

**STALEXPORT AUTOSTRADY S.A.
CAPITAL GROUP
MYSŁOWICE, PIASKOWA 20**

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR
2017**

**WITH
AUDITOR'S REPORT**

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REPORT ON THE ACTIVITIES OF THE CAPITAL GROUP FOR THE FINANCIAL YEAR 2017

AUDITOR'S REPORT

To the Shareholders and Supervisory Board of Stalexport Autostrady S.A.

Auditor's report

We have audited the attached annual consolidated financial statements of the Stalexport Autostrady S.A. Capital Group (hereinafter: "Capital Group"), for which Stalexport Autostrady S.A. (hereinafter: "Parent Company") is the Parent Company, comprising: a consolidated statement of financial position prepared as at 31 December 2017, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows prepared for the financial year from 1 January 2017 to 31 December 2017 and notes comprising a summary of significant accounting policies and other explanatory information (hereinafter: "*consolidated financial statements*").

Responsibility of the parent company's manager and those charged with governance for the consolidated financial statements

The Management Board of the Parent Company is obliged to prepare the consolidated financial statements based on properly kept accounting records and to present them fairly in line with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and other applicable laws as well as the Parent Company's articles of association. The Management Board of the Parent Company is also responsible for ensuring internal control necessary for the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Under the Accounting Act, the Management Board of the parent company and members of its Supervisory Board are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2017, item 2342), hereinafter referred to as the "Accounting Act".

Auditor's responsibility

Our responsibility was to express an opinion whether the consolidated financial statements give a true and fair view of the financial and economic position as well as the financial performance of the Capital Group in line with the applicable International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and adopted accounting principles (policy).

Our audit of the consolidated financial statements has been performed in accordance with:

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- 1) the Act on statutory auditors, auditing companies and public oversight of 11 May 2017 (Journal of Laws of 2017, item 1089) ("*Act on statutory auditors*");
- 2) National Auditing Standards in the wording of the International Standards on Auditing adopted by resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015, as amended;
- 3) Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ EU L 158, 27 May 2014, p. 77 and OJ EU L 170, 11 June 2014, p. 66) ("*Regulation 537/2014*").

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

The objective of the audit is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the consolidated financial statements.

The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board of the Parent Company, as well as evaluating the overall presentation of the consolidated financial statements.

The scope of the audit does not include an assurance regarding the future profitability of the audited Capital Group or the effectiveness of the parent company's Management Board in managing the Capital Group's affairs at present and in future.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The audit opinion is consistent with the additional report to the Audit Committee issued as of the date of this auditor's report.

Independence

During the audit the key certified auditor and the audit firm remained independent of the audited members of the Capital Group in accordance with the provisions of the Act on statutory auditors, Regulation 537/2014 and the ethical requirements set out in resolution of the National Council of Statutory Auditors.

We certify that, to the best of our knowledge and belief, we have not provided non-audit services, which are prohibited under Article 136 of the Act on statutory auditors and Article 5.1 of Regulation 537/2014, to the entities that belong to the Capital Group.

Choice of audit firm

We were appointed to audit the consolidated financial statements of the Capital Group by resolution No. 09/03/2017 of Supervisory Board adopted on 2 March 2017. We have been auditing the consolidated financial statements of the Capital Group for an uninterrupted period beginning with the financial year ended 31 December 2012, i.e. for 6 consecutive financial years.

Most significant risks

During the audit we identified the following, most significant risks of material misstatement, also resulting from fraud, and we designed audit procedures responsive to those risks. Where deemed appropriate for the understanding of the identified risks and the audit procedures performed by the auditor, we also included the most important findings related to those risks.

Description of the risks of material misstatement	Procedures carried out by the auditor in response to identified risks and key observations arising with respect to those risks
<p data-bbox="252 712 762 779"><i>Recognizing sales revenue (revenue from the motorway operation)</i></p> <p data-bbox="220 813 770 981">The Stalexport Autostrady S.A. Capital Group generates revenue from operation of the A4 motorway section from Katowice to Kraków (the tolls collected) through its subsidiary Stalexport Autostrada Małopolska S.A.</p> <p data-bbox="220 1014 786 1149">In the current financial year ended 31 December 2017 the Group generated revenue from the motorway operation in the amount of PLN 314.776 thousand.</p> <p data-bbox="220 1182 762 1417">Details of the accounting policy adopted by the Group with regard to sales revenue recognition (including revenue from the motorway operation) with appropriate disclosures regarding these items have been presented in notes 5.17 and 8 of the Capital Group's consolidated financial statements.</p> <p data-bbox="220 1451 770 1619">We have put special focus on the issue since revenue recognition and presentation is of complex nature, involves a number of stages and is highly dependent on the use of data produced by IT traffic monitoring systems</p>	<p data-bbox="826 712 1425 745">In particular, our audit procedures have included:</p> <ul data-bbox="826 779 1417 1417" style="list-style-type: none"> <li data-bbox="826 779 1417 913">– assessing the consistency of the adopted accounting policy regarding recognition and presentation of the motorway operation revenue; <li data-bbox="826 925 1417 1081">– understanding and assessment of internal controls regarding the many stages of data transfer underlying the final recognition of the motorway operation revenue in the Capital Group; <li data-bbox="826 1093 1417 1216">– assessing appropriate internal controls regarding recording and processing of traffic data and the related motorway operation revenue figures recognized; <li data-bbox="826 1227 1417 1417">– procedures involving the analysis of correctness of settlement of the generated cash turnover and the correctness of recognition and settlement of prepayments (subscriptions and recharges) in the periods they pertain to. <p data-bbox="826 1451 1409 1552">Disclosures included in the financial statements are sufficient and complete in light of appropriate accounting standards.</p>
<p data-bbox="220 1760 778 1827">Description of the risks of material misstatement</p> <p data-bbox="220 1899 786 2029"><i>Correctness of the measurement of effects of the concluded Concession Agreement regarding A4 motorway section from Katowice to Kraków in the financial statements</i></p>	<p data-bbox="826 1760 1425 1794">Procedures carried out by the auditor in response to identified risks and key observations arising with respect to those risks</p> <p data-bbox="826 1899 1425 1933">In particular, our audit procedures have included:</p> <ul data-bbox="826 1966 1401 2029" style="list-style-type: none"> <li data-bbox="826 1966 1401 2029">– evaluation of consistency of the accounting policy adopted with regard to

Stalexport Autostrady S.A. Capital Group (henceforth: the "Capital Group") is a party to the Concession Agreement concluded in [1997 with the Minister of Infrastructure and Construction], regarding the construction and operation of A4 toll motorway from Katowice to Kraków through its subsidiary, Stalexport Autostrada Małopolska S.A.

In note 5.3 to the consolidated financial statements the Management Board of the Parent Company has presented key information and accounting principles adopted with regard to the measurement and presentation of relevant assets and liabilities related to the performance of the Concession Agreement.

As at 31 December 2017 the Capital Group recognized an (intangible) asset arising from the performance of the Concession Agreement in the amount of PLN 454.205 thousand along with appropriate provisions for investment outlays, provisions for resurfacing the concessioned motorway of PLN 407.202 thousand (non-current provision in the amount of PLN 362.244 thousand and current provision in the amount of PLN 44.958 thousand). The detailed data are presented in notes 15 and 30, respectively.

We have put special focus on the issue since adoption of appropriate financial reporting standards regarding measurement and presentation of the concession agreement in the financial statements is of complex nature and requires the Management Board to make judgments and accounting estimates and to use a multi-faceted financial model.

- the measurement model of the concession agreement with appropriate financial reporting standards;
- understanding and assessment of internal controls regarding recognition and presentation of the outcome of regular measurement of the Concession Agreement in the accounting records;
- analysis of mathematical and methodological consistency of the financial model adopted by the Management Board and prepared to carry out regular measurement of relevant assets and liabilities related to the recognition of effects of the Concession Agreement in the financial statements;
- evaluation of appropriate internal controls for preparation and introduction of key variables to be fed into the financial model and to affect the final measurement;
- critical assessment of assumptions regarding macroeconomic data (inflation rate, economic growth rate, discount rate) and direct variables (planned capex, periodic opex) adopted by the Management Board of the Capital Group to measure appropriate assets and liabilities arising from the performance of the concession agreement;
- procedures involving a correct retrospective analysis of material estimates to confirm that the historical assumptions do not materially differ from actual data recognized by the Capital Group in the audited period;
- procedures confirming the reasonableness of actual variables fed into the model in the current period.

Disclosures included in the financial statements are sufficient and complete in light of appropriate accounting standards.

Opinion

In our opinion, the attached annual consolidated financial statements:

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

Report on other legal and regulatory requirements

Opinion on the report on the activities

We do not express an opinion on the report on the activities of the Capital Group.

It is the responsibility of the Management Board of the Parent Company to prepare the report on the activities of the Capital Group in accordance with the Accounting Act and other applicable laws. The Management Board of the Parent Company and members of the Supervisory Board are also obliged to ensure that the report on the activities of the Capital Group meets the requirements of the Accounting Act.

Under the act on statutory auditors we were obliged to issue an opinion as to whether the report on the activities of the Capital Group complies with the provisions of law and is consistent with underlying information disclosed in the attached annual consolidated financial statements. Additionally, it was our responsibility to indicate whether we have detected any material misstatement in the report on the activities of the Capital Group and to describe the misstatement (if any), based on our knowledge of the Capital Group and its business environment obtained in the course of the audit.

In our opinion, the report on the activities of the Capital Group has been prepared in line with the applicable provisions of law and is consistent with the underlying information disclosed in the attached annual consolidated financial statements. Furthermore, we represent that based on our knowledge of the Capital Group and its business environment obtained in the course of the audit of the consolidated financial statements, we believe that the report on the activities of the Capital Group is free from material misstatements.

Opinion on the statement of compliance with corporate governance principles

The Management Board of the Parent Company and members of the Supervisory Board are responsible for making a statement of compliance with corporate governance principles in line with the provisions of law.

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

In our opinion, the statement of compliance with corporate governance principles includes information specified in Article 91.5.4 letters a, b, g, j, k and l of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required under the law of a non-member state (Journal of Laws of 2014, item 133, as amended) ("*Ordinance*"). The information specified in Article 91.5.4 letters c-f, h and i of the Ordinance given in the statement of compliance with corporate governance principles is consistent with the applicable provisions of law and the information presented in the annual consolidated financial statements.

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. — entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Łukasz Michorowski
Key certified auditor
No. 13156

Warsaw, 28 February 2018



This Report is an English version of the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.