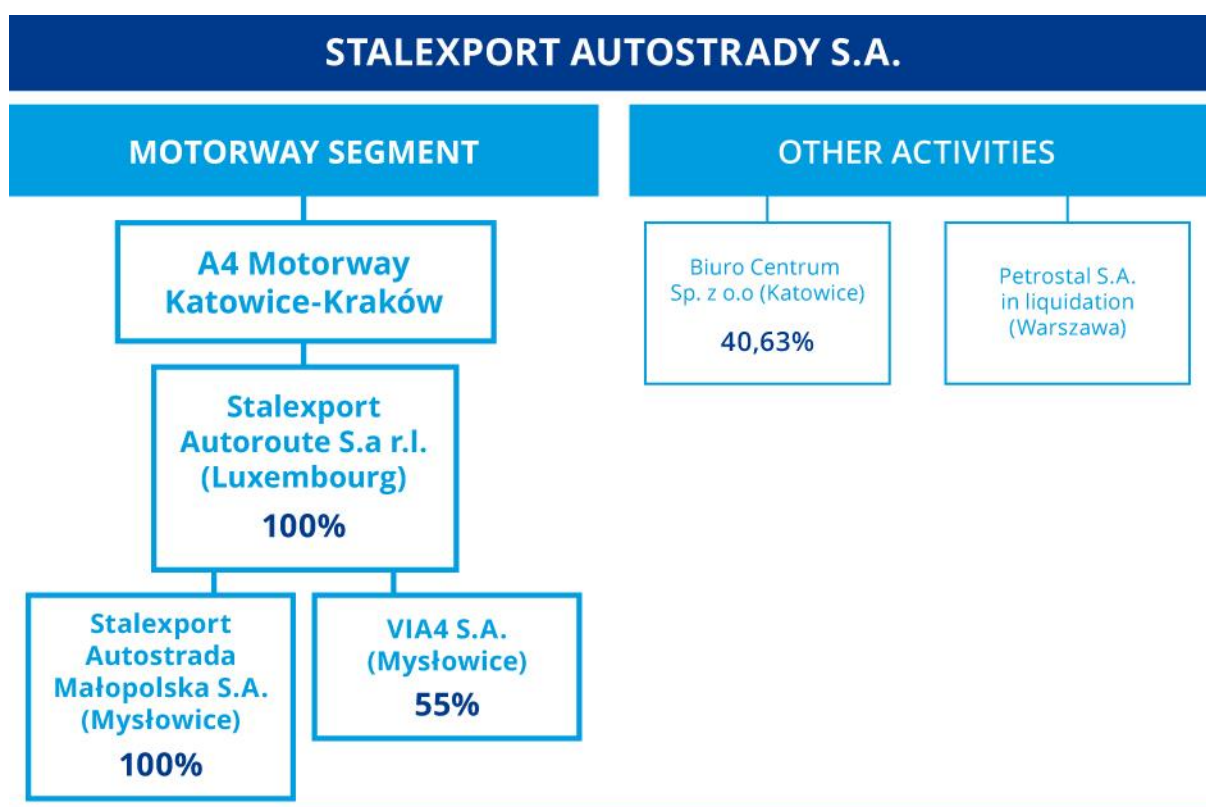
2. Basic information on the Stalexport Autostrady Group

At present, the operations of the Company and of the entities belonging to its Group focus primarily on activities related to motorways. They include operation and maintenance of the Katowice–Kraków section of the A4 motorway. The activities are conducted by SAM and VIA4 through the special purpose holding: Stalexport Autoroute.

Additionally, owing to the fact that the Stalexport Autostrady Group co-owns the 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 associated entity Biuro Centrum Sp. z o.o., as the property managing entity.

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

FIGURE 1
Organisational chart of Stalexport Autostrady Group as at 30 June 2017



Source: Prepared in-house by the Company

Table 1 includes basic consolidated data of the Stalexport Autostrady Group as well as separate data regarding the three major entities belonging to the Group, i.e. Stalexport Autostrady, SAM and VIA4. Apart from the results achieved by the said companies in H1 2017, for the purpose of comparison, we also included the results achieved by the companies in the corresponding period of the previous year, whereas for the balance sheet data, we presented the figures as at 31 December 2016.

TABLE 1

Basic financial data of selected entities from the Stalexport Autostrady Group [figures in PLN '000]

balance sheet data	Group		Stalexport Autostrady		SAM		VIA4	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
Non-current assets	1,052,431	1,059,736	77,677	78,950	1,035,202	1,041,300	8,235	8,945
Current assets	402,647	386,910	336,245	310,721	57,228	69,023	16,825	14,308
Total equity	616,237	586,828	411,071	387,585	259,819	253,520	7,753	11,110
Non-current liabilities	557,506	682,793	1,632	1,109	554,667	680,619	4,094	4,971
Current liabilities	281,335	177,025	1,219	977	277,944	176,184	13,213	7,172
Net debt***	-357,540	-315,362	-324,651	-300,032	-27,730	-9,455	8,839	5,573
performance data	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
Revenue from sales	150,466	137,643	1,831	1,904	148,406	135,383	21,768	20,786
Gross profit/loss from sales	119,378	113,960	-100	-34	108,550	103,085	10,192	10,244
EBITDA*	126,135	115,369	-1,783	-1,079	119,477	107,855	8,548	8,697
EBIT	105,058	100,562	-2,079	-1,339	99,447	94,093	7,797	7,919
Profit/loss from financial activities	-9,442	-10,305	70,155	89,962	-11,876	-11,598	-107	-133
Net profit/loss	76,857	73,243	67,954	89,072	70,499	66,670	6,223	6,302

STALEXPORT AUTOSTRADY S.A.
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EBIT margin**	70%	73%	-114%	-70%	67%	70%	36%	38%
ROE	12%	15%	17%	30%	27%	26%	80%	80%

**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*

Source: Prepared in-house by the Company

2.1 Stalexport Autostrady

ul. Piaskowa 20
41-404 Mysłowice
tel. +(48) 32 762 75 45
fax +(48) 32 762 75 56

Management Board:

Emil Wąsacz – President of the Management Board, CEO

Mariusz Serwa – Vice-President of the Management Board, CFO

KRS [National Court Register]:

0000016854

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

NIP [VAT No.]: 634-013-42-11

REGON [National Official Business Register No.]: 271936361

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

www.stalexport-autostrady.pl

Stalexport Autostrady S.A. plays the primary role in the Group which focuses on the modernisation and expansion of motorway infrastructure. The Company was the first Polish company to be granted 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. At the moment, Atlantia Group manages a network of approximately 5,000 km of toll motorways in Italy, Brazil, Chile, India and in Poland, and it is an automatic motorway toll collection system leader. For more information about Atlantia Group, visit its web page at www.atlantia.it.

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

2.2 Entities covered by the consolidation and the methods of their consolidation

Stalexport Autostrady is the parent company and it draws up the consolidated financial statements. The entities covered by the consolidation as at 30 June 2017, except for the parent entity, have been described in the following table.

TABLE 2
Entities being part of the Group as at 30 June 2017 (apart from the Company)

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

*through Stalexport Autoroute S.à r.l.

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

Source: Prepared in-house by the Company

2.3 Description of other companies of the Stalexport Autostrady Group

2.3.1 Stalexport Autoroutae S.à r.l.

<p>412F, route d'Esch L-1471 Luxembourg</p> <p>Company registered under the no. B 113660 in the Registre de Commerce et des Sociétés de Luxembourg</p> <p>Share capital: EUR 56,149,500</p> <p>Ownership structure: 100% – Stalexport Autostrady</p>	<p>Stalexport Autoroute was registered 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 loan agreement with a consortium of banks. On the basis of the aforementioned loan agreement, the Group obtained a loan of up to PLN 380 million which was necessary to finance the modernisation of the road surface and of the bridges on Katowice–Kraków section of the A4 motorway.</p> <p>The entity does not conduct any operational activities apart from holding shares in SAM as well as in VIA4 for the purpose of appropriate implementation of the securities package (pledge on shares) for the Project Loan Agreement.</p>
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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

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 [National Court Register]:
0000026895**

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

**NIP [VAT No.]: 634-22-62-054
REGON [National Official
Business Register No.]:
273796214**

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

Ownership structure:

100% – Stalexport Autostrady
(through Stalexport Autoroute)

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, on the other hand, 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 up to the amount of PLN 380 million under the Project Loan Agreement entered into on 28 December 2005 with the Financing Banks.

In H1 2017, the company repaid its liabilities under the Loan Agreement in the amount of approx. PLN 18.5 million. The nominal balance of the liabilities resulting from the said agreement amounted to approx. PLN 137.86 million as at 30 June 2017.

Selected financial data of SAM have been presented in the table at the beginning of this Section.

2.3.3 VIA4 S.A.

ul. Piaskowa 20
41-404 Mysłowice
tel. +(48) 32 762 73 50
fax +(48) 32 762 73 55

Management Board:

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

**KRS [National Court Register]:
0000162861**

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

NIP [VAT No.]: 634-22-98-951
**REGON [National Official
Business Register No.]:
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

VIA4 (formerly Stalexport Transroute Autostrada S.A.) was established on the basis of the notarial deed of 14 May 1998. The business of VIA4 consists in 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 of 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 have been presented in the table at the beginning of this Section.

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

Management Board:

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

KRS [National Court Register]:

0000087037

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

NIP [VAT No.]: 634-10-03422

REGON [National Official

Business Register No.]:

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

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

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

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

The supplementary activities of Biuro Centrum include catering services in the “Pod wieżami” restaurant run by the Company as well as services provided for the conference centre.

2017



3. Information significant for the assessment of the financial position, assets and financial result of the Stalexport Autostrady Group and their changes, and information significant for the assessment of the Issuer's and of its Group's ability to fulfilment their obligations

3.1 Presentation of financial results

The following table includes basic financial results of the Stalexport Autostrady Group generated in H1 2017 along with comparative data for the previous year.

TABLE 3
Selected items of the statement of comprehensive income of the Stalexport Autostrady Group in H1 2017 and in the same period of the previous year (consolidated figures)

PLN '000	H1 2017	H1 2016	Change [%]
Revenue from sales	150,466	137,643	9%
Cost of sales	-31,088	-23,683	31%
Gross profit from sales	119,378	113,960	5%
Other operating revenue	1,782	1,747	2%
General and administrative expenses	-15,886	-15,079	5%
Other operating expenses	-216	-66	227%
Profit on operating activities (EBIT)	105,058	100,562	4%
Financial revenue	6,218	6,021	3%
Financial expenses	-15,660	-16,326	-4%

Balance on financial activities	-9,442	-10,305	-8%
Share in profit of associates	95	113	-16%
Profit before tax	95,711	90,370	6%
Income tax	-18,854	-17,127	10%
Net profit	76,857	73,243	5%

Source: Prepared in-house by the Company

In H1 2017, the Group obtained revenues from sales higher by 9% vs. the same period of the previous year, mainly as a result of the increase in traffic and of the changed rates for heavy goods vehicles on the toll section of the A4 motorway Katowice–Kraków.

The gross profit from sales increased by 5% vs. the same period of last year. The gross profit increase was fundamentally driven by the increase in the revenue from sales and in the cost of sales (mainly as a result of the change in the cost of the provision established for motorway resurfacing by PLN 5,399 thousand).

3.1.1 Amount and structure of operating revenue

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

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

In H1 2017, the Average Daily Traffic (ADT) on the concession section of the A4 motorway Katowice–Kraków amounted to 41,009 vehicles and was 7.5% higher than the traffic level recorded in the same period of 2016 (38,161 vehicles). In H1 2017, toll revenue amounted to PLN 148,407 thousand, i.e. it was higher by 9.6% vs. the same period of 2016 (PLN 135,383 thousand).

As far as passenger cars are concerned, ADT increased from 31,774 vehicles in H1 2016 to 34,194 vehicles in H1 2017 (up by 7.6%). In H1 2017, toll revenue from passenger cars amounted to PLN 99,044 thousand, i.e. it increased by 6.9% vs. H1 2016 (PLN 92,627 thousand). The difference between the growth rate of toll revenue and the growth rate of the Average Daily Traffic of passenger cars is mainly due to the fact that 2016 was a leap year.

As far as heavy goods vehicles are concerned, ADT increased by approximately 6.7%, i.e. from 6,387 vehicles in H1 2016 to 6,815 vehicles in H1 2017. In H1 2017, toll revenue from heavy goods vehicles amounted to PLN 49,363 thousand, i.e. it increased by 15.5% vs. H1 2016 (PLN 42,756 thousand). The difference between the growth rate of toll revenue and the growth rate of the Average Daily Traffic of heavy goods vehicles is mainly due to the fact that 2016 was a leap year, to the change of the toll rates starting from 1 March 2017 (from PLN 16.50 to PLN 18, and from PLN 26.50 to PLN 30), as well as to the differences in the vehicle category structure (different toll rates are applied depending on the category).

The following table shows the Average Daily Traffic (ADT) in H1 2017 vs. H1 2016 and the percentage change.

TABLE 4
Average Daily Traffic (ADT)

ADT	H1 2017	H1 2016	Change
Passenger cars	34,194	31,774	7.6%
Heavy goods vehicles	6,815	6,387	6.7%
Total	41,009	38,161	7.5%

Source: Prepared in-house by the Company

The following table shows the toll revenue in H1 2017 vs. H1 2016 and the percentage change.

TABLE 5
Toll revenue

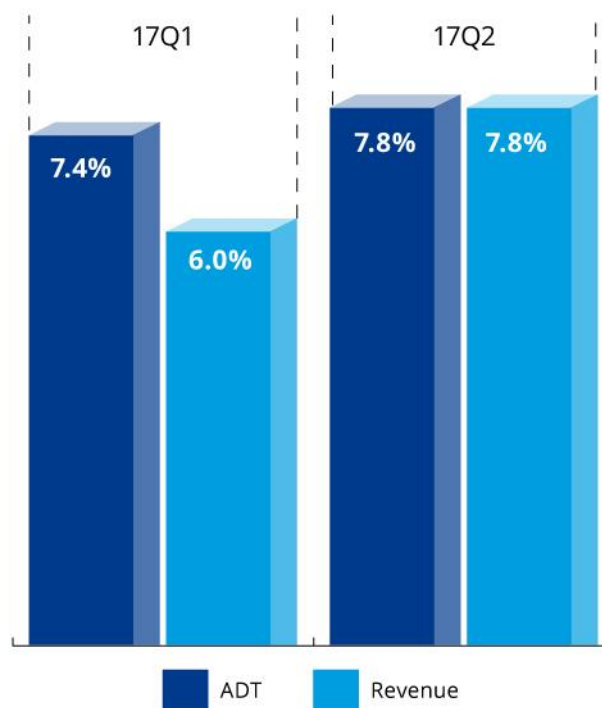
[PLN '000]	H1 2017	H1 2016	Change
Passenger cars	99,044	92,627	6.9%
Heavy goods vehicles	49,363	42,756	15.5%
Total	148,407	135,383	9.6%

Source: Prepared in-house by the Company

The following figures show the changes in Average Daily Traffic (ADT) and toll revenue in H1 2017 vs. H1 2016 on a quarterly basis, separately for passenger cars and heavy goods vehicles.

FIGURE 2

Changes in Average Daily Traffic (ADT) and in toll revenue for passenger cars in H1 2017 vs. H1 2016 quarter on quarter of the previous year)



Source: Prepared in-house by the Company

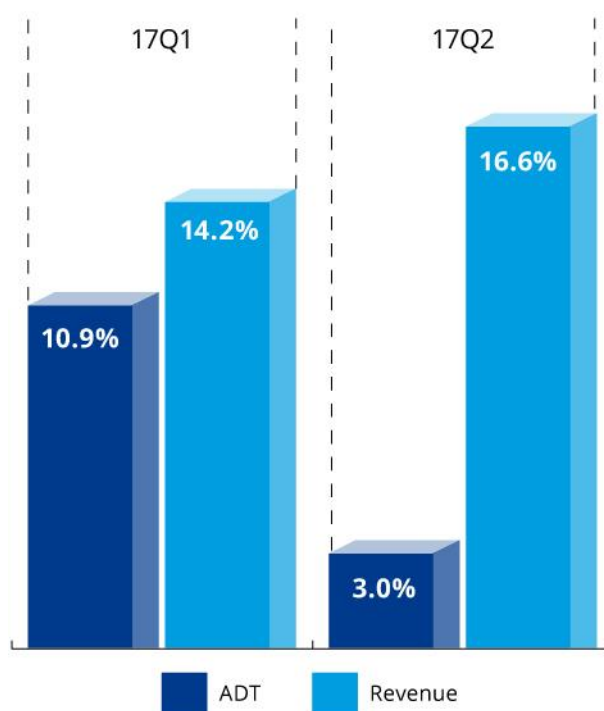


FIGURE 3

Changes in Average Daily Traffic (ADT) and in toll revenue for heavy goods vehicles in H1 2017 vs. H1 2016 quarter on quarter of the previous year)

Source: Prepared in-house by the Company

The difference between the quarters in terms of the percentage change results mainly from the changes in the toll rates, in force starting from 1 March 2017.

Apart from toll collection, the Group also obtained revenue from sales related to motorway operation in the amount of PLN 434 thousand, including PLN 302 thousand in compensation for infrastructure damaged by motorway users.

Apart from the motorway activity, revenue from sales of the Stalexport Autostrady Group in the amount of PLN 1,626 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. This revenue was 5% lower vs. H1 2016 (PLN 1,706 thousand).

In H1 2017, other revenue amounted to PLN 1,782 thousand, including mainly lease fees related to the use of real estate in the A4 Katowice–Kraków motorway right-of-way, in the amount of PLN 1,503 thousand.

3.1.2 Amount and structure of operating expenses

In H1 2017, the operating expenses of the Stalexport Autostrady Group amounted to PLN 47,190 thousand and were 21.9% higher than in the same period of the previous year (PLN 38,828 thousand).

In H1 2017, the costs of operating activities consisted of the following:

- own costs of sales in the amount of PLN 31,088 thousand, representing an increase by 31.3% (i.e. by 7,405 thousand) vs. the same period of the previous year. This situation was influenced mainly by the change of the cost of the provision established for motorway resurfacing in the amount of PLN 5,399 thousand, resulting from the negative difference between the effects of the changes in the provision estimates in the comparable half-year periods (PLN 8,020 thousand) and the lower current cost of establishing the said provision recorded in H1 2017 (down by PLN 2,621 thousand).
- general and administrative costs in the amount of PLN 15,886 thousand, which were higher by PLN 807 thousand (5.4%) vs. the same period in the previous year;
- other operating expenses in the amount of PLN 216 thousand.

3.1.3 Financial operations

In H1 2017, the Group generated a negative balance on financial activities in the amount of PLN 9,442 thousand, i.e. the financial revenue generated (PLN 6,218 thousand) was lower than the financial expenses incurred (PLN 15,660 thousand).

The financial revenue was mainly influenced by the interest on bank accounts and deposits in the amount of PLN 6,162 thousand.

The financial expenses were mainly influenced by the discounting of liabilities and provisions in the total amount of PLN 9,728 thousand, of which: PLN 5,749 thousand pertained to the liability towards the State Treasury on account of the concession payment; PLN 3,265 thousand pertained to the provision for Phase II investment works on the A4 motorway; and PLN 717 thousand pertained to the provision for motorway resurfacing. At this point, it is worth mentioning that in line with the International Accounting Standards as well as the International Financial Reporting Standards, both the subordinated debt towards the State Treasury on account of the concession payment as well as the provisions established for motorway resurfacing 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 3,856 thousand) and loss on transactions concluded by SAM to hedge against variations of the interest rate (PLN 2,064 thousand).

It is also worth mentioning that the negative balance on financial activities recorded in H1 2017 (PLN 9,442 thousand) was lower vs. H1 2016 (PLN 10,305 thousand). This was caused mainly by the decrease of financial costs as a result of the gradual repayment of the loan liabilities.

3.2 Assets and financial position

The following table includes a synthetic statement of financial position of the Group as at 30 June 2017. For the sake of comparison, the figures reflecting particular items and their structure as at the end of 2016 have also been included.

TABLE 6
Synthetic statement of financial position of the Stalexport Autostrady Group (consolidated data) as at 30 June 2017 and as at 31 December 2016

in PLN'000	Change			Structure	
	30 Jun 2017	31 Dec 2016	2017/2016	30 Jun 2017	31 Dec 2016
Non-current assets	1,052,431	1,059,736	-1%	72%	73%
Current assets	402,647	386,910	4%	28%	27%
Equity	616,237	586,828	5%	42%	41%
Non-current liabilities	557,506	682,793	-18%	38%	47%
Current liabilities	281,335	177,025	59%	19%	12%
Balance sheet total	1,455,078	1,446,646	1%	100%	100%

Source: Prepared in-house by the Company

3.2.1 Assets

The largest item in **non-current assets** consisted of intangible assets, amounting at the end of H1 2017 to PLN 469,215 thousand, and composed virtually entirely of concession intangible assets. Their value decreased by PLN 15,614 thousand vs. the end of 2016. This decrease was caused mainly by the decrease in concession intangible assets by the amount of PLN 19,847 thousand as a result of depreciation and the increase in concession assets by PLN 4,619 thousand in relation to the revaluation of the planned construction works on the A4 motorway section Katowice–Kraków.

In H1 2017, the value of non-current investments increased to the amount of PLN 451,038 thousand vs. PLN 447,422 thousand as at the end of 2016. This resulted mainly from the increase of 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 scheme being implemented).

Deferred income tax assets, the value of which at the end of H1 2017 decreased to PLN 86,378 thousand, constituted another significant element of non-current assets. The item included deferred tax assets related to,

among others, 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 384,120 thousand), whose value as at the end of H1 2017 increased by PLN 17,161 thousand vs. the end of 2016. Trade receivables and other receivables constituted another significant item of current assets (PLN 14,999 thousand), following a decrease by PLN 1,317 thousand. The value of current investments in the amount of PLN 1,478 thousand decreased slightly vs. the end of 2016.

3.2.2 Payables and provisions

As at 30 June 2017, the Group's total **payables and provisions** amounted to PLN 838,841 thousand, of which 66% were non-current items. The main items of payables and provisions included the following:

- provision of PLN 354,418 thousand for capital expenditure within Phase II of the investments being implemented on the managed section of the A4 motorway;
- liability of PLN 212,449 thousand towards the State Treasury related to the concession, recognised in the Group's balance sheet at the present (discounted) value; in the following items: other non-current liabilities (PLN 79,908 thousand), and trade payables and other payables (PLN 132,541 thousand);
- bank loan in the amount of PLN 135,717 thousand (taking into account interest accrued and prepaid costs of financing) intended for the financing of the investments being implemented on the managed section of the A4 motorway;
- provision of PLN 71,156 thousand established for the planned motorway resurfacing;
- trade payables and other payables in the amount of PLN 27,573, excluding the current portion of the payable towards the State Treasury under the concession;
- prepayment of PLN 8,842 thousand related to lease of rest and service areas and land for fibre optic cables (concerns the Katowice–Kraków section of the A4 motorway);
- payable related to derivative instruments used as hedging in the amount of PLN 8,263 thousand;
- PLN 4,996 thousand being the value of subscriptions coupons sold and not used and trips on the Katowice–Kraków section of the A4 motorway with the usage of KartA4 proximity cards and on-board units A4Go;
- payable of PLN 4,306 thousand related to employee benefits.

3.2.3 Net debt

Excluding from the liabilities the provisions for Phase II construction works and the payable related to derivative instruments used as hedging (including deferred tax), the Group's net debt went down from -315,362 thousand PLN as at the end of 2016 to -357,540 thousand PLN as at the end of H1 2017. The net debt of the Group is primarily influenced by the bank loan granted by the Financing Banks for the A4 Katowice–Kraków section project and by the concession payment (liability towards the National Road Fund) 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 at the end of H1 2017 and as at 31 December 2016 are presented below.

FIGURE 4

Net debt of the Group (consolidated data) – as at 30 June 2017 and 31 December 2016



Source: Prepared in-house by the Company

3.2.4 Capital expenditure

Capital expenditure incurred by the Stalexport Autostrady Group in H1 2017 amounted to PLN 17,280 thousand and included mainly construction works carried out on the Katowice–Kraków section of the A4 motorway managed by the Group. These expenses were related to contracts for the alteration of the Mysłowice and Rudno junctions, drainage of the Silesian section of the motorway, and replacement of toll collection equipment. Other capital expenditure of the Group pertain mainly to the purchase of the equipment required for the purpose of ongoing motorway maintenance, as well as 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 activities were allowed for in the Group's capital expenditure budget for 2017. At this point, it is worth mentioning that financing of the investment tasks resulting from the Concession Agreement concluded by SAM has been secured with own funds generated from the operation of the A4 motorway (toll)

and additionally with the Project Loan Agreement entered into in December 2005 with the Financing Banks. The said Agreement secured external financing up to the amount of PLN 380,000 thousand. As at the end of H1 2017, the nominal value of the bank loans related to that amounted to PLN 137,863 thousand (while taking into account the accrued interest and the prepaid financing costs, the loan amounts to PLN 135,717 thousand). The value of the Group's liabilities in this respect will decrease in future periods along with the repayment schedule until 2020.

2017



4. Other information on the Stalexport Autostrady Group

4.1 Information on agreements/contracts significant for the Group's operating activity, including agreements between the shareholders as well as insurance, collaboration and cooperation contracts the Company is aware of

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

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

On 13 February 2017, Stalexport Autostrady acquired 10 shares in CATTERICK INVESTMENTS Limited Liability Company with its registered office in Warsaw, entered into the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Department of the National Court Register under the company registration number KRS: 0000636804 (hereinafter referred to as CATTERICK INVESTMENTS), with the nominal value of PLN 50 (fifty Polish zlotys) each share, constituting in total 10% of the share capital of CATTERICK INVESTMENTS, together with all the rights resulting from the said shares. The party selling the said shares was VISTRA SHELF COMPANIES Limited Liability Company with its registered office in Warsaw. The total acquisition price of the 10 shares in CATTERICK INVESTMENTS was PLN 1,285.75.

On 20 February 2017, CATTERICK INVESTMENTS Ltd. submitted to the General Directorate for National Roads and Motorways a request for admission to participate in the public procurement procedure no. DPR.DPR-2.2413.6.2016.DZR.34 for the NATIONAL TOLL COLLECTION SYSTEM TOGETHER WITH ELECTRONIC TOLL COLLECTION ACTIVITIES AND ACTIVITIES RELATED TO TOLL COLLECTION IN GENERAL, announced on 14 December 2016 by the General Directorate of National Roads and Motorways, a competitive dialogue procedure.

No other changes of the said type occurred in the reporting period or until the date of preparation of this Report.

4.3 Information on transactions concluded by the Company or by its subsidiaries with related parties on the 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 Management Board of the Company would like to draw your attention to five significant agreements entered into by its subsidiaries with related parties.

- The first agreement of that kind is 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 its scope includes clearly defined works connected with A4 concession

project, including toll collection services and current maintenance and operation of the motorway (including winter maintenance). The contractual level of the operator's remuneration in the term of the Agreement separates in a long term the risk of impact of frequent market price fluctuations on maintenance and operation costs as well as ensures continuity of services and operation through the many years of implementation of the investment project. In H1 2017, the value of the transactions between SAM and VIA4 under the above-mentioned Agreement amounted to PLN 21,259 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 second agreement is the **contract between SAM 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.) **for the Replacement of the Toll Collection Equipment (RTCE).**

The contractor for this contract was selected on the basis of the established tendering procedures. On 31 May 2012, SAM sent invitations to tender to the selected companies. The following two companies submitted their tenders within the deadline (i.e. by 10 July 2012): (i) Autostrade-Tech S.p.A. and (ii) Egis Project S.A. As a result of the tender committee works with the participation of the Independent Engineer, the tender of Autostrade Tech S.p.A. obtained the highest rating. The contract with this company was entered into on 14 September 2012 upon the approval of the Financing Banks. The contract envisages replacement of the toll collection equipment at the Balice and Bręczkowice toll plazas as well as equipping with toll collection equipment four new lanes at each toll plaza, built additionally under separate contracts. The contract is being carried out on a Design-Build basis.

Implementation of the contract was divided into sections. Section I was completed already in 2016, while work related to Section II was completed in H1 2017. The contract value as at the end of H1 2017, determined in part on the basis of temporary prices, is expected to amount to PLN 36,057 thousand. The total net value of the works invoiced on account of the said contract amounts to PLN 34,337 thousand (i.e. 95.23 % of the current contract value), of which the amount of PLN 10,843 thousand was invoiced in H1 2017.

In the opinion of the Company's Management Board, the above-mentioned Agreement was entered into on market terms and its conditions 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 third agreement is the **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 expansion of the Mysłowice junction and construction of the Rudno Junction**

The notice of invitation to tender was published on 4 March 2015 and the tender dossier started to be provided to tenderers on 9 March 2015. The tender submission deadline was set for 20 April 2015. Only one tender was received within the said deadline, 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 the Works for the net price of PLN 22,046 thousand. As a result of the tender procedure, the Pavimental companies' consortium became the contractor and the construction work contract was entered into on 15 June 2015.

The work began on 1 July 2015 and the expected time of contract performance is 300 days from the said date for the Mysłowice junction and 600 days for the Rudno junction. Mobilisation was completed in 2015, while the basic construction works started in 2016. The works related to the alteration of the Mysłowice junction were completed by the end of 2016, a use permit was obtained and the said junction was opened to traffic. In H1 2017, the works were completed, the use permit was obtained, and the Rudno junction was opened to traffic. The current value of the contract, taking into account variation orders no. 1, 2, 3 and 4, amounts to PLN 22,391 thousand. The total net value of the works invoiced by the consortium on account of this contract amounts to PLN 21,333 thousand (i.e. 95.27% of the contract value), of which the amount of PLN 1,100 thousand was invoiced in H1 2017.

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.

- The fourth agreement is the **contract between SAM and the consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o.** (entities belonging 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 59.88 km in the years 2016–2017**

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 rating. 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. On 5 May 2016, variation order no. 1 was issued, excluding surface works and accompanying works on the M48 bridge, and on 15 June 2016, variation order no. 2 was issued, comprising works consisting in supplementing the signs informing drivers about traffic disruption with panels containing additional information. On 15 November 2016, variation order no. 3 was issued, and in Q2 2017, variation order no. 4 was issued. As a result of all the variation orders, the total value of the contract decreased to the amount of PLN 40,114 thousand. The total net value of the works invoiced by the consortium on account of this contract amounts to PLN 23,321 thousand (i.e. 58.14 % of the current contract value), of which the amount of PLN 7,060 thousand was invoiced in H1 2017.

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.

- The fifth agreement is the **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 alteration of 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 the General Directorate of National Roads and Motorways – GDDKiA (pursuant to the provisions of the Concession Agreement, the Concessionaire selects each contractor by means of a tender and the GDDKiA has the 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 tender was announced. 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 Q3 2016 after the mobilisation period. In Q2 2017, variation order no. 1 (additional catchment area no. 4s) and variation order no. 2 were issued, increasing the contract value to the amount of PLN 28,079 thousand. The total net value of the works invoiced by the consortium amounts to PLN 11,299 thousand (i.e. 40.24% of the current contract value), of which the amount of PLN 3,851 thousand was invoiced in H1 2017.

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.

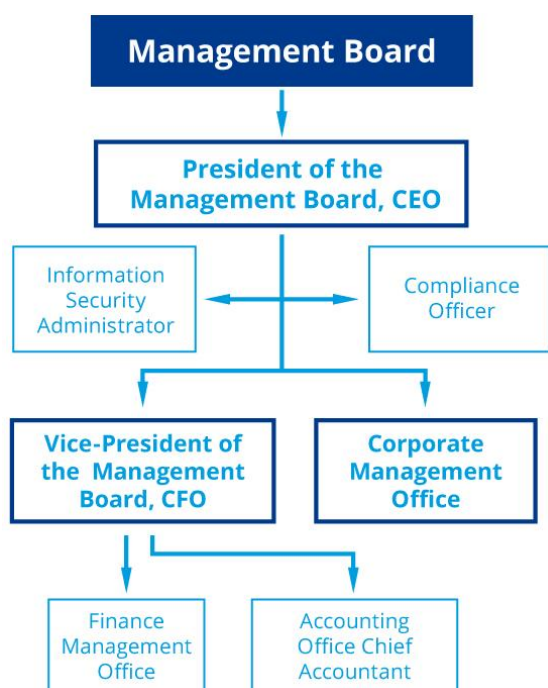
4.4 Information on sureties and guarantees granted and received in the financial year, including in particular sureties and guarantees granted to related parties

No sureties or guarantees were granted in the reporting period.

4.5 Information on issuance of securities including the description of the use of the proceeds from the issue by the Company

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

4.6 Essential information for the assessment of the employment situation in the Stalexport Autostrady Group



(i) Organisational structure of Stalexport Autostrady

The Company's organisational structure did not change in H1 2017. The Company's organisational chart as at 30 June 2017 is shown in the figure.

FIGURE 5
 Organisational structure of Stalexport Autostrady S.A. as at 30 June 2017

Source: Prepared in-house by the Company

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

(ii) Employment in the Group

As at 30 June 2017, Stalexport Autostrady had 26 employees (7¼ FTE), meaning that it increased slightly vs. 31 December 2016, when the headcount was 24 (6¼ FTE) and vs. 30 June 2016, when it was 23 (6¼ FTE).

The Group, on the other hand, as at 30 June 2017, had 318 employees, including 5 executive officers (members of Management Boards) and 19 middle management employees (directors and managers).

For the sake of comparison, as at 31 December 2016, the Stalexport Autostrady Group had 315 employees, and 298 employees as at 30 June 2016. The number of executive officers and middle management employees remains unchanged compared to 31 December 2016. Compared to 30 June 2016, on the other hand, the number of executive officers remains unchanged, while the number of middle management employees increased by 1 person (from 18 to 19).

The increase in employment in the Group vs. 30 June 2016 and 31 December 2016, respectively by 5.7% and 6.7%, was caused primarily by the increased employment of toll collection staff in the VIA4 operator company resulting from increased traffic levels and from the increasing scope of the work in the maintenance, technical and toll department (additional motorway patrols and an additional maintenance team), as well as by additional headcount in the SAM and Stalexport Autostrady companies (Technical, Financial, Administration/Corporate Management Departments).

(iii) Changes in the composition of management and supervisory bodies of the Company and of the Group in the reporting period

Stalexport Autostrady

o Management Board

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

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

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



Emil Wąsacz

President of the Management Board



Mariusz Serwa

Vice-President of the Management Board

○ **Supervisory Board**

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

On 14 April 2016, the Ordinary General Meeting of Stalexport Autostrady S.A. decided that the Supervisory Board of Stalexport Autostrady of the ninth term (2016–2018) would be composed of seven members and appointed the Supervisory Board for the following term of office with the following members:

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

On 20 May 2016, pursuant to §14(4) and §15(1) of the Company's Statutes, the Supervisory Board Members elected:

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

On the same day, acting pursuant to § 25(2) of the Regulations of the Supervisory Board of Stalexport Autostrady and pursuant to the Best Practice of GPW Listed Companies, the Supervisory Board appointed the Audit Committee and the Remuneration Committee from among the Supervisory Board members as follows:

Remuneration Committee:

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

Audit Committee:

- Aleksander Galos – Chairman,
- Marco Pace,
- Tadeusz Władyka.

Until the date of preparation of the Report, the composition of the said committees of the Supervisory Board remained unchanged.

Mr Aleksander Galos and **Mr Tadeusz Władyka** meet the criteria of independence from Stalexport Autostrady and from persons or entities having significant links with the Company 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, taking into account the Good Practice of GPW Listed Companies in force since 1 January 2016.

Mr Aleksander Galos and **Mr Tadeusz Władyka** also meet the criteria of independence of Audit Committee members defined by the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

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.

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.

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.

4.7 The Company's shares held by members of Stalexport Autostrady managing and supervisory bodies

The number and nominal value of Stalexport Autostrady shares held by persons managing and supervising the Company is provided based on representations of those persons. The figures as at 30 June 2017 and as at the date of handing over of this Report are presented in the table below.

TABLE 7

The number and nominal value of Stalexport Autostrady shares held by persons managing and supervising the Company (as at 30 June 2017 and as at the date of handing over of this Report)

No.	Given name and surname	Name of person/entity	Number of shares [units]	Nominal value
1.	Emil Wąsacz	Stalexport Autostrady	59,000	PLN 44,250

Source: Prepared in-house on the basis of representations made by the persons managing and supervising the Company

4.8 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 these shares and their percentage share in the total number of votes at the General Meeting of the Company

The shareholders holding, according to the best knowledge of the Company, at least 5% of the total number of votes at the Stalexport Autostrady General Meeting are listed in the table below.

TABLE 8
List of Stalexport Autostrady shareholders holding significant blocks of the Company's shares (as at 30 June 2017 and as at the date of handing over of this 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: Prepared in-house on the basis of the notifications received by the Company from shareholders pursuant to Articles 69 and 69a in relation to Article 87 of the Act of 29 July 2005 on Public Offering, on the Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies (consolidated text: Dz.U.2014.133, as amended).

4.9 Information on proceedings before the court, the authority competent for the arbitration proceedings or a public administration authority

The Company is not a party to any proceedings before any common or arbitration court or any public administration authority in cases in which the value of the amount in dispute exceeds the amount constituting at least 10% of the Company's equity. This concerns both individual proceedings and all proceedings conducted by the Company or against the Company.

The remaining entities belonging to the Group are not parties to any proceedings before any common or arbitration court or any public administration authority in cases in which the value of the amount in dispute exceeds the amount constituting at least 10% of their equity either.

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5. Perspectives for development and major risks and threats; description of the external and internal factors significant for the Group's development

5.1 Outlooks for development

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

An example is provided by the public procurement procedure no. DPR.DPR-2.2413.6.2016.DZR.34 for the NATIONAL TOLL COLLECTION SYSTEM TOGETHER WITH ELECTRONIC TOLL COLLECTION ACTIVITIES AND ACTIVITIES RELATED TO TOLL COLLECTION IN GENERAL, announced on 14 December 2016 by the General Directorate of National Roads and Motorways. On 20 February 2017, CATTERICK INVESTMENTS Ltd., in which Stalexport Autostrady acquired 10% of the shares, submitted a request for admission to participation in the public procurement procedure, which is described in paragraph 4.2 of the Report.

As far as internal growth 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. The introduction of electronic toll collection in 2016 was an example of such activities. These efforts are intended to improve the flow capacity at the toll plazas and to shorten the transaction time.

5.2 Description of major risks and threats, the external and internal factors significant for the Stalexport Autostrady Group's development and risk prevention methods

The major risks and threats and the external and internal factors significant for the operation of Stalexport Autostrady and of its Group 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) price policy and by taking actions aiming at improving the customer service

quality on the motorway section managed by the Group by the replacement of toll collection equipment (currently in progress), diversifying the range of toll payment methods available to the customers. As far as the **construction works market** is concerned, a buoyant mood on that market increases the prices of construction services and decreases the profitability of the A4 Katowice–Kraków project, while in the period of slowdown on that market, the Group may negotiate more favourable conditions for the execution of the necessary works, thus keeping more funds available to the shareholders. The Company seeks to reduce the risk within this area by active management, within the scope of powers granted to it under the Concession Agreement, of the schedule of the construction works planned and carried out.

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

Additional risks are also related to the **decision of the Polish Office of Competition and Consumer Protection** (UOKiK) of 2008, in which the Office stated, among other things, that the Concessionaire's practice restricted competition by "imposing unfair prices for using the toll section of the motorway in the amount specified in the price list, in spite of the repair works being carried out at the same time on that section, resulting in major traffic disruption" and ordered that these practices be ceased. When performing future repair works causing substantial traffic disruption, the Concessionaire should respect the provisions of that decision in its toll rate policy. The Company reduced this risk by introducing the following documents for application: the Rules of performance of works causing traffic disruption on the motorway, and the Principles of charging reduced toll rates if construction/repair works are being performed between the toll plazas leading to the failure to meet the motorway standard.

- **lease of office space and investment of the own funds**

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 unoccupied (unleased) space and the rent rates. The Company reduces this risk by applying a flexible pricing policy and by making other efforts to increase the attractiveness of the office space and to improve the safety of its users. Furthermore, the Company makes constant efforts to 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 Company**

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

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

6. Conclusion


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

Vice-President of the Management Board

CFO

.....
Mariusz Serwa

President of the Management Board

CEO

.....
Emil Wąsacz

Mysłowice, 3 August 2017

2017



7. Representations

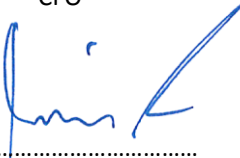
- 7.1 Management Board's representation setting forth that, according to their best knowledge, the condensed semi-annual consolidated financial statements as well as the comparative data have been drawn up in line with the applicable accounting standards and they give a true and fair view of the Group's assets and financial position, and that the Management Board's semi-annual report on the activities of the Company's Group gives a true presentation of the Group's development, achievements and position, including the description of major threats and risks**

Representation

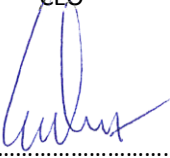
We hereby represent that, according to our best knowledge, the condensed semi-annual consolidated financial statements of the Company for H1 2017 and the comparative data have been drawn up in line with the applicable accounting standards and they give a true and fair view of the Stalexport Autostrady Group's assets and financial position as well as its financial profit or loss.

At the same time we represent that the semi-annual report of the Management Board on the activities of the Stalexport Autostrady Group gives a true presentation of the Group's development, achievements and position, including the description of the major threats and risk.

Vice-President of the Management Board

CFO

.....
Mariusz Serwa

President of the Management Board

CEO

.....
Emil Wąsacz

Mysłowice, 3 August 2017

7.2 Management Board's representation stating that the entity authorised to audit the financial statements, performing a review of the condensed semi-annual consolidated financial statements, has been appointed in accordance with the provisions of the law and that this entity as well as the chartered auditors performing the review of the statements have met the conditions regarding issuing an impartial and independent report on the review of the condensed semi-annual consolidated financial statements, in line with the applicable regulations and professional standards

Representation

We hereby represent that Deloitte, authorised to audit the financial statements, reviewing the condensed semi-annual consolidated financial statements for H1 2017, has been appointed in accordance with the provisions of the law, i.e. pursuant to § 18(3)(8) of the Statutes of Stalexport Autostrady.

At the same time, we represent that the said entity and the chartered auditors reviewing the said condensed semi-annual consolidated financial statements have met the conditions regarding issuing an impartial and independent report on the review of the condensed semi-annual consolidated financial statements, in line with the applicable regulations and professional standards.

Vice-President of the Management Board

CFO

.....
Mariusz Serwa

President of the Management Board

CEO

.....
Emil Wąsacz

Mysłowice, 3 August 2017

8. Enclosure

Enclosure no. 1 Selected financial data of the Stalexport Autostrady Group

TABLE 9

Financial data concerning the condensed semi-annual consolidated financial statements of the Stalexport Autostrady Group for the period of 6 months ended on 30 June 2017

financial data	in PLN '000		in EUR '000	
	H1 2017	H1 2016	H1 2017	H1 2016
Revenue	150,466	137,643	35,425	31,422
Operating profit	105,058	100,562	24,735	22,957
Profit before tax	95,711	90,370	22,534	20,630
Net profit for the period	76,857	73,243	18,095	16,720
Net profit attributable to the owners of the Parent Entity	74,056	70,407	17,436	16,073
Weighted average number of shares as at the end of the period (in thousands)	247,262	247,262	247,262	247,262
Profit of the owners of the Parent Entity per share (in PLN/EUR)	0.30	0.28	0.07	0.07
Diluted profit of the owners of the Parent Entity per share (in PLN/EUR)	0.30	0.28	0.07	0.07
Net cash from operating activities	103,124	94,411	24,279	21,553
Net cash from investment activities	(16,440)	10,850	(3,871)	2,477
Net cash from financing activities	(69,523)	(27,426)	(16,368)	(6,261)
Net cash flows, total	17,161	77,835	4,040	17,769

STALEXPORT AUTOSTRADY S.A.
MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE COMPANY IN H1 2017

	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
Total assets	1,455,078	1,446,646	344,275	327,000
Non-current assets	1,052,431	1,059,736	249,008	239,542
Current assets	402,647	386,910	95,267	87,457
Total liabilities	838,841	859,818	198,472	194,353
Non-current liabilities	557,506	682,793	131,907	154,338
Current liabilities	281,335	177,025	66,565	40,015
Total equity	616,237	586,828	145,803	132,646
Equity of the owners of the Parent Entity	612,748	581,829	144,978	131,517
Non-controlling interest	3,489	4,999	826	1,130
Share capital	185,447	185,447	43,877	41,918

Source: Company's own materials

Enclosure no. 2 Selected financial data of the Company

TABLE 10

Financial data concerning the condensed semi-annual separate financial statements of Stalexport Autostrady for the period of 6 months ended on 30 June 2017

financial data	in PLN '000		in EUR '000	
	H1 2017	H1 2016	H1 2017	H1 2016
Revenue	1,831	1,904	431	435
Operating loss	(2,079)	(1,339)	(489)	(306)
Profit before tax	68,076	88,623	16,028	20,231
Net profit for the period	67,954	89,072	15,999	20,334
Weighted average number of shares as at the end of the period (in thousands)	247,262	247,262	247,262	247,262
Profit per share (in PLN/EUR)	0.27	0.36	0.06	0.08
Diluted earnings per share (in PLN/EUR)	0.27	0.36	0.06	0.08
Net cash from operating activities	(316)	(2,080)	(74)	(475)
Net cash from investment activities	70,169	90,952	16,520	20,763
Net cash from financing activities	(44.469)	-	(10.470)	-
Net cash flows, total	25,384	88,872	5,976	20,288
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
Total assets	413,922	389,671	97,935	88,081
Non-current assets	77,677	78,950	18,379	17,846
Current assets	336,245	310,721	79,556	70,235

STALEXPORT AUTOSTRADY S.A.
MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE COMPANY IN H1 2017

Total liabilities	2,851	2,086	675	472
Non-current liabilities	1,632	1,109	386	251
Current liabilities	1,219	977	288	221
Total equity	411,071	387,585	97,260	87,610
Share capital	185,447	185,447	43,877	41,918

Source: Company's own material

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

- a) *the individual items of the consolidated and separate statement of comprehensive income and cash flow statement for H1 2017 and for H1 2016: at the rate constituting the arithmetic average of the average exchange rates published by the National Bank of Poland in force as of the last day of each month in the business period, i.e. respectively 4.2474 PLN/EUR and 4.3805 PLN/EUR;*
- b) *the individual items of assets and liabilities: at the average exchange rate published by the National Bank of Poland, in force as of the balance sheet date, i.e. respectively 4.2265 PLN/EUR as at 30 June 2017 and 4.424 PLN/EUR as at 31 December 2016.*