

Management Board's REPORT

on the activities
of the Capital Group in 2017



 **STALEXPORT AUTOSTRADY S.A.**

Mysłowice | 28 February 2018

TABLE OF CONTENTS

1.	Letter from the President of The Management Board of Stalexport Autostrady	7
2.	Basic information on the Stalexport Autostrady Capital Group	10
2.1	Stalexport Autostrady S.A.	12
2.2	Entities covered by the consolidation and the methods of their consolidation	13
2.3	Description of other companies of the stalexport autostrady group	14
2.3.1	Stalexport Autoroute S.À R.L.	14
2.3.2	Stalexport Autostrada Małopolska S.A.	15
2.3.3	Via4 S.A.	16
2.3.4	Biuro Centrum Sp. Z O.O.	17
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 Capital Group's ability to fulfil their obligations	18
3.1	Presentation of financial results	18
3.1.1	Amount and structure of operating revenue	19
4.	Analysis of the core market of the Capital Group's operation	30
5.	Other information on the Stalexport Autostrady Capital Group	31
5.1	Information on contracts significant for the capital group's operating activity, including contracts between the shareholders as well as insurance and cooperation contracts the company is aware of	31
5.2	Information on changes in organisational or capital relations of the group with other entities	31
5.3	Description of transactions with related parties and information on transactions concluded by the company or its subsidiaries with related parties on the terms other than market terms	32
5.4	Information regarding contracts on credits and loans incurred and terminated in the financial year	36
5.5	Information on loans granted in the financial year, in particular loans granted to related parties	36
5.6	Information on sureties and guarantees granted and received in the financial year, in particular sureties and guarantees granted to related parties	36
5.7	Information on issuance of securities including the description of the use of the proceeds from the issue by the company	36
5.8	Explanation of differences between the financial results presented in the annual report and previously published financial result forecasts for the financial year	36
5.9	Evaluation (with justification) of funds management, including in particular the company's ability to pay off its liabilities and determination of potential threats and actions taken by the Stalexport Autostrady S.A. Capital Group or actions it intends to take in order to prevent these threats	37
5.10	Investment plans feasibility assessment	37
5.11	Assessment of the factors and extraordinary events affecting the operation results in the reporting period and description of the impact of these factors or extraordinary events on the achieved result	37
5.12	Description of the external and internal factors significant for the company's development and of the perspectives for business development	37
5.13	Changes to the basic principles for the Stalexport Autostrady Group's management and essential information for the employment situation assessment	38
5.14	Information regarding agreements between the company and the managing persons providing for compensation if they resign or are made redundant without valid reason or if they are dismissed or made redundant because of company's merger by acquisition	39
5.15	Changes in the composition of management and supervisory bodies of the company and of the group in the reporting period	39
5.16	Remuneration of the managing and supervising persons of stalexport autostrady	41
5.17	The company's shares and the related companies' shares held by persons managing and supervising Stalexport Autostrady	43

5.18	Information on agreements the company is aware of (including those entered into after the balance sheet date), which in the future may result in changes in proportions of the shares held by the existing shareholders and bondholders	43
5.19	Information on the control system regarding employee share schemes	43
5.20	Date of conclusion of the contract with an entity authorised to audit financial statements and consolidated financial statements, the term of that contract, as well as the total amount of remuneration for the separate and consolidated audit in the financial year	44
5.21	Information on proceedings before the court, the authority competent for the arbitration proceedings or a public administration authority.....	47
6.	Perspectives for development and major risks and threats; description of the external and internal factors significant for the Stalexport Autostrady Capital Group's development	48
6.1	Outlooks for development.....	48
6.2	Description of major risks and threats, the external and internal factors significant for the Stalexport Autostrady Group's development and risk prevention methods	48
7.	Representation of the management board of stalexport autostrady on the company's compliance with corporate governance rules.....	51
7.1	Introduction	51
7.2	Corporate governance rules the company is subject to and their public availability	51
7.3	Information on the extent to which the company departed from the provisions of the above-mentioned corporate governance rules, identification of these provisions and explanation of the reasons	51
7.4	Description of the basic attributes of the company's systems of internal control and risk management as regards drawing up of the separate and consolidated financial statements	52
7.5	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.....	53
7.6	Holders of any securities giving special control rights and a description of these rights	53
7.7	Information on all limitations regarding exercising the voting right, such as limitation of exercising the voting right by the holders of a specified part or number of votes, time limitations regarding exercising the voting rights or provisions under which, with the cooperation of the company, the capital rights related to the securities are separated from the holding of the securities	54
7.8	Information on all limitations regarding transferring the ownership rights to the company's securities.....	54
7.9	Description of the rules of appointing and dismissing managing persons and their rights, in particular the right to decide on the issuance or buyback of shares.....	54
7.10	Description of the rules of amending the statutes or articles of association of the company	54
7.11	The general meeting's rules of procedure and its basic powers and the description of the rights of shareholders and the way of exercising these rights, in particular the rules stipulated in the regulations of the general meeting if such regulations were adopted, unless information in this respect results directly from the law	55
7.12	Composition and its changes which took place in the last financial year and description of the activity of the bodies managing, supervising or administering the company and of their committees	56
8.	Summary	60
9.	Statements	61
9.1	Management board's statement setting forth that, according to their best knowledge, the annual consolidated financial statements of the company as well as the comparable data have been drawn up in line with the applicable accounting standards and they give a true and fair view of the group's assets and financial position, and that the management board's report on the activities of the Capital Group gives a true presentation of the Capital Group's development, achievements and position, including the description of major threats and risks.....	61

9.2	Management board's statement stating that the entity authorised to audit the financial statements, auditing the 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 conducting the audit have met the conditions regarding issuing impartial and independent opinion on the audited annual financial statements, in line with the applicable provisions of the law and professional standards	62
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10.	Enclosure.....	63
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LIST OF TABLES

TABLE 1	Basic financial data of selected entities from the Group [figures in PLN '000]	11
TABLE 2	Entities being part of the Group as at 31 December 2017 (apart from the Company).....	13
TABLE 3	Selected items of the statement of comprehensive income of Stalexport Autostrady Group in 2017 and 2016 (consolidated figures)	18
TABLE 4	Average Daily Traffic (ADT)	19
TABLE 5	Toll revenue*	20
TABLE 6	A synthetic report on Stalexport Autostrady's statement of financial position as at 31 December 2017 and 31 December 2016 – consolidated figures	23
TABLE 7	Return on equity (ROE), including decomposition of the ratio – calculation for the period 2015–2017	27
TABLE 8	Profitability of Stalexport Autostrady Group in the period 2015–2017 at the individual levels of its activity	28
TABLE 9	Stalexport Autostrada Group's performance ratios during the period 2015–2017	28
TABLE 10	Stalexport Autostrada Group's liquidity and debt ratios during the period 2015–2017	29
TABLE 11	Remuneration paid in 2017 to the Company's managing persons [figures in PLN '000].....	41
TABLE 12	Remuneration paid in 2017 to the members of the Company's Supervisory Board [figures in PLN '000].....	42
TABLE 13	The number and nominal value of Stalexport Autostrady's shares held by persons managing and supervising the Company and the Group (as at 31 December 2017 and as at the date of this Report)	43
TABLE 14	Rules from which the Company departed with an explanation of the reasons.....	52
TABLE 15	List of Stalexport Autostrady's shareholders holding significant blocks of the Company's shares (as at 31 December 2017 and as at the date of this Report)	53

LIST OF FIGURES

FIGURE 1	Organisational chart of Stalexport Autostrady Group as at 31 December 2017	10
FIGURE 2	Variations in terms of ADT as well as toll revenue for passenger cars in 2017 vs. 2016 (quarter on quarter of the previous year) .	20
FIGURE 3	Variations in terms of ADT as well as toll revenue for lorries in 2017 vs. 2016 (quarter on quarter of the previous year).....	21
FIGURE 4	Net debt of the Group (consolidated data) – as at 31 December 2016 and 31 December 2017	26
FIGURE 5	DuPont analysis diagram.....	27
FIGURE 6	Organisational structure of Stalexport Autostrady S.A. as at 31 December 2017	38

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 22, entered on the list of entities authorised to audit financial statements kept by the National Chamber of Statutory Auditors under No. 73
DPSN 2016	"Best Practice of GPW Listed Companies 2016" adopted by resolution No. 26/1413/2015 of the Supervisory Board of GPW on 13 October 2015 and entered into force on 1 January 2016
GDDKiA	General Directorate for National Roads and Motorways
GPW	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
Capital Group, Stalexport Autostrady Group, Group	Stalexport Autostrady S.A. Capital Group with its registered office 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
Ordinance on current and periodic information	Ordinance of the Minister of Finance of 19 February 2009 concerning current and periodic information provided by issuers of securities and the conditions for considering as equivalent information required by the law of a non-member state as equivalent (Dz.U. of 2014, item 133, uniform text)

SAM, Concessionaire	Stalexport Autostrada Małopolska S.A. with its registered office in Mysłowice
Report	Management Board's Report on the Activities of the Stalexport Autostrady S.A. Capital Group in 2017
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	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	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 IIa and to refinance the construction works of Phase I)
Act on Auditors	Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Polish Journal of Laws Dz.U. of 2017 item 1089)
Act on Offering	Act of 29 July 2005 on public offering and conditions governing the introduction of financial instruments to organised trading system and public companies (Polish Journal of Laws Dz.U. of 2016 item 1639 uniform text)
UOKiK	Office of Competition and Consumer Protection
VIA4	VIA4 Spółka Akcyjna with its registered office in Mysłowice
General Meeting	The General Meeting of Shareholders

1. LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD OF STALEXPORT AUTOSTRADY

Dear Sir, Dear Madam,
Dear Shareholders,

The year 2017 brought the Stalexport Autostrady S.A. Capital Group good financial results. The Capital Group's revenue from sales amounted to over PLN 318.8 million, i.e. approx. 9% more than in 2016. The revenue increase resulted from the increase in revenue from toll collection on the A4 motorway Katowice–Kraków section by 9.2%, i.e. to approx. PLN 314.8 million, which was related to the increased traffic intensity by 5.9% vs. the same period of 2016, i.e. to 43 thousand vehicles per day, and to the change of the toll rates for heavy goods vehicles starting from 1 March 2017.

Due to the substantial increase in own costs of sales related to the creation and release, by Stalexport Autostrada Małopolska S.A., the A4 Katowice–Kraków motorway concessionaire, of provisions for resurfacing higher than the 2016 ones, net profit decreased slightly, i.e. by approx. 4%, amounting to approx. PLN 158.8 million (in 2016, it consequently amounted to approx. PLN 165.3 million).

The past year was a period in which two large and important investments on the A4 Katowice–Kraków motorway were completed: extension of the Rudno junction and replacement of toll collection equipment, including the launch of the **A4Go** electronic toll collection.

The Rudno junction, after its extension, allows the inhabitants of the surrounding areas as well as entrepreneurs to enter and exit the motorway from any direction, which will most probably contribute to the development of the commune of Krzeszowice.

The A4Go electronic toll collection, on the other hand, is currently the most rapid method of toll payment, intended for drivers who use the motorway frequently. Since mid-2016, over 18 thousand onboard devices have been sold, and the number of electronic transactions per day often reaches 20%, which makes it possible to provide more rapid service to drivers at the toll gates.

The capital expenditures of the Stalexport Autostrady S.A. Capital Group last year amounted to PLN 43.9 million, and they were allocated to the projects described above, as well as to environmental protection (alteration of motorway drainage and construction of noise screens), and to the installation of a traffic management system (electronic information panels).

All the above investments were financed exclusively with funds coming from toll collection and from the long-term loan taken with the consortium of banks in 2005. We would like to point out that the concessionaire of the A4 Katowice–Kraków toll section, as opposed to other concession companies, does not benefit from any guarantees or subventions from the State Treasury.



Moreover, SAM continued the resurfacing works last year, which had started in 2016. The work was carried out with two lanes kept in each direction, i.e. in the possibly least burdensome way for the drivers.

In 2017, the decision of the Ordinary General Meeting to distribute a part of the profit for 2016, in the amount of over PLN 44.5 million, as dividend, of 0.18 PLN per share, was very significant for the shareholders of Stalexport Autostrady S.A.

It is worth adding at this point that in the past year, the Ordinary General Meeting of SAM decided to distribute a part of the profit generated in 2016 as dividend in the amount of over PLN 149.2 million, of which PLN 85 million had already been paid in the year 2016 as interim dividend, and over PLN 64.2 million in the year 2017. The said dividend was paid to SAM's sole shareholder, i.e. Stalexport Autoroute S.à r.l. with its registered office in Luxembourg, and subsequently to its sole shareholder, i.e. Stalexport Autostrady S.A., whose financial revenue increased as a consequence.

The payment of further dividends from SAM will be possible only once the specific requirements included in the concession agreement and in the financing agreements have been met, and after the concession-related liabilities towards the National Road Fund have been paid, constituting a refund in favour of the State Treasury of the loan taken with the European Bank for Reconstruction and Development for the modernisation of the A4 Katowice–Kraków section carried out even before it was handed over to the concessionaire.

The payment of dividend by Stalexport Autostrady S.A. in subsequent years, on the other hand, depends on whether the Company will generate a profit or not, and on the decision of the Ordinary General Meeting of Stalexport Autostrady S.A. on profit sharing.

In 2018, we are going to continue to develop motorway infrastructure on the section managed by the Group by way of further investments including modernisation of motorway drainage, construction of further noise screens, and renovation of the supports of one of the bridge structures in the Małopolskie Voivodeship.

As part of the maintenance works, resurfacing will also be carried out on the last, 6.1 km section of the carriageway in the direction of Krakow, as well as on the slip roads of the Balin junction.

As far as further development of the Capital Group is concerned, we will continue to focus in our operations on the improvement of the quality of service, for instance by improving the toll collection system. We are also going to monitor the possibilities of involvement in infrastructure projects, as well as those of potential capital involvement in other concession projects.

One of such infrastructure projects was related to the national toll collection system, supposed to function starting from November 2018. Catterick Investments Sp. z o.o., a company in which Stalexport Autostrady S.A. holds 10% of the shares, participated in the tendering procedure to award the contract to the said system. The government party decided, however, that the system would be launched and managed by a public institution, namely the General Inspectorate for Road Transport. In relation to the above, the said tender procedure was annulled.

I invite you to read this Report whose individual sections contain more detailed information about the activities of the Stalexport Autostrady S.A. Capital Group. I also encourage you to read the Group's financial statements, as well as the separate statements of Stalexport Autostrady S.A.

To conclude, I would like to thank our Shareholders and capital market analysts for their interest in our activity.

I would also like to thank the Supervisory Boards of our companies for their help and support, as well as for the good collaboration. Finally, my thanks go to the employees of the Capital Group's companies for their diligent work, commitment, creativity, and the excellent atmosphere in the workplace.

Enjoy your reading!

Your sincerely,

President of the Management Board
CEO



Emil Wąsacz

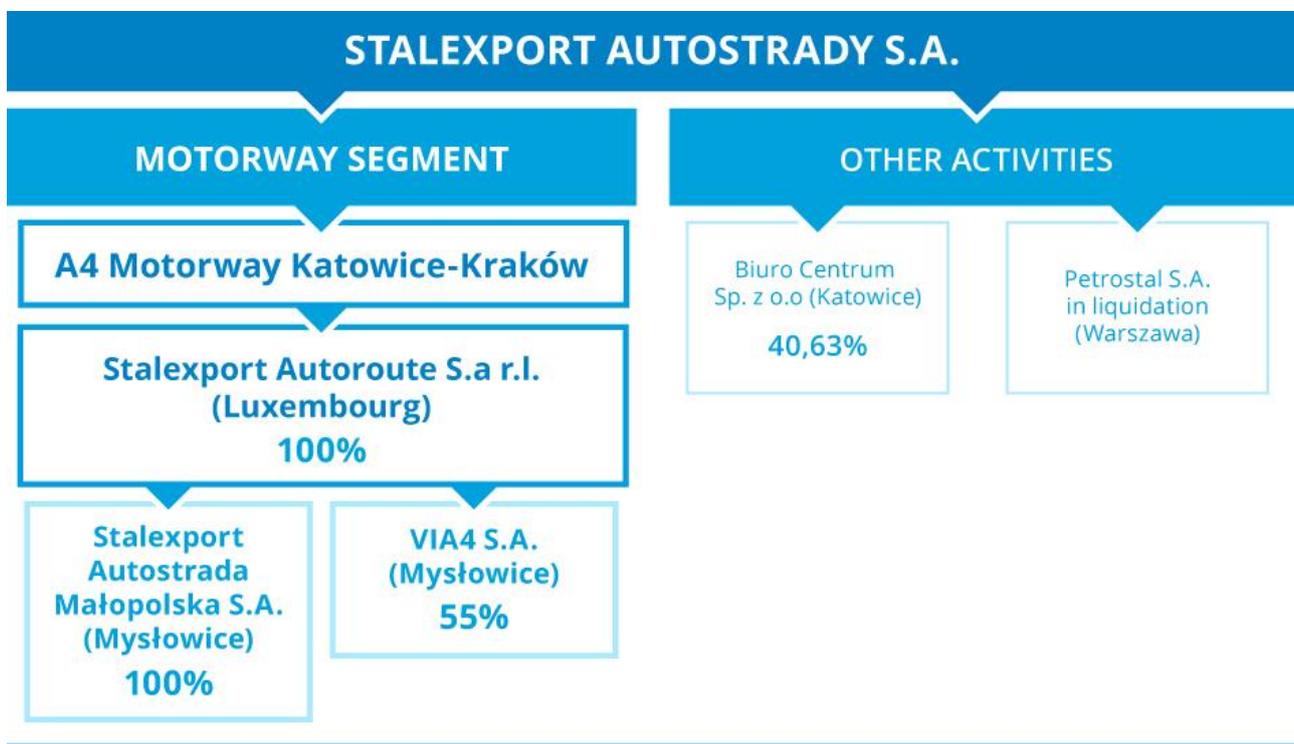
2. BASIC INFORMATION ON THE STALEXPORT AUTOSTRADY CAPITAL GROUP

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

Additionally, owing to the fact that Stalexport Autostrady Capital 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 figure no. 1 below presents the organisational structure of Stalexport Autostrady Capital Group broken down into: (i) core area of activities, i.e. the motorway segment, and (ii) other activities.

FIGURE 1
Organisational chart of Stalexport Autostrady Group as at 31 December 2017



Source: The Company's own compilation

The table no. 1 includes basic consolidated data of Stalexport Autostrady Group as well as separate data regarding the three major entities belonging to the Group, i.e. Stalexport Autostrady, SAM and VIA4. Apart from the results achieved by the said companies in 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 2017 and 31 December 2016.

TABLE 1
Basic financial data of selected entities from the Group [figures in PLN '000]

balance sheet data	Stalexport Autostrady Group		Stalexport Autostrady		SAM		VIA4	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Non-current assets	1 009 401	1 059 736	78 210	78 950	990 774	1 041 300	9 945	8 945
Current assets	428 945	386 910	341 278	310 721	81 677	69 023	13 649	14 308
Total equity	698 173	586 828	416 327	387 585	336 833	253 520	10 431	11 110
Non-current liabilities	456 369	682 793	2 156	1 109	452 965	680 619	5 259	4 971
Current liabilities	283 804	177 025	1 005	977	282 653	176 184	7 904	7 172
Net debt***	-441 214	-315 362	-324 225	-300 032	-107 723	-9 455	7 490	5 573
performance data	2017	2016	2017	2016	2017	2016	2017	2016
Revenue from sales	318 831	292 853	3 660	3 774	314 776	288 394	44 374	42 351
Gross profit/loss from sales	248 324	251 999	-358	-261	227 200	230 286	20 050	20 671
EBITDA*	265 753	245 367	-3 679	-2 928	253 170	230 845	16 562	17 618
EBIT	216 409	222 761	-4 262	-3 474	205 914	210 362	15 057	16 049
Profit/loss from financial activities	-18 196	-21 158	77 748	181 331	-23 320	-24 500	-193	-266
Net profit/loss	158 780	165 294	73 208	180 747	146 125	149 230	11 996	12 736
EBIT margin*	68%	76%	-116%	-92%	65%	73%	34%	38%
ROE	23%	28%	18%	47%	43%	59%	115%	115%

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

**EBIT margin = EBIT / revenue from sales

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

Source: The Company's own compilation

2.1 STALEXPORT AUTOSTRADY S.A.

ul. Piaskowa 20
41-404 Mysłowice
phone no. +(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

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 Capital Group which focuses on the upgrade 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 Capital 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 31 December 2017, except for the parent entity, have been described in the table no. 2.

TABLE 2
Entities being part of the Group as at 31 December 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	Affiliate	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: The Company's own compilation

2.3 DESCRIPTION OF OTHER COMPANIES OF THE STALEXPORT AUTOSTRADY GROUP

2.3.1 STALEXPORT AUTOROUTE S.À R.L.

412F, route d'Esch
L-1471 Luxembourg

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

Share capital:
EUR 56,149,500

Ownership structure:
100% – Stalexport Autostrady

Stalexport Autoroute was 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 the Katowice–Kraków section of the A4 motorway.

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.

2.3.2 STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A.

ul. Piaskowa 20
41-404 Mysłowice
phone no. +(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: 0000026895
NIP: 634-22-62-054
REGON: 273796214

Share capital:

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

Ownership structure:

100% – Stalexport Autostrady
(through Stalexport Autoroute)

www.autostrada-a4.pl

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 2017, the company repaid its liabilities under the Loan Agreement in the amount of approx. PLN 37.7 million. The nominal balance of the liabilities resulting from the said agreement amounted to approx. PLN 118.6 million as at 31 December 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 Mystowice
phone no. +(48) 32 762 73 50
fax +(48) 32 762 73 55

Management Board:

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

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

Share capital:

PLN 500,000
(paid-up in full)

Ownership structure:

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

www.via4.pl

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
phone no. +(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: 0000087037

NIP: 634-10-03422

REGON: 272254793

Share capital:

PLN 80,000

(paid-up in full)

Ownership structure:

59.37% – WĘGLOKOKS S.A

40.63% – Stalexport Autostrady

www.biurocentrum.com.pl

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 has modern organisational, technical and office facilities in place.

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

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 CAPITAL GROUP'S ABILITY TO FULFIL THEIR OBLIGATIONS

3.1 PRESENTATION OF FINANCIAL RESULTS

The table no. 3 includes basic financial results of the Stalexport Autostrady Group generated in 2017 along with comparative data for the previous year.

TABLE 3
Selected items of the statement of comprehensive income of Stalexport Autostrady Group in 2017 and 2016 (consolidated figures)

PLN '000	2017	2016	Change [%]
Revenue from sales	318 831	292 853	9%
Cost of sales	-70 507	-40 854	73%
Gross profit from sales	248 324	251 999	-1%
Other operating revenue	4 272	4 917	-13%
General and administrative expenses	-35 845	-33 843	6%
Other operating expenses	-342	-312	10%
Profit on operating activities (EBIT)	216 409	222 761	-3%
Financial revenue	12 985	12 331	5%
Financial expenses	-31 181	-33 489	-7%
Balance on financial activities	-18 196	-21 158	-14%
Share in profit/loss of affiliates	179	188	-5%
Profit before tax	198 392	201 791	-2%
Income tax	-39 612	-36 497	9%
Net profit	158 780	165 294	-4%

Source: The Company's own compilation

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

The gross profit from sales decreased by 1% vs. last year. The gross profit decrease 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 provisions established for motorway resurfacing by PLN 24,837 thousand).

3.1.1 AMOUNT AND STRUCTURE OF OPERATING REVENUE

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

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

In 2017, the Average Daily Traffic (ADT) on the concession section of the A4 motorway Katowice–Kraków amounted to 43,062 vehicles and was 5.9% higher than the traffic level recorded in 2016 (40,680 vehicles). In 2017, toll revenue amounted to PLN 314,628 thousand (excluding revenue from unused subscriptions), i.e. it was 9.3% higher than in 2016 (PLN 287,915 thousand).

As far as passenger cars are concerned, ADT increased from 34,070 vehicles in 2016 to 36,101 vehicles in 2017 (up by 6%). In 2017, toll revenue from passenger cars amounted to PLN 210,918 thousand (excluding revenue from unused subscriptions), i.e. it was 5.7% higher than in 2016 (PLN 199,611 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 5.3%, i.e. from 6,610 vehicles in 2016 to 6,961 vehicles in 2017. In 2017, toll revenue from heavy goods vehicles amounted to PLN 103,710 thousand (excluding revenue from unused subscriptions), i.e. it was 17.4% higher than in 2016 (PLN 88,303 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 (i) the fact that 2016 was a leap year, (ii) 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 (iii) to the differences in the vehicle category structure (different toll rates are applied depending on the category).

Tables no. 4 and 5 show the Average Daily Traffic (ADT) and the toll revenue in 2017 vs. 2016, with the dynamics (i.e. changes).

TABLE 4
Average Daily Traffic (ADT)

ADT	2017	2016	Change
 Cars	36 101	34 070	6.0%
 Lorries	6 961	6 610	5.3%
Total	43 062	40 680	5.9%

Source: The Company's own compilation

TABLE 5
Toll revenue*

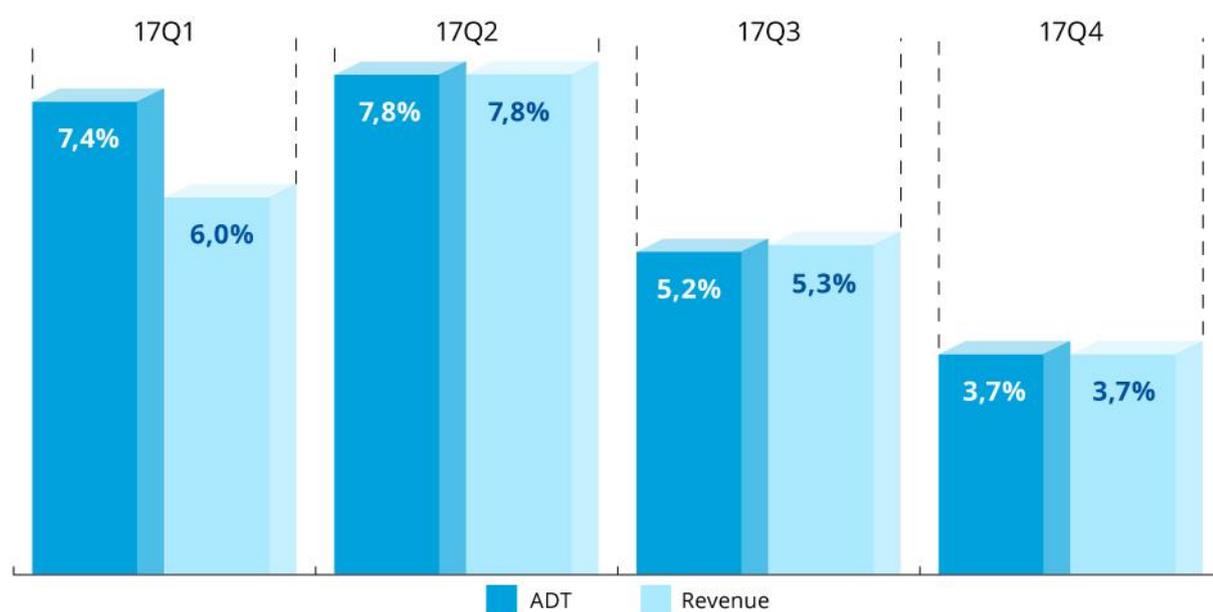
[PLN '000]	2017	2016	Change
 Cars	210 918	199 611	5.7%
 Lorries	103 710	88 303	17.4%
Total	314 628	287 915	9.3%

*excluding revenue related to unused subscriptions

Source: The Company's own compilation

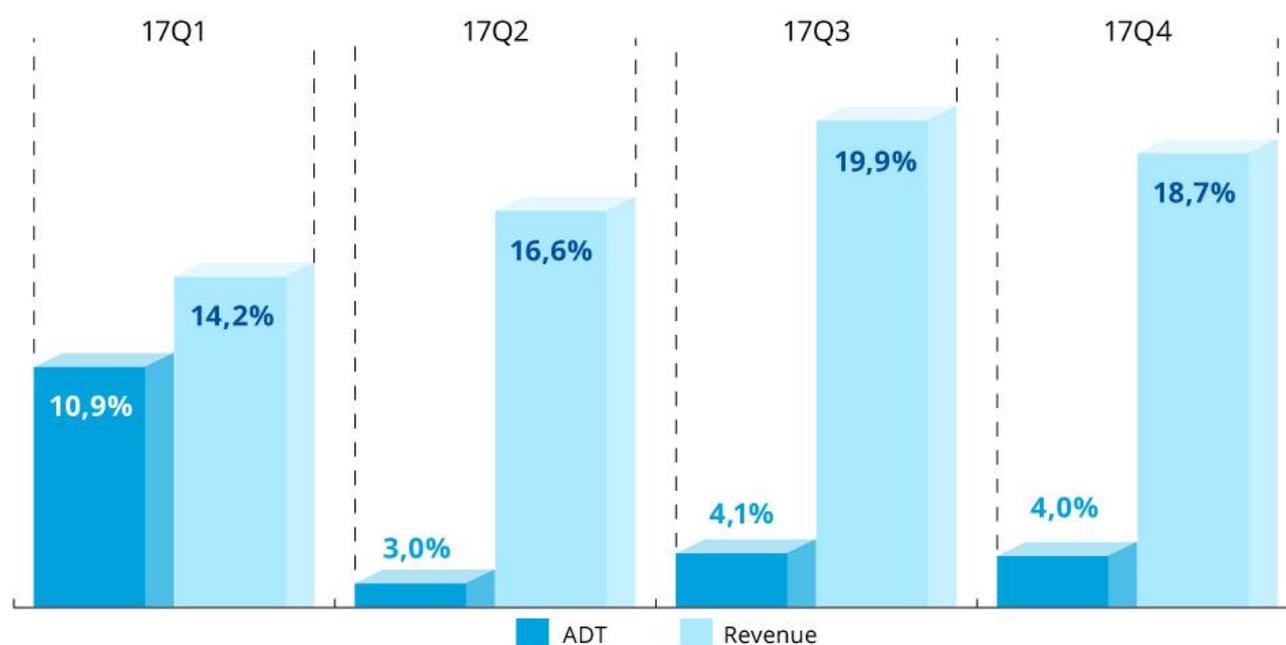
The following figures show the changes in Average Daily Traffic (ADT) and in toll revenue (excluding revenue from unused subscriptions) in 2017 vs. 2016 on a quarterly basis, separately for passenger cars and heavy goods vehicles.

FIGURE 2
Variations in terms of ADT as well as toll revenue for passenger cars in 2017 vs. 2016 (quarter on quarter of the previous year)



Source: The Company's own compilation

FIGURE 3
Variations in terms of ADT as well as toll revenue for lorries in 2017 vs. 2016 (quarter on quarter of the previous year)



Source: The Company's own compilation

As it was already mentioned earlier, the differences in the dynamics of revenue compared to the ADT growth rate for passenger cars in Q1 2017 resulted from the base for comparison, influenced by the leap year (2016). With regard to heavy goods vehicles, the higher revenue growth rate compared to the ADT dynamics was a consequence of the change of the toll rate starting from 1 March 2017.

The extra revenue from unused toll subscriptions valid until 31 December 2017 in the amount of PLN 148 thousand should also be added to the toll revenue described above (in 2016, the respective amount was PLN 479 thousand).

Apart from toll collection, the Group also obtained revenue from sales related to motorway operation in the amount of PLN 820 thousand, including PLN 649 thousand in compensation for infrastructure damaged by motorway users.

Apart from the motorway activity, revenue from sales of the Stalexport Autostrady S.A. Group in the amount of PLN 3,235 thousand was related to the lease of space and IT services in the office building in Katowice, at ul. Mickiewicza 29. Compared to 2016, the amount of revenue unrelated to motorway activities decreased slightly.

Moreover, in 2017 the Group recorded other operating revenue in the amount of PLN 4,272 thousand, including among other things revenue from rest and service area lease (PLN 2,004 thousand), return of overpaid property tax for the previous years (PLN 1,705 thousand), compensation obtained, liquidated damages, reimbursement of fees and court proceeding costs (PLN 178 thousand), reversal of revaluation write-downs on receivables (PLN 51 thousand), interest on trade receivables (PLN 31 thousand), and other revenue (PLN 303 thousand).

3.1.2. AMOUNT AND STRUCTURE OF OPERATING EXPENSES

In 2017, the operating expenses of the Stalexport Autostrady Capital Group amounted to PLN 106,694 thousand and were 42% higher than in the previous year (PLN 75,009 thousand).

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

- own costs of sales in the amount of PLN 70,507 thousand. The value of that cost group was approx. 73% higher than in the previous year (PLN 40,854 thousand), mainly as a result of the increase of the cost of the creation of provisions for resurfacing (up by PLN 24,837 thousand). This situation was influenced mainly by the lower level of costs in 2016, when the provision was reduced as a result of the change of estimates;
- general and administrative expenses in the amount of PLN 35,845 thousand, 6% higher than those incurred in the previous year (PLN 33,843 thousand);
- other operating expenses in the amount of PLN 342 thousand.

3.1.3. FINANCIAL OPERATIONS

In 2017, the Group generated a negative balance on financial activities in the amount of PLN 18,196 thousand, i.e. the financial revenue generated (PLN 12,985 thousand) was lower than the financial expenses incurred (PLN 31,181 thousand).

The financial revenue was mainly influenced by the interest on deposits in the amount of PLN 12,757 thousand.

The financial expenses were mainly influenced by the discounting of liabilities and provisions in the total amount of PLN 19,668 thousand, of which: (i) PLN 11,657 thousand pertained to the liability towards the State Treasury on account of the concession payment; (ii) PLN 6,634 thousand pertained to the provision for Phase II investment works on the A4 motorway; and (iii) PLN 1,377 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 European Bank for Reconstruction and Development loan, as well as the provisions established for motorway resurfacing are recognised by the Capital 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 7,307 thousand) and loss on transactions concluded by SAM to hedge against variations of the interest rate (PLN 3,892 thousand).

The negative balance on financial activities recorded in 2017 (PLN 18,196 thousand) was lower than the balance recorded in the previous year (PLN 21,158 thousand).

3.2. ASSETS AND FINANCIAL POSITION

The table no. 6 includes a synthetic balance sheet of the Capital Group and its structure as at 31 December 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
A synthetic report on Stalexport Autostrady's statement of financial position as at 31 December 2017 and 31 December 2016 – consolidated figures

in PLN'000			Variations	Structure	
	31 Dec 2017	31 Dec 2016	2017/2016	31 Dec 2017	31 Dec 2016
Non-current assets	1 009 401	1 059 736	-5%	70%	73%
Current assets	428 945	386 910	11%	30%	27%
Equity	698 173	586 828	19%	48%	41%
Non-current liabilities	456 369	682 793	-33%	32%	47%
Current liabilities	283 804	177 025	60%	20%	12%
Balance sheet total	1 438 346	1 446 646	-1%	100%	100%

Source: The Company's own compilation

3.2.1. ASSETS

The largest item in **non-current assets** consisted of intangible assets, amounting at the end of 2017 to PLN 463,855 thousand, and composed virtually entirely of concession intangible assets. Their value decreased by PLN 20,974 thousand vs. the end of 2016. This decrease resulted mainly from (i) amortisation of concession intangible assets (PLN 40,069 thousand), (ii) the increase in concession intangible assets as a result of revaluation (PLN 13,925 thousand), and (iii) the increase in other intangible assets as a result of transfer from property plant and equipment under construction (PLN 5,818 thousand).

In 2017, the value of non-current investments decreased to the amount of PLN 434,147 thousand vs. PLN 447,422 thousand in 2016. This resulted from the increase, by PLN 13,276 thousand, 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 2017 amounted to PLN 69,829 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 value of **current assets** increased as at the end of 2017 by PLN 42,035 thousand vs. the end of 2016. The largest item corresponded to cash (PLN 396,900) whose value increased by PLN 29,941 thousand. Trade receivables and other receivables constituted another significant item of current assets (PLN 25,452 thousand), following an increase by PLN 9,136 thousand. The value of non-current investments in the amount of PLN 1,403 thousand decreased slightly vs. 2016.

3.2.2. EQUITY AND LIABILITIES

As at 31 December 2017, the Group's total **payables and provisions** amounted to PLN 740,173 thousand, of which 62% were non-current items. The main items of payables and provisions included the following:

- provision of PLN 345,014 thousand for capital expenditure within Phase II of the investments being implemented on the managed section of the A4 motorway;
- liability of PLN 158,772 thousand towards the State Treasury referred to as the Concession Payments, recognised in the Group's statement of financial position at fair value, in the following items: other non-current liabilities (PLN 252 thousand), and trade payables and other payables (PLN 158,520 thousand), taking into account the partial repayment of that liability in December 2017;
- bank loan in the amount of PLN 117,238 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 62,188 thousand established for the planned motorway resurfacing;
- trade payables and other payables in the amount of PLN 26,415, excluding the current portion of the payable towards the State Treasury under the concession;
- prepayment of PLN 7,620 thousand related to lease of rest and service areas (MOP) and land for fibre optic cables (concerns the Katowice–Kraków section of the A4 motorway);
- payable related to derivative instruments used as hedging (PLN 6,456 thousand);
- PLN 5,201 thousand: other non-current payables towards related parties;
- PLN 4,983 thousand: payables related to employee benefits;
- PLN 4,962 thousand: the value of the toll for the A4 Katowice–Kraków motorway which was sold in the form of the prepaid KartA4 proximity cards and of the A4Go onboard devices, but remained unused;
- PLN 921 thousand: other non-current payables towards other parties;
- PLN 337 thousand: payables related to income tax.

3.2.3. CAPITAL EXPENDITURE

Capital expenditure incurred by the Capital Group in 2017 amounted to PLN 43,932 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 the ongoing performance of the contracts for the alteration of the Mysłowice and Rudno junctions, alteration of the drainage of the Silesian Voivodeship section of the motorway, construction of noise barriers, replacement of toll collection equipment, and installation of traffic management system equipment. The remaining capital expenditure of the Capital Group is related mainly to the purchase of equipment required for systematic maintenance of the motorway. The above-mentioned value of capital expenditure also includes the Independent Engineer's costs and design costs.

All of the Group's investment activities described above were taken into account in the capital expenditure plans for the year 2017 and had been accepted earlier by the Stalexport Autostrady Supervisory Board. At this point, it is worth mentioning that financing of the investment tasks resulting from the Concession Agreement is 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 2017, the nominal value of the bank loan amounted to PLN 118,611 thousand (while taking into account the accrued interest and the prepaid financing costs, the loan amounts to PLN 117,238 thousand).

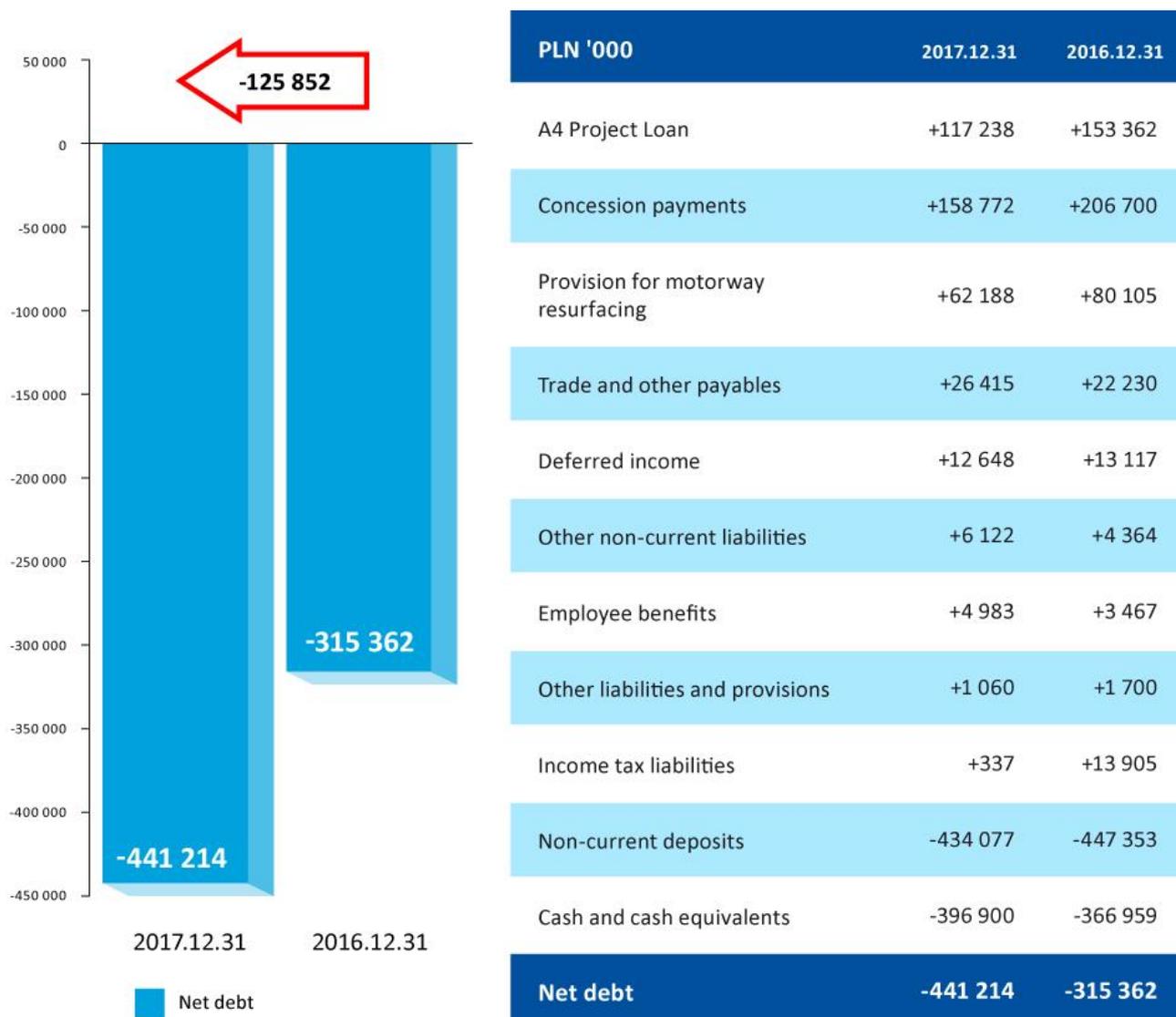
The value of the Group's liabilities in this respect will decrease in future periods along with the repayment schedule until 2020.

3.2.4. NET DEBT

Excluding from the liabilities the provisions for Phase II construction works and the payable related to derivative instruments used as hedging (including deferred tax), the Group's net debt decreased by PLN 125,852 thousand in 2017 vs. the end of 2016. The net debt of the Group is primarily influenced by the bank loan granted by the Financing Banks for the implementation of A4 Katowice–Kraków 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 in the years 2016–2017 are presented in the figure no. 4.

FIGURE 4
Net debt of the Group (consolidated data) – as at 31 December 2016 and 31 December 2017



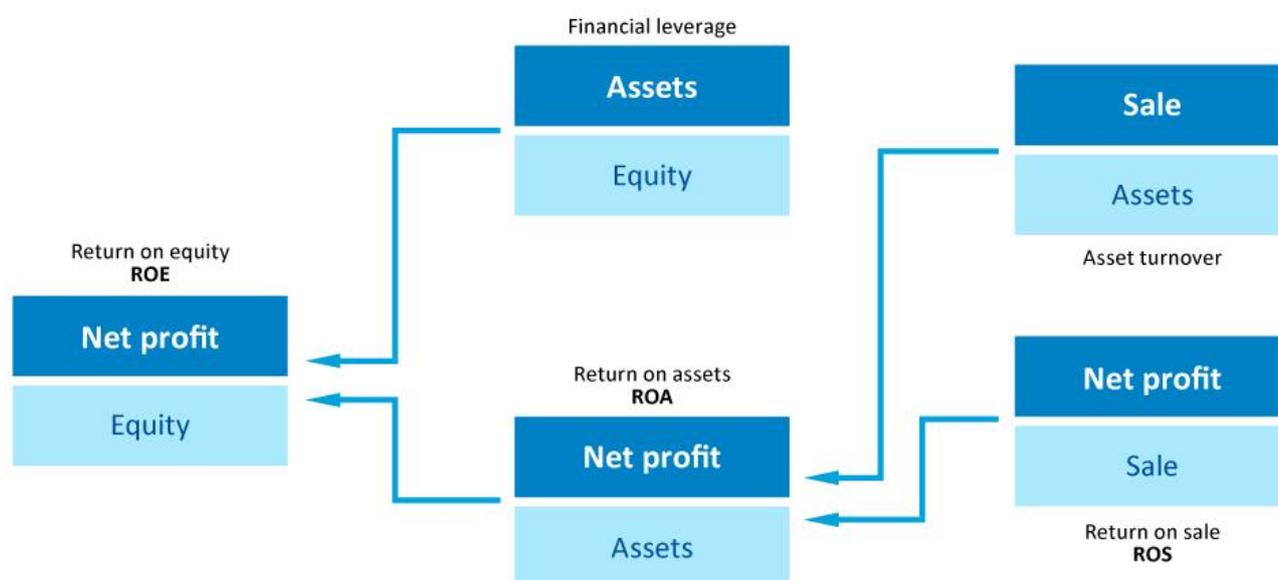
Source: The Company's own compilation

3.3. DUPONT ANALYSIS

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

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

FIGURE 5
DuPont analysis diagram



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

According to the DuPont model, ROE depends on the margins achieved (return on sales – ROS), on asset efficiency (asset turnover), and on the degree of financial leverage. The table no. 7 presents a calculation of the ROE value and of the ratios influencing the annual rate of return on equity.

TABLE 7
Return on equity (ROE), including decomposition of the ratio – calculation for the period 2015–2017

Ratio	2017	2016	2015
Return on equity (ROA)	22.7%	28.2%	28.2%
Return on assets (ROA)	11%	11.4%	8.7%
Return on net sales (ROS)	49.8%	56.4%	45.5%
Asset Turnover	0.22	0.20	0.19
Financial Leverage	2.06	2.47	3.25

ROE = net profit/equity

ROA = net profit/total assets

ROS = net profit/revenue from sales

Asset Turnover = revenue from sales/total assets

Financial Leverage = total assets/equity

Source: The Company's own compilation

In the Group's case, ROE is influenced to a significant extent by the return on sales (ROS), which was 49.8% in the analysed period. ROE is also influenced by the financial leverage employed, allowing the company to possess assets

which exceed the amount of its equity to a significant extent. In the Capital Group's case, the financial leverage ratio decreased from 3.25 as at the end of 2015 to 2.47 as at the end of 2016, and currently amounts to 2.06. The decrease of the ratio in 2017 resulted from the combined effect of the repayment of liabilities and of the net profit generated in the current period.

The Group's revenue is characterised by a relatively high degree of stability and predictability, which is possible owing to the multiannual contract related to the management of the A4 motorway Katowice–Kraków toll section. The business carried out makes it possible to generate a relatively high margin (allowing appropriate debt servicing), which is confirmed by the sales margin ratios exceeding 50% (77.9% in 2017) and by EBIT of over 40% (67.9% in 2017).

TABLE 8
Profitability of Stalexport Autostrady Group in the period 2015–2017 at the individual levels of its activity

Ratio	2017	2016	2015
Sales margin	77.9%	86%	75%
EBITDA margin	83.4%	83.8%	82.5%
EBIT margin	67.9%	76.1%	64.7%

Sales margin = gross profit on sales / sales revenue

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

EBIT margin = operating profit / sales revenue

Source: The Company's own compilation

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

The analysis of the Capital Group's asset turnover was carried out on the basis of the ratios presented in the table no. 9.

TABLE 9
Stalexport Autostrada Group's performance ratios during the period 2015–2017

Ratio	2017	2016	2015
Asset Turnover	0.22	0.2	0.19
Working Capital Turnover	2.2	1.4	13.25
Receivables Turnover	12.53	17.95	19.56
Liabilities Turnover	0.43	0.34	0.28

Asset turnover ratio = sales revenue / total assets

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

Accounts receivable efficiency ratio = sales revenue / short-term receivables

Accounts payable efficiency ratio = sales revenue / liabilities

Source: The Company's own compilation

In the period discussed here, the asset and liability efficiency ratios increased compared to the years 2015–2016. In the same period, the receivable efficiency level decreased. The increase of the working capital efficiency ratio results from the increase in revenue and from the change in the structure of payables, i.e. the reclassification of long-term to short-term payables in 2017.

An analysis of the liquidity and debt ratios presented in the table no. 10 makes it possible to assess the level of risk related to the repayment of current payables. The first two ratios compare current payables to current assets which may be used to repay those liabilities. The remaining ones provide information about the degree of indebtedness of the Capital Group.

TABLE 10
Stalexport Autostrada Group's liquidity and debt ratios during the period 2015–2017

Ratio	2017	2016	2015
Current liquidity	1.51	2.19	1.11
Quick liquidity	1.49	2.17	1.1
Asset debt ratio	0.51	0.59	0.69
Equity debt	1.06	1.47	2.25
Long-term debt	0.65	1.16	1.81

Current liquidity ratio = current assets/short-term liabilities

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

Debt to assets ratio = liabilities / total assets

Debt to equity ratio = liabilities / equity

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

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

Source: The Company's own compilation

Even though the liquidity ratios decreased compared to the previous year in the period described in the report as a result of the change in the structure of liabilities, i.e. reclassification to long-term payables to short-term payables, they continued to be much higher than one, i.e. the level generally recognised as safe. Additionally, it needs to be pointed out that the Group keeps, in accordance with the Concession Agreement, cash in reserve accounts to pay future liabilities covered by provisions. These funds are recorded as other long-term investments, so they are not taken into account in the above calculations of the liquidity ratios. The debt ratios decreased, on the other hand, which resulted from the repayment of bank loan liabilities.

4. ANALYSIS OF THE CORE MARKET OF THE CAPITAL GROUP'S OPERATION

Taking into account the condition of the road infrastructure and development needs, the Ministry of Infrastructure developed the "Programme for Construction of National Roads for the Years 2014–2023 (with a perspective until 2025)" (hereinafter referred to as the Programme). On 8 September 2015, the Programme was approved by a resolution of the Council of Ministers. The Ministry of Infrastructure and Construction updated the Programme in 2017, and the changes were approved by way of resolutions of the Council of Ministers, respectively of 25 May 2017, 20 June 2017, and 12 July 2017.

The updated document defines the objectives and priorities, both in terms of investments and of road network maintenance. The Programme indicates the material scope scheduled to be implemented in the years 2014–2023 as far as new road investments are concerned. The estimated level of capital flow for their implementation under the National Road Fund is estimated, after the update, at PLN 135 billion. This amount is allocated to the implementation of investment tasks consisting in the construction of motorways, expressways and ring roads around certain towns or cities.

Apart from the financing under the National Road Fund, the Programme provides for the construction of motorway sections in the off-budget (commercial) system, but still under the control of the public party, mostly through a special purpose vehicle operating in the road sector. In the initial Programme, this was potentially supposed to concern the construction of certain sections of the motorways A1, A2 and A18. However, in relation to the need to complete the A1 Tuszyn–Częstochowa section in the financial perspective until 2023, a decision was made, as part of the updates to the Programme in 2017, to implement it in the traditional formula, i.e. within the framework of the National Road Fund. Neither the initial Programme, nor the updated one, however, assumes financing road infrastructure in the classic public-private partnership system.

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

The Company does not exclude the option of equity investment in some of the existing concession projects in Poland if another participant of the projects is ready to quit the project or if one of the consortiums looks for additional partners with regard to capital support.

Moreover, bearing in mind the increasing level of public debt as well as the current budget deficit, one should not overlook the possibility of infrastructure privatisation in the longer-term perspective, also with regard to motorways currently under the management of the public party. The experience of Italy and France in this respect shows clearly that this instrument allows for a rapid reduction of a part of the public debt as well as for acceleration of the process of infrastructure development, in compliance with the standards of safety and quality. This issue, however, is currently not a subject of public debate.

5. OTHER INFORMATION ON THE STALEXPORT AUTOSTRADY CAPITAL GROUP

5.1 INFORMATION ON CONTRACTS SIGNIFICANT FOR THE CAPITAL GROUP'S OPERATING ACTIVITY, INCLUDING CONTRACTS BETWEEN THE SHAREHOLDERS AS WELL AS INSURANCE AND COOPERATION CONTRACTS THE COMPANY IS AWARE OF

On 4 July 2017, SAM issued a letter of approval for Pavimental Polska Sp. z o.o. The issuing of the said letter of approval meant that SAM had accepted the tender submitted by Pavimental Polska Sp. z o.o. in the procedure related to the implementation of the lump-sum contract with a fixed price no. ROM48 "Renovation of supports of the M48 bridge structure" (hereinafter referred to as the Contract). The net value of the Contract is PLN 21,300 thousand (hereinafter: the Approved Net Contractual Amount).

Following the issuing of the letter of approval, SAM and Pavimental Polska Sp. z o.o. signed an agreement related to the performance of the Contract, whose provisions were consistent with the model presented in the tender procedure documents.

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

The agreement envisages the following liquidated damages for Pavimental Polska Sp. z o.o.:

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

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

5.2 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 Sp. z o.o. 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 50 PLN 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 Sp. z o.o. 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 submitted to the GDDKiA 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 GDDKiA (hereinafter: the Procedure), a competitive dialogue procedure.

On 3 January 2018, an amendment of the Act on public roads and of some other acts was published in the Polish Journal of Laws, under which the operation of the toll collection system is supposed to be entrusted to the Central Road Transport Inspectorate. Following the said amendment, the GDDKiA annulled the Procedure on 18 January.

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

5.3 DESCRIPTION OF TRANSACTIONS WITH RELATED PARTIES AND INFORMATION ON TRANSACTIONS CONCLUDED BY THE COMPANY OR ITS SUBSIDIARIES WITH RELATED PARTIES ON THE TERMS OTHER THAN MARKET TERMS

(i) Transaction with related parties for the single or total transaction value exceeding in the financial year the amount of EUR 500,000

In the case of the Company, in the financial year, there were four transactions meeting the above-mentioned criteria:

- In 2017, Stalexport Autostrady incurred costs as per maintenance cost estimates and estimates for investments related to the safety and functioning of the office facility located in Katowice at ul. Mickiewiczza 29. All of the above-mentioned expenses were covered by the agency of Biuro Centrum and their total amount attributable to Stalexport Autostrady was PLN 3,080 thousand. It is the equivalent of approximately EUR 738 thousand (based on the National Bank of Poland's average exchange rate as at 31 December 2017);
- In 2017, VIA4 transferred (in instalments) to Stalexport Autoroute a dividend in the total amount of PLN 6,957 thousand, which is the equivalent of approximately EUR 1,668 thousand (based on the National Bank of Poland's average exchange rate as at 31 December 2017).
- In 2017, SAM transferred (in instalments) to Stalexport Autoroute a dividend in the total amount of PLN 65,570 thousand, which is the equivalent of approximately EUR 15,721 thousand (based on the National Bank of Poland's average exchange rate as at 31 December 2017).
- In 2017, Stalexport Autoroute transferred (in instalments) to Stalexport Autostrady a dividend in the total amount of PLN 72,270 thousand, which is the equivalent of approximately EUR 17,327 thousand (based on the National Bank of Poland's average exchange rate as at 31 December 2017).
- In 2017, Stalexport Autostrady transferred dividend to shareholders in the amount of PLN 44,507 thousand, i.e. the equivalent of approx. EUR 10,671 thousand (at the average exchange rate of the National Bank of Poland of 31 December 2017), including the amount of PLN 27,238 thousand to Atlantia, i.e. the equivalent of approx. EUR 6,531 thousand (at the average exchange rate at the National Bank of Poland of 31 December 2017).

(ii) 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 six 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 2017, the value of the transactions between SAM and VIA4 under the above-mentioned Agreement amounted to PLN 43,410 thousand.

Considering the specificity and the scope of the above-mentioned Agreement and the fact that the market for services of the relevant 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 Autostrade Tech S.p.A.** (this entity is a member of 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.

Performance of the contract was divided into sections. Section I was completed already in 2016, while work related to Section II was completed in 2017. The predicted contract value as of the end of 2017, taking into account what is referred to as the provisional prices determined for a part of the works as well as the running costs of support and maintenance in the contractual period, is PLN 37,850 thousand. As at the end of 2017, the progress of works under that contract corresponded to PLN 36,790 thousand (i.e. 97.2% of the current contract value), of which PLN 13,296 thousand in 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 **extension 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 for the Mysłowice junction and 600 days for the Rudno junction. Mobilisation was completed in 2015, while the basic construction works started in 2016. Variation order no. 1 was issued in 2016, and variation orders no. 2–5 were issued in 2017. Taking the above variation orders into account, the final value of the contract is PLN 21,489 thousand. The work related to the alteration of the Mysłowice junction was completed until the end of 2016, while the work related to the alteration of the Rudno junction was completed in 2017. The total net value of works invoiced by the consortium on account of this contract amounts to PLN 21,489 thousand (i.e. 100% of the contract value), of which the amount of PLN 1,256 thousand was invoiced in 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.** (the said entities belong to the Atlantia group, which holds 99.6% of the shares of Pavimental S.p.A., i.e. the sole shareholder of Pavimental Sp. z o.o.) **for resurfacing on motorway sections 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. In total, 7 variation orders were issued in the years 2016 and 2017, as a result of which the scope of the works was increased, and some of them were moved to be performed in 2018, while the total value of the contract amounts to PLN 44,783 thousand. The net value of works invoiced by the consortium on account of this contract amounts to a total of PLN 35,115 thousand (i.e. 78.4% of the current contract value), of which the amount of PLN 18,854 thousand was invoiced in 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 GDDKiA (pursuant to the provisions of the Concession Agreement, the Concessionaire selects each contractor by means of a tender and 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 2016 after the mobilisation period. During the year, variation orders 1–3 were issued, expanding the construction works for instance by adding an extra catchment area. Taking into account the above variation orders, the contract value increased to PLN 28,172 thousand. The total net value of works invoiced by the consortium on account of this contract amounts to PLN 22,517 thousand (i.e. 79.9% of the contract value), of which the amount of PLN 15,069 thousand was invoiced in 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 sixth agreement is the **contract between SAM and Pavimental Polska Sp. z o.o.** (entity 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 the renovation of the M48 bridge structure supports.**

The contractor for this contract was selected on the basis of a tendering procedure during which tenders from three entities were received: (i) Pavimental Polska Sp. z o.o. (ii) Freyssinet Polska Sp. z o.o. and (iii) the consortium of DROG-BUD Sp. z o.o. and BTH FORMAT Andrzej Karapyta. As a result of the tender committee works with the participation of the Independent Engineer, the tender submitted by the consortium of Pavimental Polska Sp. z o.o. obtained the highest rating. The contract was entered into for the amount of PLN 21,300 thousand on 04 July 2017, and the time set for completion of the works envisaged by the contract is 860 days from the initial date, i.e. 18 July 2017.

The construction works started after the mobilisation period. The total net value of works invoiced by the contractor on account of this contract amounts to PLN 2,107 thousand (i.e. 10% of the contract value), the whole of which was invoiced in 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.

5.4 INFORMATION REGARDING CONTRACTS ON CREDITS AND LOANS INCURRED AND TERMINATED IN THE FINANCIAL YEAR

In 2017, the Company, just like the other entities from the Capital Group, did not incur any new loans or credit. No credit or loan agreement was terminated in that period.

5.5 INFORMATION ON LOANS GRANTED IN THE FINANCIAL YEAR, IN PARTICULAR LOANS GRANTED TO RELATED PARTIES

In 2017, the Company, just like the other entities from the Capital Group, did not grant any loans to related parties or to entities not belonging to the Group.

5.6 INFORMATION ON SURETIES AND GUARANTEES GRANTED AND RECEIVED IN THE FINANCIAL YEAR, IN PARTICULAR SURETIES AND GUARANTEES GRANTED TO RELATED PARTIES

In 2017, the Company did not grant nor receive any sureties or guarantees. As at the end of 2017, the Company has a contingent liability under the performance guarantee towards VIA4 in the amount of PLN 22,758 thousand. The Company receives remuneration on this account.

In 2016, SAM obtained performance guarantees related to construction works and guarantees securing the trade receivables resulting from agreements with issuers of fleet and fuel cards and with the provider of the electronic toll collection service.

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

In 2017, the Company, just like the other entities from the Capital Group, did not issue any securities.

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

Neither the Company nor the Capital Group published any financial result forecasts for 2017.

5.9 EVALUATION (WITH JUSTIFICATION) OF FUNDS MANAGEMENT, INCLUDING IN PARTICULAR THE COMPANY'S ABILITY TO PAY OFF ITS LIABILITIES AND DETERMINATION OF POTENTIAL THREATS AND ACTIONS TAKEN BY THE STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP OR ACTIONS IT INTENDS TO TAKE IN ORDER TO PREVENT THESE THREATS

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

The bank loan taken by SAM will be repaid, in accordance with the financial model, using the revenues from toll collection on the concession section of the A4 motorway. These revenues also made it possible to pay, in December 2017, in favour of the National Road Fund, the first instalment in the amount of PLN 73,290 thousand (incl. tax) in relation to what is referred as the Concession Payments.

5.10 INVESTMENT PLANS FEASIBILITY ASSESSMENT

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

Detailed information concerning the construction works currently in progress can be found in Note 35 to the Financial Statements of the Group.

5.11 ASSESSMENT OF THE FACTORS AND EXTRAORDINARY EVENTS AFFECTING THE OPERATION RESULTS IN THE REPORTING PERIOD AND DESCRIPTION OF THE IMPACT OF THESE FACTORS OR EXTRAORDINARY EVENTS ON THE ACHIEVED RESULT

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

5.12 DESCRIPTION OF THE EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE COMPANY'S DEVELOPMENT AND OF THE PERSPECTIVES FOR BUSINESS DEVELOPMENT

Detailed information is presented in the following Sections of this document:

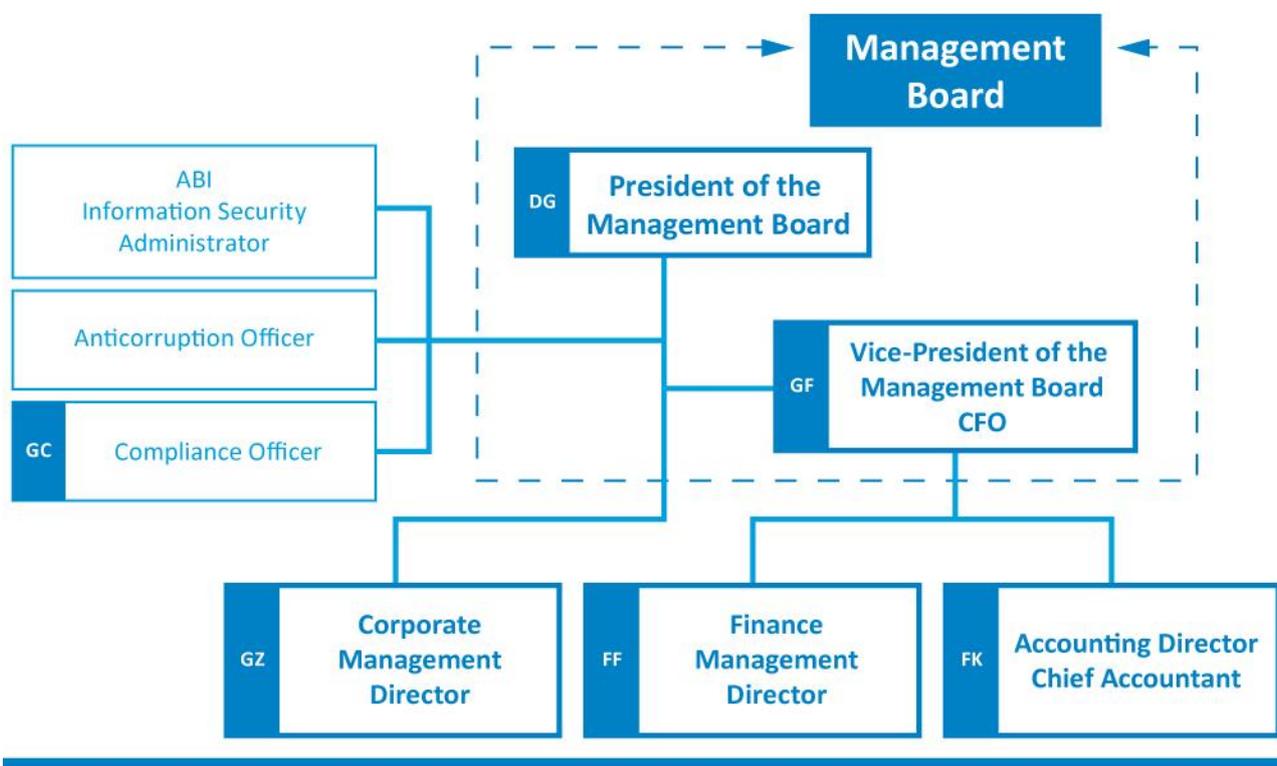
- Section 3 of this Report (Information significant for the assessment of the financial position, assets and financial result of the Stalexport Autostrady Group and their changes, and information significant for the assessment of the Issuer's and of its Capital Group's ability to fulfil their obligations),
- Section 4 of this Report (Analysis of the core market of the Capital Group's operations),

- Section 6 of this Report (Perspectives for development and major risks and threats; description of the external and internal factors significant for Stalexport Autostrady Capital Group's development).

5.13 CHANGES TO THE BASIC PRINCIPLES FOR THE STALEXPORT AUTOSTRADY GROUP'S MANAGEMENT AND ESSENTIAL INFORMATION FOR THE EMPLOYMENT SITUATION ASSESSMENT

In 2017, the Company's organisational structure changed as a result of the adoption by the Company (to be applied starting from 31 December 2017), of the "Anticorruption Policy of the Atlantia Capital Group". The Company's organisational structure is presented in the figure no. 6.

FIGURE 6
Organisational structure of Stalexport Autostrady S.A. as at 31 December 2017



Source: The Company's own compilation

The number of employees as of 31 December 2017 remained unchanged compared to 31 December 2016, when there were 24 employees (6% FTE).

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

(i) Employment in the Group

As of 31 December 2017, the Stalexport Autostrady Group had 323 employees, including 5 executive officers (members of Management Boards) and 21 middle management employees (directors and managers). For the sake of comparison, the number of people employed in the Stalexport Autostrady Group as of 31 December 2016 was 315, including 5 executive officers (members of Management Boards) and 19 middle management employees (directors and managers).

The increase in employment recorded as of 31 December 2017 compared to the headcount as of 31 December 2016 (expressed in the number of persons), by approx. 2.54%, results from additional employees having been hired in the toll collection and motorway maintenance departments of the VIA4 operator company, caused by increased traffic intensity, and from additional employees having been hired in the sales and administration departments of SAM and Stalexport Autostrady.

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

The contracts with members of the Management Board performing such functions in 2017 provide for the following:

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

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

Stalexport Autostrady

The changes in the composition of management and supervisory bodies of the Company are described in item 7.12.

SAM

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

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

The Supervisory Board's composition did change, on the other hand.

The Supervisory Board operating in the period from 1 January 2017 until 5 October 2017 was composed of the following persons:

- Costantino Ivoi – Chairman of the Supervisory Board,
- Nicolò Caffo – Deputy Chairman of the Supervisory Board,
- Michelangelo Damasco.

On 6 October 2017, the Extraordinary General Meeting of SAM appointed Mr Stefano Rossi to the SAM Supervisory Board, replacing Mr Michelangelo Damasco, who had resigned from his function on 25 September 2017, with the resignation taking effect on 5 October 2017.

On 23 November, Mr Nicolò Caffo resigned from his function, with the resignation taking effect on 15 December 2017.

On 21 December 2017, the Extraordinary General Meeting of SAM appointed Mr Flavio Ferrari to the Supervisory Board of SAM.

The Supervisory Board operating in the period from 21 December 2017 until the date of this Report was composed of the following persons:

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

VIA 4

No changes occurred in the composition of the Management Board of VIA4 in the reporting period and until the date of preparation of the Report.

The Supervisory Board's composition did change, on the other hand.

In the period from 1 January 2017 until 5 November 2017, the composition of the Supervisory Board was as follows:

- Mariusz Serwa – Chairman of the Supervisory Board,
- Francois Bienvenue – Deputy Chairman of the Supervisory Board,
- Costantino Ivoi,
- Emmanuelle Freneat,
- Nicolò Caffo,
- Krzysztof Bernatowicz.

In relation to the resignation of Mr Francois Bienvenue effective on 6 November 2017, Egis Road Operation appointed Mr Carlo Ciattoni as member of the Supervisory Board effective on 11 December 2017, and entrusted the function of Deputy Chairman of the Supervisory Board to Ms Emmanuelle Freneat. Stalexport Autoroute, on the other hand, appointed, effective on 27 December 2017, Mr Flavio Ferrari as member of the Supervisory Board, replacing Mr Nicolò Caffo, who had handed in his resignation effective on 15 December 2017.

After the changes, the composition of the Supervisory Board until 31 December 2017 and until the date of the Report was as follows:

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

BIURO CENTRUM

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

- a) Management Board
- Ryszard Krzeszowiak – President of the Management Board,
 - Andrzej Kluba – Vice-President of the Management Board,
- b) Supervisory Board
- Krzysztof Rewers – Chairman of the Supervisory Board,
 - Katarzyna Bijak – Deputy Chairman of the Supervisory Board,
 - Monika Raiwa – Secretary of the Supervisory Board.

5.16 REMUNERATION OF THE MANAGING AND SUPERVISING PERSONS OF STALEXPORT AUTOSTRADY

Pursuant to the Statutes of Stalexport Autostrady, the rules for the Management Board members' remuneration payment are defined by the Supervisory Board. In 2017, the total remuneration paid to the Company's managing persons, i.e. members of the Management Board, amounted to PLN 836.32 thousand. The total remuneration of the Company's managing persons obtained for being members of subsidiaries' bodies in the same period amounted to PLN 1,060.15 thousand. Detailed information regarding the amount of remuneration of the Company's managing persons in 2017 is presented in the table no. 11.

TABLE 11
Remuneration paid in 2017 to the Company's managing persons [figures in PLN '000]

No.	Given name and surname	Position in the Company	Remuneration, rewards or benefits paid within the Company	Remuneration amounts received as members of subsidiaries' bodies	TOTAL
1.	Emil Wąsacz	President of the Management Board CEO	667.10	578.04	1 245.14
2.	Mariusz Serwa	Vice-President of the Management Board CFO	169.22	482.11	651.33
x	TOTAL		836.32	1 060.15	1 896.47

Source: The Company's own compilation

The remuneration amounts presented in the table above include the payment of the amount of PLN 176.13 thousand on account of the annual bonus paid in 2017 and concerning 2016, covered by a provision charged to 2016.

The provision for the Management Board's bonus for 2017, on the other hand, in the amount of PLN 199 thousand, and additionally the provision for payment of the three-year incentive plan (concerning the period from January 2016 until December 2018) in the amount of PLN 1,025.4 thousand, were charged to 2017.

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

In 2017, the total remuneration of the members of the Supervisory Board amounted to PLN 70 thousand. Detailed information regarding the amount of remuneration paid to individual persons being members of the Supervisory Board of Stalexport Autostrady in this period is presented in the table no. 12.

TABLE 12
Remuneration paid in 2017 to the members of the Company's Supervisory Board [figures in PLN '000]

No.	Given name and surname	Position in the Supervisory Board of Stalexport Autostrady	Remuneration amount
1.	Roberto Mengucci	Chairman	did not receive remuneration
2.	Aleksander Galos	Deputy Chairman	38.00
3.	Stefano Rossi	Secretary	did not receive remuneration
4.	Nicolo Caffo	Member	did not receive remuneration
5.	Marco Pace	Member	did not receive remuneration
6.	Massimo Sonogo	Member	did not receive remuneration
7.	Tadeusz Włudyka	Member	32.00
	Total		70.00

Source: The Company's own compilation

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

5.17 THE COMPANY'S SHARES AND THE RELATED COMPANIES' SHARES HELD BY PERSONS MANAGING AND SUPERVISING STALEXPORT AUTOSTRADY

The number and nominal value of shares of Stalexport Autostrady and of related parties held by persons managing and supervising the Company is provided based on representations of those persons. The figures as at 31 December 2017 and as at the date of this Report is presented in the table no. 13.

TABLE 13

The number and nominal value of Stalexport Autostrady's shares held by persons managing and supervising the Company and the Group (as at 31 December 2017 and as at the date of this Report)

No.	Given name and surname	Company Name	Number of shares [units]	Nominal value [in PLN]
1.	Emil Wąsacz	Stalexport Autostrady	59 000	44 250 PLN
2.	Roberto Mengucci	Atlantia	22 587	22 587 EUR
3.	Massimo Sonogo	Atlantia	9837	9 837 EUR

Source: The Company's own compilation

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

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

5.19 INFORMATION ON THE CONTROL SYSTEM REGARDING EMPLOYEE SHARE SCHEMES

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

5.20 DATE OF CONCLUSION OF THE CONTRACT WITH AN ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS, THE TERM OF THAT CONTRACT, AS WELL AS THE TOTAL AMOUNT OF REMUNERATION FOR THE SEPARATE AND CONSOLIDATED AUDIT IN THE FINANCIAL YEAR

(i) Stalexport Autostrady

In accordance with the powers stipulated in the Statutes of the Company, the Supervisory Board entrusted the audit of the financial statements of the Company and of the consolidated financial statements of Stalexport Autostrady S.A. Group for 2017 to Deloitte. Deloitte is entered on the list of entities authorised to audit financial statements under No. 73.

On 14 June 2017, the Company entered into an agreement with Deloitte for the audit and review of the financial statements in the period 2017–2018.

Deloitte's total remuneration for the audit and review of the financial statements for 2017 was set at the net amount of PLN 73.5 thousand, including remuneration for work related to the following:

- review of the interim separate and consolidated financial statements of Stalexport Autostrady for the period of 6 months ended on 30 June 2017: PLN 22.05 thousand;
- audit of the annual separate and consolidated financial statements of the Company for 2017: PLN 51.45 thousand.

The limit for additional costs subject to reimbursement was set at 5%.

Deloitte's total remuneration for the audit and review of the financial statements for 2016 amounted to PLN 73.5 thousand, including remuneration for work related to the following:

- review of the interim separate and consolidated financial statements of Stalexport Autostrady for the period of 6 months ended on 30 June 2016: PLN 22.05 thousand;
- audit of the annual separate and consolidated financial statements of the Company for 2016: PLN 51.45 thousand.

The limit for additional costs subject to reimbursement was set at 5% and the actual additional costs amounted to PLN 3.7 thousand.

As a result of the entry into force of the Act on Auditors, setting among other things a maximum 5-year period for the audit of financial statements in companies being entities of public interest (Article 134 of the Act), the performance of the contract entered into with Deloitte may not continue with regard to the reporting periods ending respectively on 30 June 2018 (6 months) and 31 December 2018 (12 months).

Due to the above, the Company and Deloitte (hereinafter referred to jointly as the Parties) entered into an agreement on 17 January 2018, under which the Parties agreed:

- to terminate the contract with regard to the financial auditing services concerning the reporting periods ending respectively on 30 June 2018 (6 months) and 31 December 2018 (12 months), effective as of the date of conclusion of the agreement;

- that the contract would remain in force and would continue to be binding upon the Parties with regard to the financial auditing services concerning the reporting periods ending respectively on 30 June 2017 (6 months) and 31 December 2017 (12 months);
- that justified grounds had appeared for termination of the Contract, and that the reason for termination of the contract was not any difference in opinion with regard to the application of accounting or financial auditing standards.

(ii) **Stalexport Autoroute**

In accordance with the powers stipulated in the Statutes of Stalexport Autoroute, the audit of the financial statements of Stalexport Autoroute for 2017 was entrusted to Deloitte Audit S.à r.l. On 6 November 2017, Stalexport Autoroute entered into an agreement with Deloitte Audit S.à r.l. related to the audit of the financial statements for 2017 and to the provision of other services related to financial review.

The total remuneration of Deloitte Audit S.à r.l. in relation to the performance of the said agreement was agreed at EUR 7.7 thousand, with the remuneration for the audit of the financial statements for 2017 agreed at EUR 4.2 thousand (net). The limit for additional costs subject to reimbursement was set at 5%.

In accordance with the powers stipulated in the Statutes of Stalexport Autoroute, the audit of the financial statements of Stalexport Autoroute for 2016 was entrusted to Deloitte Audit S.à r.l. On 21 May 2014, Stalexport Autoroute S.à r.l. entered into an agreement with Deloitte Audit S.à r.l. for the audit of the financial statements in the years 2014–2016.

The total remuneration of Deloitte S.à r.l. for the audit of the financial statements for 2016 was agreed at EUR 4.1 thousand (net). The limit for additional costs subject to reimbursement was set at 5% and the actual additional costs amounted to EUR 0.2 thousand (without taking into account the cost of non-deductible VAT).

(iii) **SAM**

In accordance with the powers stipulated in the Statutes of SAM, the audit of the financial statements of SAM for 2017 was entrusted to Deloitte by the company's Supervisory Board. On 14 June 2017, SAM entered into an agreement with Deloitte for the audit and review of the financial statements in the years 2017–2018. On 17 January 2018, SAM and Deloitte entered into a similar agreement as in the case of Stalexport Autostrady.

Deloitte's total remuneration for the audit of the financial statements for 2017 was set at the net amount of PLN 54.3 thousand, including:

- review with regard to the interim financial statements for the period of 6 months ended on 30 June 2017: PLN 16.3 thousand;
- audit of the annual financial statements for 2017: PLN 38 thousand.

The limit for additional costs subject to reimbursement was set at 5%.

In accordance with the powers stipulated in the Statutes of SAM, the audit of the financial statements of SAM for 2016 was entrusted to Deloitte by the company's Supervisory Board. On 29 May 2014, SAM entered into an agreement with Deloitte for the audit and review of the financial statements in the years 2014–2016. On 21 June 2016, the parties signed Amendment no. 1 to the said agreement.

Deloitte's total remuneration for the audit of the financial statements for 2016 was set at the net amount of PLN 91.5 thousand, including:

- audit of the interim financial statements for the period of 6 months ended on 30 June 2016: PLN 53.5 thousand;
- audit of the annual financial statements for 2016: PLN 38 thousand.

The limit for additional costs subject to reimbursement was set at 5% and the actual additional costs amounted to PLN 4.6 thousand.

(iv) VIA4

In accordance with the powers stipulated in the Statutes of VIA4, the audit of the financial statements of VIA4 for 2017 was entrusted to Deloitte by the Supervisory Board (resolution of the Supervisory Board no. 13/2017 of 13 March 2017). On 14 June 2017, VIA4 entered into an agreement with Deloitte for the audit of the financial statements in the years 2017–2018. On 17 January 2018, VIA4 and Deloitte entered into a similar agreement as in the case of Stalexport Autostrady.

Deloitte's total remuneration for the audit of the financial statements for 2017 was set at the net amount of PLN 80.9 thousand, including remuneration for work related to the following:

- audit of the interim financial statements for the period of 6 months ended on 30 June 2017: PLN 53.4 thousand;
- audit of the annual financial statements for 2017: PLN 27.5 thousand.

The limit for additional costs subject to reimbursement was set at 5%.

Deloitte's total net remuneration for the audit of the financial statements for 2016 amounted to PLN 80.9 thousand, including remuneration for work related to the following:

- audit of the interim financial statements for the period of 6 months ended on 30 June 2016: PLN 53.4 thousand;
- audit of the annual financial statements for 2016: PLN 27.5 thousand.

The limit for additional costs subject to reimbursement was set at 5% and the actual costs amounted to PLN 4 thousand. In accordance with the powers stipulated in the Statutes of VIA4, the audit of the financial statements of VIA4 for 2016 was entrusted to Deloitte by the Supervisory Board. On 25 June 2014, VIA4 entered into an agreement with Deloitte for the audit of the financial statements in the years 2014–2016.

(v) Biuro Centrum

The audit of the financial statements of Biuro Centrum for the year 2017, in accordance with the powers defined in the Articles of Association of Biuro Centrum, was entrusted by the company's Supervisory Board to POL-TAX 2 Sp. z o.o. in Warsaw, entered on the National Council of Statutory Auditors list of entities authorised to audit financial statements under the number 4090.

The agreement related to the audit of the separate financial statements of Biuro Centrum for 2017 was entered into on 24 October 2017. The remuneration which POL-TAX 2 Sp. z o.o. will receive in relation to that will amount to PLN 4 thousand (net).

The audit of the financial statements of Biuro Centrum for the year 2016 was entrusted by the Supervisory Board to DB AUDYT Sp. z o.o. The agreement related to the audit of the separate financial statements of Biuro Centrum for 2016

was entered into on 09 November 2016. The remuneration which DB Audyt Sp. z o.o. received in relation to that amounted to PLN 5.8 thousand (net).

5.21 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.

6. PERSPECTIVES FOR DEVELOPMENT AND MAJOR RISKS AND THREATS; DESCRIPTION OF THE EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE STALEXPORT AUTOSTRADY CAPITAL GROUP'S DEVELOPMENT

6.1 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 perceived road infrastructure.

An example was 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 GDDKiA and subsequently annulled on 18 January 2018. The fact that the company CATTERICK INVESTMENTS Sp. z o.o., 10% of whose shares are held by Stalexport Autostrady, participated actively in the said procedure, constitutes significant information.

As far as internal growth is concerned, the Capital Group has been making and will continue to make efforts to improve the quality of services provided to the motorway users by way of improvements of the toll collection system, allowing the customers to diversify the range of toll payment methods. These efforts are intended to improve the flow capacity at the toll plazas and to shorten the transaction time. An example of such activities undertaken on the part of the Stalexport Autostrady Group was the pioneer project (among toll motorway concessionaires in Poland) consisting in the introduction of an electronic toll collection system using the microwave technology (in accordance with EU directives) under the commercial name of "A4Go" (www.karta4go.pl), making it possible to drive through the toll plazas operated on the A4 Katowice–Krakow section more conveniently and faster compared to using different payment forms.

It was possible to implement this project thanks to the experience of the companies from the Atlantia capital group, an international leader in the electronic toll collection sector.

6.2 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 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 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 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 Capital Group.

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

7.1 INTRODUCTION

In compliance with the obligation stipulated in §91(5)(4) of the Ordinance concerning current and periodic information, the Management Board of Stalexport Autostrady publishes this statement of compliance by the Company's application of the corporate governance rules specified in the DPSN 2016 collection in the period from 1 January until 31 December 2017.

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

The Management Board of Stalexport Autostrady declares that the corporate governance rules the Company was subject to in 2017, i.e. the DPSN 2016, are publicly available on the following web pages:

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

7.3 INFORMATION ON THE EXTENT TO WHICH THE COMPANY DEPARTED FROM THE PROVISIONS OF THE ABOVE-MENTIONED CORPORATE GOVERNANCE RULES, IDENTIFICATION OF THESE PROVISIONS AND EXPLANATION OF THE REASONS

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

According to the said report by Stalexport Autostrady, the Company did not observe 3 recommendations: VI.R.1., VI.R.2., VI.R.3. as well as 4 specific rules: I.Z.1.9., II.Z.8., III.Z.3., VI.Z.1.; however, recommendation VI.R.3 and rule II.Z.8 were observed from 20 May 2016. The rules from which the Company departed are presented in the table No 14, with an explanation of the reasons.

TABLE 14
Rules from which the Company departed with an explanation of the reasons

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

Source: The Company's own compilation

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

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

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

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

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

7.5 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 as at 31 December 2017 and as at the date of this Report are listed in the table no. 15.

TABLE 15
List of Stalexport Autostrady's shareholders holding significant blocks of the Company's shares (as at 31 December 2017 and as at the date 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: Source: The Company's own compilation based on notifications received by the Company from shareholders pursuant to Articles 69 and 69a in relation to Article 87 of the Act on Public Offering, on the Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies

7.6 HOLDERS OF ANY SECURITIES GIVING SPECIAL CONTROL RIGHTS AND A DESCRIPTION OF THESE RIGHTS

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

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

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

7.8 INFORMATION ON ALL LIMITATIONS REGARDING TRANSFERRING THE OWNERSHIP RIGHTS TO THE COMPANY'S SECURITIES

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

7.9 DESCRIPTION OF THE RULES OF APPOINTING AND DISMISSING MANAGING PERSONS AND THEIR RIGHTS, IN PARTICULAR THE RIGHT TO DECIDE ON THE ISSUANCE OR BUYBACK OF SHARES

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

The powers of the Management Board are specified in the Statutes of the Company, Regulations of the Management Board issued on the basis of these Statutes, the Code of Commercial Companies and other generally applicable laws. The Statutes of Stalexport Autostrady and the Regulations of the Management are available on the corporate web page of Stalexport Autostrady (www.stalexport-autostrady.pl).

7.10 DESCRIPTION OF THE RULES OF AMENDING THE STATUTES OR ARTICLES OF ASSOCIATION OF THE COMPANY

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

7.11 THE GENERAL MEETING'S RULES OF PROCEDURE AND ITS BASIC POWERS AND THE DESCRIPTION OF THE RIGHTS OF SHAREHOLDERS AND THE WAY OF EXERCISING THESE RIGHTS, IN PARTICULAR THE RULES STIPULATED IN THE REGULATIONS OF THE GENERAL MEETING IF SUCH REGULATIONS WERE ADOPTED, UNLESS INFORMATION IN THIS RESPECT RESULTS DIRECTLY FROM THE LAW

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

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

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

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

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

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

- 1) approval, upon review, of the Management Board's Report on the Company's Activities and of the financial statements for the previous financial year;
- 2) distribution of profit/covering of losses;
- 3) acknowledgement of the fulfilment of duties by members of the Management Board and members of the Supervisory Board;
- 4) disposal and lease of the enterprise or of its organised part and establishment of a limited right in rem over them;

- 5) issuing of convertible bonds or senior bonds;
- 6) review and approval of the financial statements of Stalexport Autostrady Group;
- 7) amendment to the Company's Statutes, including change of the objects of the Company, share capital increase or decrease and redemption of shares;
- 8) material change of the objects of the Company;
- 9) dissolution and liquidation of the Company;
- 10) Company's merger, demerger and transformation;
- 11) appointment of members of the Supervisory Board after their number has been determined for the given term of office and their dismissal;
- 12) determination of the remuneration rules for the appointed members of the Supervisory Board.

7.12 COMPOSITION AND ITS CHANGES WHICH TOOK PLACE IN THE LAST FINANCIAL YEAR AND DESCRIPTION OF THE ACTIVITY OF THE BODIES MANAGING, SUPERVISING OR ADMINISTERING THE COMPANY AND OF THEIR COMMITTEES

(i) Management Board

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

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

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



**Emil Wąsacz – President
of the Management Board**



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

(ii) Supervisory Board

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

On 14 April 2016, the Ordinary General Meeting of Stalexport Autostrady 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. Nicolò Caffo,
2. Aleksander Galos,
3. Roberto Mengucci,
4. Marco Pace,
5. Stefano Rossi,
6. Massimo Sonogo,
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.

The Company's Supervisory Board continued to be composed of the members listed above until 15 December 2017, because Mr Nicolò Caffo had resigned as member of the Supervisory Board on 23 November 2017, with the resignation taking effect on 15 December 2017.

The Supervisory Board operating in the period from 16 December 2017 until 26 January 2018 was composed of the following 6 persons:

1. Aleksander Galos – Deputy Chairman,
2. Roberto Mengucci – Chairman,
3. Marco Pace,
4. Stefano Rossi – Secretary,
5. Massimo Sonogo,
6. Tadeusz Władyka.

On 26 January 2018, before proceeding in accordance with the agenda of the Extraordinary General Meeting of Stalexport Autostrady, Mr Tadeusz Władyka resigned as member of the Supervisory Board.

The Company's Extraordinary General Meeting held on 26 January 2018 decided that the Supervisory Board of Stalexport Autostrady of the ninth term (2016–2018) would continue to be composed of seven members and appointed the following two new members of the Supervisory Board:

1. Tomasz Dobrowolski,
2. Flavio Ferrari.

From that time until the day of preparation of the Report, the Supervisory Board was composed of the following 7 members:

1. Tomasz Dobrowolski,
2. Flavio Ferrari,

3. Aleksander Galos – Deputy Chairman,
4. Roberto Mengucci – Chairman,
5. Marco Pace,
6. Stefano Rossi – Secretary,
7. Massimo Sonogo,

The following committees function within the Supervisory Board: The Remuneration Committee and the Audit Committee, operating as advisory and opinion-forming bodies for the Supervisory Board. Their composition in the reporting period was the following:

Remuneration Committee (renamed on 16 October 2017, previously literally “Committee in charge of Remuneration” in Polish).

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

Audit Committee:

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

On 30 January 2018, in relation to the resignation of Mr Tadeusz Włudyka as member of the Supervisory Board of Stalexport Autostrady, the Supervisory Board filled the vacancy on the said committees, appointing Mr Tomasz Dobrowolski as their member. From that moment until the date of preparation of the Report, the composition of the said committees of the Supervisory Board was the following.

Remuneration Committee:

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

Audit Committee:

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

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

Mr Tadeusz Włudyka also met the above criteria in the period in which he performed his functions on the Supervisory Board of Stalexport Autostrady.

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

The Supervisory Board's committees operate pursuant to the regulations adopted by the Supervisory Board forming Enclosures to the Regulations of the Supervisory Board. They are also available from the corporate web page of the Company (www.stalexport-autostrady.pl).

(iii) Proxies

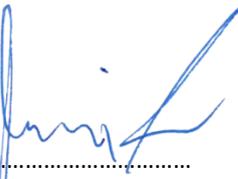
Pursuant to Article 371 §4 of the Code of Commercial Companies, proxies are appointed by the Management Board. In the reporting period, there were no proxies in the Company.

8. SUMMARY

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

Vice-President of the Management Board

CFO



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Mariusz Serwa

President of the Management Board

CEO



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Emil Wąsacz

Mysłowice, 28 February 2018

9. STATEMENTS

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

Statement

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

At the same time we represent that the annual Management Board's Report on the Activities of the Stalexport Autostrady S.A. Capital Group in 2017 gives a true presentation of the Capital Group's development, achievements and position, including the description of major risks and threats.

Vice-President of the Management Board

CFO



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Mariusz Serwa

President of the Management Board

CEO



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Emil Wąsacz

Mysłowice, 28 February 2018

9.2 MANAGEMENT BOARD'S STATEMENT STATING THAT THE ENTITY AUTHORISED TO AUDIT THE FINANCIAL STATEMENTS, AUDITING THE 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 CONDUCTING THE AUDIT HAVE MET THE CONDITIONS REGARDING ISSUING IMPARTIAL AND INDEPENDENT OPINION ON THE AUDITED ANNUAL FINANCIAL STATEMENTS, IN LINE WITH THE APPLICABLE PROVISIONS OF THE LAW AND PROFESSIONAL STANDARDS

Statement

We hereby represent that Deloitte, authorised to audit the financial statements, auditing the annual consolidated financial statements for 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 above-mentioned entity and the chartered auditors conducting the audit met the conditions regarding the issuing of an impartial and independent opinion on the audited annual consolidated financial statements, in line with the applicable provisions of the law and professional standards.

Vice-President of the Management Board

CFO



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Mariusz Serwa

President of the Management Board

CEO



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Emil Wąsacz

Mysłowice, 28 February 2018

10. ENCLOSURE

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

SELECTED FINANCIAL DATA OF THE STALEXPORT AUTOSTRADY CAPITAL GROUP

Financial figures from the Consolidated Financial Statements of Stalexport Autostrady Group for the period of 12 months ended 31 December 2017

	in PLN '000		in EUR '000	
	2017	2016	2017	2016
Revenue	318 831	292 853	75 113	66 927
Results from operating activities	216 409	222 761	50 983	50 909
Profit before income tax	198 392	201 791	46 739	46 116
Profit for the period	158 780	165 294	37 407	37 775
Profit for the period attributable to owners of the Company	153 382	159 563	36 135	36 466
Weighted average number of ordinary shares at the end of period (in thousands)	247 262	247 262	247 262	247 262
Profit of owners of the Company per 1 share (in PLN/EUR)	0.62	0.65	0.15	0.15
Diluted profit of owners of the Company for per 1 share (in PLN/EUR)	0.62	0.65	0.15	0.15
Net cash from operating activities	200 044	200 597	47 128	45 843
Net cash used in investing activities	(12 904)	32 268	(3 040)	7 374
Net cash used in financing activities	(157 199)	(53 913)	(37 034)	(12 321)
Total net cash flows	29 941	178 952	7 054	40 897
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Total assets	1 438 346	1 446 646	344 853	327 000
Non-current assets	1 009 401	1 059 736	242 010	239 542
Current assets	428 945	386 910	102 842	87 457
Total liabilities	740 173	859 818	177 461	194 353
Non-current liabilities	456 369	682 793	109 417	154 338
Current liabilities	283 804	177 025	68 044	40 015
Total equity	698 173	586 828	167 391	132 646
Total equity attributable to owners of the Company	693 479	581 829	166 266	131 517
Non-controlling interest	4 694	4 999	1 125	1 130
Share capital	185 447	185 447	44 462	41 918

Source: The Company's own compilation

Selected financial data is converted into EUR according to the following rules:

- items of the consolidated financial statements concerning comprehensive income and the consolidated cash flow statement for 2017 and for 2016 based on the exchange rate being an arithmetic mean of average exchange rates announced by NBP, applicable on the last day of each month during the period, i.e. 4.2447 PLN/EUR and 4.3757 PLN/EUR respectively;
- items of assets and liabilities based on the average exchange rate published by NBP, applicable as at the t date, i.e. 4.1709 PLN/EUR as at 31 December 2017 and 4.424 PLN/EUR as at 31 December 2016 respectively.