

**Management Board Report
on the business of the Company Autostrada Wielkopolska II S.A.
in 2020**

I. General information on the Company and its commercial strategy

Autostrada Wielkopolska S.A. (hereinafter: AWSA II, the Company, the Concessionaire) with registered office in Poznań, Stanisława Zwierzchowskiego 1, 61-248 Poznań, entered into the Register of Entrepreneurs kept by the Regional Court for Poznań - Nowe Miasto and Wilda districts, Commercial Division VIII of the National Court Register, under number KRS 328015, statistical number REGON: 301079490, taxpayer number NIP: 782-246-78-45, <https://www.autostrada-a2.pl/>

AWSA II was established as a result of the negotiations between Autostrada Wielkopolska S.A. (hereinafter AWSA) with the public party during which it was agreed that for the sake of securing financing for the construction of A2 motorway the funding sources for Section I (Nowy Tomyśl - Konin) and Section II (Świecko - Nowy Tomyśl) should be separated. Such move permitted minimizing the risks related to the procuring of financing for the construction of Section II. On 30 August 2008 AWSA entered into an Agreement for the Construction and Operation of Section II of A2 Toll Motorway (COA) with the Minister of Infrastructure, which superseded the existing Original Concession Agreement with respect to the provisions governing the design, construction, financing and operation of Section II. AWSA became the first shareholder to AWSA II. In view of, among others, the requirements of the public party, the concession for the Section II project was assigned from AWSA to AWSA II. The assignment of rights was effected due to the powers of the Minister of Infrastructure under COA. Thus AWSA II assumed the rights and obligations of AWSA under COA. A party to the COA on behalf of the Polish government is the Minister of Infrastructure, while the body responsible for its implementation is the General Directorate of National Roads and Motorways. After Section II had been built, it was commissioned for operation under a separate contract to the existing operator of Section I, the company Autostrada Eksploatacja S.A. (AESA) as the company that had the required expertise and experience in this respect. The fact that AWSA and AWSA II avail themselves of the services of AESA permits optimizing the Companies' operations and ensures professional quality of the services delivered. The support from AESA permits AWSA and AWSA II to duly perform their obligations under the concession agreements with the government.

II. Competitive environment

Road infrastructure is vital for the economy and the construction of A2 motorway from the German border to Konin (255 km) is part of the important transportation link for Poland, as well as for Europe, as it connects our motorway network with the European one. A2 Motorway is part of the Transeuropean Road Network. AWSA and AWSA II are implementing the biggest concession-based infrastructural investment project in Poland under the Public Private Partnership model. The model adopted by the government for the financing of construction and managing motorways, coupled with the special nature of the market for management and operation of motorways in Poland resulted in a situation where the Polish motorways are currently managed by the central governmental authority - GDDKiA and two other private concessionaires, in addition to AWSA and AWSA II, i.e. Stalexport Autostrada Małopolska S.A., operating A4 motorway in the section Katowice - Kraków and Gdańsk Transport Company S.A., operating A1 motorway in the section Rusocin - Nowa Wieś.

According to applicable law, eventually all Polish motorways will be tolled. Nowadays, toll is charged on the following motorway sections:

- 1) A2 motorway in the section Świecko - Stryków (Section I operated by AWSA, Section II operated by AWSA II and the section Konin - Stryków operated by GDDKiA),
- 2) A1 motorway in the section Rusocin - Nowa Wieś (operated by Gdańsk Transport Company S.A.)



- 3) A4 motorway in the section Kraków – Katowice (operated by Stalexport Autostrada Małopolska S.A.) and in the section Wrocław (Bielany Wrocławskie interchange) – Sośnica (operated by GDDKiA).

The Concessionaires responsible for the construction/ upgrading, operation and maintenance of toll motorway sections in Poland fall under one of the two settlement systems with the government: real toll settlements (motorway sections operated by AWSA and Stalexport Autostrada Małopolska S.A.) and availability fee system (motorway sections operated by AWSA II and Gdańsk Transport Company S.A.). These two systems are differentiated between by the allocation of traffic risk and the related toll-setting system for the concession motorway section users.

Under the real toll system the managing company pays the operating costs, as well as those of financing construction, upgrade and rehabilitation of the motorway, solely from the toll revenues it generates. Under this model, the traffic risk on the sections in question remains solely with the private partner. The toll rates are set by the concessionaire based on the concession agreement entered into with the government (the concessionaire may set the toll rates within the limits agreed with the public party), the financial model and traffic forecast.

The availability fee system is characterized by the public party bearing the traffic risk, thus being entitled to formulate its own pricing policy on the motorway. Under this model, the private partner bears no traffic risk and is rewarded by the State Treasury for ensuring full availability of the motorway by way of an availability fee paid on a regular basis in the amount specified in the agreement. The public party may make deductions from the availability fee or charge the concessionaire with penalty points translating into financial dimension whenever the concessionaire fails to comply with the provisions of COA with respect to the provision of availability of the motorway or substandard service. However, the amount of the availability fee is independent of the toll revenues collected by the concessionaires (more specifically, companies responsible for the maintenance and operation of motorways) and transferred to the National Road Fund from which the concessionaires are paid the availability fee from the day of opening the motorway to traffic to the day of expiration of the agreement. Availability fee is meant to pay the extension costs, if any, as well as the operating costs, debt service and the return on equity to the concessionaire. Under this system, in the period since the opening to traffic until the date of expiration of the agreement, private partners are obligated to collect tolls on the motorway, with the proceeds feeding the National Road Fund from which subsequently the companies receive their availability fees.

This means that AWSA and AWSA II are the only concessionaires in Poland that are subject, on a single mainline motorway, to two different payment systems vis a vis the government. Other market players are subject to a single toll collection and settlement system, respectively: Stalexport Autostrada Małopolska S.A. in the open system and Gdańsk Transport Company in the closed system. As required by the public party, the concessionaires are bound to establish individual special purpose vehicles that provide to them services of ongoing maintenance and operation of the motorway. AESA is the only SPV providing services to two concessionaires: AWSA and AWSA II. The SPVs established by other concessionaires: Stalexport Autostrada Małopolska S.A. and Gdańsk Transport Company S.A. include, respectively: VIA4 S.A. and Intertoll Polska Sp. z o.o.

III. Company Shareholders

The Company share capital is divided into 2,113,400 shares of stock of the issue, respectively A, B, and C, of the par value of PLN 100.00 each. The majority of the Company shares are held by Meridiam Infrastructure A2 West S.à.r.l., i.e. the investment vehicles controlled by the Meridiam investment funds specializing in infrastructural investments and by Kulczyk Investments group. Within the period between 01.01.2020 until the day of preparing this Management Board report on the Company business, there were no changes in the Company shareholding structure.



IV. The current and forecast financial position of the Company

The asset structure of the Company remains typical for this kind of public infrastructure projects, where the majority business risk (predominantly the revenue risk) is borne by the Minister of Infrastructure. Fixed assets account for about 83%, with only 17% of current assets, of which 78% are trade receivables and the short-term part of the financial asset. Fixed assets include, as follows: 99.5% is the long term part of the financial asset, i.e. the receivable from the implementation of the project consisting in the construction and operation of the toll motorway requested by the Minister of Infrastructure, while 0.5% is the loan given to Autostrada Eksploatacja S.A.

The balance sheet total as at 31 December 2020 is PLN 5,988.6m and is by PLN 300.7m higher than the preceding year. This fact, despite the repayment of the financial asset, is attributable to the increase of the EUR/PLN exchange rate by 8.4 percentage points compared to 31 December 2019. The asset financing structure has not changed materially. 8.2% of assets are financed with equity, with the remaining part being financed with debt, of which 87.7% are loans, borrowings and other financial instruments.

The Company equity as at the reporting date is PLN 489.8m and is higher than one disclosed as at 31 Dec. 2019 by PLN 86.7m.

In the period covered by these financial statements there were no amendments to any facility agreements. In 2020 the Company repaid principal installments of senior loans, the EIB loan and subordinated loans in the aggregate amount of EUR 55.9m, of which EUR 27.9m was paid in the second half of the year.

The revenues gained by the Company from operation services and secondary facilities during the current reporting period totaled PLN 260.5 M which permitted paying the 169.2 million operating cost and generating PLN 91.3 million sales profit, corresponding to 35% of the sales revenues. Lower sales profit is attributable to the intensified rehabilitation and construction works and the update of the heavy maintenance program.

When reviewing the other Company operations, it is noteworthy that the adverse impact on the Company performance has been exerted mainly by the financial activity, i.e. the interest expense totaling PLN 240.7 M. In addition, as a result of the depreciation of Polish Zloty against Euro, the Company reported excess of the f/x gains over losses totaling PLN 61m. Another factor enhancing the Company's financial performance was the recognition of the revenues from the discounting of the financial asset totaling PLN 260.6m. Eventually, the final performance of the Company yielded a net profit of PLN 137.8 M.

The asset structure and the funding sources are also the determinants of the cash flows. During the reporting period the Company generated PLN 605.5 M positive cash flows on operating activity which permitted to service the principal installments repayment of loans and borrowings, as well as the debt financing cost totaling PLN 463.3 M and to finance the distribution of dividend amounting to PLN 49.7 M. Eventually, the cash as at the end of December 2020 increased compared to the beginning of the year by PLN 98.5 M.

The Management Board resolved to submit to the General Meeting a proposal to distribute the profit in that the amount of PLN 75.0m shall be allocated for dividend distribution, while PLN 62.8m will be remain undistributed.

To summarize, the Company enjoys a very steady financial standing that is periodically audited by its partner financial institutions. The Management Board declares there exist no reasons that could affect the present financial standing of the Company or jeopardize the Company's continued business as a going concern during the next 12 months. Since the project operation is based on the Availability Fee, no material variation is expected in the revenue area, except for what is explicitly provided for contractually.



V. Financial instruments

The Company holds the following financial instruments: loans granted, bank loans and borrowings incurred. The Company bears partial risk of cash flow volatility in connection with the EURIBOR quotations, as well as the risk of the fixed rate loan fair value fluctuation.

The Company hedges the interest rate risk by way of Interest Rate Swap (IRS) transactions settled in six-month periods. As a result of the IRS transaction, the Company pays the fixed interest rate of 7.221% until 30 June 2024, and 7.721% thereafter, and receives a floating rate based on 6M EURIBOR (6M EURIBOR + spread). The fair value of the instrument in question as at 31 December 2020 was PLN - 112.2m and was recognized under the remeasurement reserve.

VI. Commercial drivers of strongest influence on the Company performance

The commercial drivers that have the strongest influence on the operations of the Company include:

- 1) traffic volumes on A2,
- 2) maintenance quality and efficiency levels on A2,
- 3) situation on the financial markets, including the f/x market and
- 4) regulatory risk (unstable legal regime).

VII. Works relating to the section Świecko - Nowy Tomyśl

A. Defects Liability Period

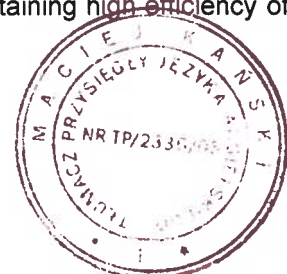
In 2019 the main contractor completed the defect rectification process in the last subsection (Trzciel - Nowy Tomyśl) continued since 2017 and relating to expansion joint fillings, in accordance with the provisions of the "Agreement concerning the defect the process rectification guarantee with respect to the expansion joint defects" dated 23 November 2017. According to the certificates issued by Independent Engineer, each of the subsections has a different date of commencement and end of the defect liability period. In 2020 Independent Engineer issued a Defect Rectification Certificate for the expansion joints in the section Łagów - Jordanowo, thus terminating its defect liability period.

According to the Amending Agreement 2 to the Main Contractor Contract, since 11.02.2020 until 11.02.2023 the defect liability period continues as granted by the main contractor for the cement concrete pavement works in peat areas PA12 (from km 46+600 to km 46+825) and PA15 (from km 60+135 to km 60+495).

B. Rehabilitation works

With a view to ensure good technical condition of the toll motorway facilities, the Company performed a number of rehabilitation works. The major works involved renovation of sedimentary dams in ditches, repainting of the road marking in the entire Section II, refurbishment of the toilet buildings in 4 locations at Rest and Service Areas (MOP Sosna, MOP Gnilec) and at a Toll Plaza (PPO Tarnawa S, PPO Tarnawa N), rehabilitation of the expansion joint system at the mainline engineering structures, small repairs of the cement concrete and stabilization of embankment slopes using gabion boxes with broken aggregate.

Also, the process of sealing the joints between concrete prefabricated elements of the drain was completed and the volume of fixed operating equipment required for maintaining high efficiency of the systems was replaced.



VIII. Operation and maintenance

A. Maintenance

The motorway was being maintained at a high standard in all major areas, i.e. winter maintenance, routine maintenance and interventions in emergencies.

The ongoing checks performed by the Company inspectors with respect to the quality of services performed by the company Autostrada Eksploatacja S.A. demonstrated compliance by the Operator with the standards referred to in the Operating Company Contract and conformity to the Operator's monthly reports.

All Secondary Facilities performed properly. In order to keep the high standard of services provided and meet new expectations of the users, the Company will continue monitoring the motorway maintenance standard by the Operator and the service facilities operated by Service Areas sublessees.

IX. Traffic and Revenues

The average traffic volume weighted by the length of the sections between interchanges for 2020 was 17,729 veh./day (10,777 cars and 6,952 heavy vehicles). Compared to traffic flows recorded in 2019, we have observed a significant drop in total traffic (-15.7%). The drop in traffic volume was caused by mobility restrictions in Poland and the neighboring countries due to the COVID-19 pandemic. The pandemic altered the behavior of individual drivers who worked from home more often, while the changes in the heavy goods vehicles traffic were triggered by the changes in the supply chain and in the production and trade of many companies in Poland and abroad.

Impact of Covid -19 on traffic and revenues:

Given the type of scheme under which the Company receives remuneration for its services which mostly provides for the Minister of Infrastructure paying the availability fee, the Company Management Board is of the opinion that the COVID-19 pandemic has had no material impact on the Company's revenues or business.

X. Environmental protection and monitoring

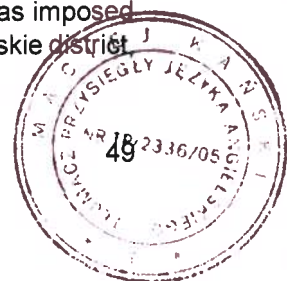
In January 2020 monitoring contracts were signed for the following:

- "Natura 2000 Areas" monitoring,
- active protection of amphibians and reptiles,
- animal bridges monitoring.

The monitoring of protected game migration and the environmental monitoring outside the Right of Way in the "Natura 2000 Areas" performed in 2020 shows no adverse impact of the motorway operation in the environment either in the Right of Way or beyond in particularly sensitive area protected under the Natura 2000 European Network. This means that the Company complies with the requirements of both EU and Polish law.

In 2020 the Company also performed the monitoring of surface waters and groundwaters required by the valid water permits, which also showed no adverse impact on the environment.

In connection with the regulation issued on 7 February 2020 by the Voivode of Lubuskie concerning the spreading of the African Swine Fever (ASF), the Company was required to close all animal passages and culverts the animal bridges in Lubuskie in the section between Świecko and Trzciel as a means of protection against wild boars. At a request of the Minister of Infrastructure, an obligation was imposed on the Company to change the operating conditions of wide animal bridges in the Wielkopolskie district



in the A2 section from Trzciel to Nowy Tomyśl. Wooden access facilities were deployed in order to permit migration of other animals.

In December 2020 GDDKiA performed an inspection of the environmental protection facilities in the entire motorway section, as well as an audit of the technical inspections of the environmental protection facilities by the Company. No irregularities resulting from any acts or omissions of the Concessionaire have been found during inspection.

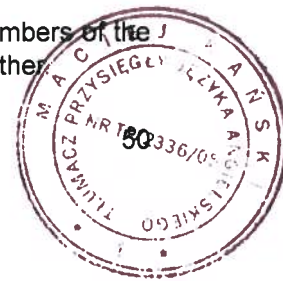
XI. Public Relations and Marketing Activities

In 2020 the Company performed the following PR and Marketing activities:

- 1) Communication activities aimed at drivers' safety improvement on motorways and expressway. Among others, an information campaign was completed on the proper behavior when driving on the motorway, with emphasis on the following rules: abiding by the speed limits, keeping proper distance when driving, safe overtaking, taking a rest and maintaining concentration throughout the trip, etc.
- 2) The restrictions in times of the pandemic made most of the PR activities take place online or under the strict sanitary regime conditions. Despite the pandemic limitations, during the holiday period, when sanitary restrictions were partly lifted, the Company held a "Let's Discover Wielkopolska and Lubuskie Regions" campaign which informed about the sightseeing attractions of the regions through which the concession motorway runs, recommended visiting those places, yet reminding about complying with the sanitary regime. Each week of July and August, a new trip was proposed to unveil the beauty of those two regions.
- 3) Continued conceptual work on the CSR program that would touch upon the issues of traffic safety and proper behavior of drivers.
- 4) Performance of day-to-day duties with respect to liaising with the local and nationwide media, as well as the performance of actions aimed at broadening the drivers' knowledge of motorways and safe driving on expressways.
- 5) The second semester of the "School Talents Academy" was completed. It is a multi year support project for the children of employees of Autostrada Wielkopolska S.A, Autostrada Wielkopolska II S.A and Autostrada Eksploatacja S.A. launched in 2018 by Sebastian Kulczyk in the Ciech Group. AWSA, AWSA II and AESA joined this project in the fall of 2019. The participants receive assistance from graduates of the best universities of the world in developing their talents and skills and choosing the best education path.
- 6) An information campaign was launched in connection with the requirement to close the animal bridges, as per the regulation of the Voivode of Lubuskie concerning the ASF disease. The campaign involved providing local media with a request to drive carefully through the concession section of A2 because of the closure of animal bridges, with the Central Control Facilities sending repeated text messages requesting careful driving. Information about closed animal bridges was also tweeted by the Company, in cooperation with Yanosik and Waze apps. Drivers using those apps were receiving graphic messages when entering the concession sections of A2 with a warning about closed animal bridges.
- 7) Sponsorship and communication activities in relation to the 30th Malta Festival in Poznań. The Company became a Major Sponsor of the Festival.
- 8) The "Let's take care of one another" event was launched, individually by the Company or together with the Operator, which provided for raising awareness among drivers or enhancing their safety in terms of combating the pandemic. The health care service support was also provided. Cyclical information campaigns were launched in respect of complying with the sanitary regime, as well as information actions about the AWSA's and the Operator's compliance with the recommendations of the Chief Sanitary Inspectorate.

XII. Achievements in research and development

In 2020 the Company carried out no research and development activity. There are no members of the group that would be responsible for research and development or management thereof, either



XIII. Own shares / stock

Non applicable.

XIV. Branches (plants) owned by the Company

Non applicable.

XV. Events following the reporting date

Non applicable.

Sebastian Joachimiak
Member of the Management Board

Krzysztof Andrzejewski
Member of the Management Board

Poznań, 10 March 2021

This is to certify the completeness and correctness of the foregoing translation from Polish.

Translation has been performed based on the electronic format and image of the document and does not include any verification of figures appearing therein.

Pages 56 (62559 characters). Fee as per the Regulation of the Minister of Justice of 8 October 2019 amending the Regulation concerning the fees for Sworn Translators and Interpreters (Polish Official Journal [Dziennik Ustaw] 2019 item 1975).

Reg. no. 7_2021

Poznań, 24 March 2021

Maciej Kański
Certified translator and interpreter of English

