

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

I. General information on the Company and its commercial strategy

Autostrada Wielkopolska S.A. (hereinafter: AWSA, 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 1970, statistical number REGON: 632243012, taxpayer number NIP: 972-005-04-33, <https://www.autostrada-a2.pl/>.

AWSA was established in 1992 with a view to implement the motorway construction program in Poland. On 10 March 1997 AWSA won the international tender for the construction and operation of A2 motorway from Świecko to Stryków and was awarded 3 concessions for the sections between, respectively, Świecko - Poznań, Poznań - Konin and Konin - Stryków, for the term of 30 years each. Subsequently, the Minister of Transport and Maritime Economy entered into the Original Concession Agreement with AWSA, under which AWSA designed, built, financed and has been operating Section I Nowy Tomyśl - Konin (hereinafter Section I).

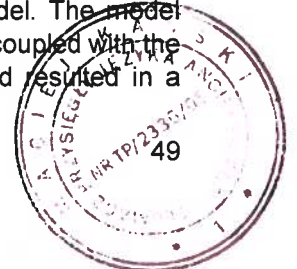
On 5 May 1999 the scope of the Concession was reduced by way of excluding the section Konin - Stryków from the concession-based financing of A2. Concurrently, by way of a decision of the Minister of Infrastructure, new concessions were issued for the sections Nowy Tomyśl - Konin and Świecko - Nowy Tomyśl (the Concessions), for the term of 40 years each. As the Concessionaire, AWSA has not become the owner of A2, but rather ensures performance of the Concession Agreement for the term of 40 years, (until 2037). The land on which the motorway is located remains the property of the State Treasury and AWSA pays an annual rent thereon.

Between 20 December 2002 and 27 October 2004 all three sections of Section I were opened to traffic. During the negotiations with the public party it was agreed that in order to secure financing of the A2 construction, separate sources of funding for Section I and Section II (Świecko - Nowy Tomyśl) should be arranged. 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. The split of the financing of the two motorway sections meant, in practice, that another business entity had to be established to build Section II. For that reason, in 2009 a new company, Autostrada Wielkopolska II S.A. (hereinafter AWSA II) was founded, with AWSA as the sole shareholder. Shortly after AWSA II had been established, its shares were taken over from AWSA by further shareholders. The ongoing operation and maintenance of Section I were entrusted to the special purpose vehicle - Autostrada Eksploatacja S.A. (hereinafter AESA) acting to order of AWSA.

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 entire Poland, as well as for Europe, as it connects Poland with the European motorway network. The A2 Motorway is part of the Trans European 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 demand (traffic) risk on the sections in question remains solely with the private partner. 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, still being obligated by the Concession Agreement to maximize its revenues), the financial model and traffic forecast. The Concessionaire pays any and all costs of renewals, extensions, as well as the operating costs, debt service costs and is expected to provide return on the concessionaire's equity.

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 4,610,000 shares of stock of the issue, respectively A, B, C, D of the par value of PLN 100.00 each. The majority of the Company shares are held by Meridiam Infrastructure A2 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, following transfers of the Company shares took place: shareholder Aleksander Grot sold 321 shares to KI One S.A. with registered office in Warsaw and shareholder Impexmetal S.A. sold 18,000 shares to Boryszew S.A., within the same group.

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 entire business risk is borne by the Concessionaire. Fixed assets account for almost 95%, with only ca. 5% of current assets, of which about 72% is cash.

Fixed assets as at 31.12.2020 included as follows: 53.8% are intangibles, being mainly the rights under the Concession Agreement, 33.8% is the long-term receivable for the funds deposited by the Company on the escrow account of the District Court in Poznań as the security of the payment of the State Treasury's claim due to the decision of the European Commission about the allegedly unlawful State aid, 1.0% is the loan to Autostrada Eksploatacja S.A, 11.3% are prepayments (including the deferred tax asset) and 0.1% other fixed assets.

The balance sheet total as at 31 December 2020 is PLN 4,324.6m and is by PLN 89.4m lower than the preceding year.

Also the structure of assets financing is no different from the standard projects of this type. In the case of the Company, given negative equity, essentially the entire project is financed with debt, of which ca. 75% are loans and borrowings and other financial instruments. In spite of this capital structure drawback, the current cash flows, as well as the financial projections based on the estimated net cash flows and the expected PLN/EUR exchange rate trend make it reasonable to claim there is no threat to the Company as a going concern referred to in Art. 233 CCC. The Company equity as at the reporting date amounts to PLN - 3,703.4m and is lower than one disclosed as at 31 Dec. 2019 by the loss incurred in the current reporting period, i.e. by PLN -596.7m.

It must, however, be noted that despite the net loss, in 2020 the Company generated the sales profit of PLN 310.0m (46.0% compared to the revenue level) which was by as much as PLN 59.0m lower than the performance in 2019. The main reasons for such condition have been: a slump of toll revenues and sublease revenues by a total amount of PLN37.7m (i.e. by ca. 5.6 percentage points YOY) due to the continued coronavirus pandemic and the increased heavy maintenance reserve by PLN 34.7m YOY. The key adverse impact on the net performance of the Company is visible mainly in the area of financial activities, i.e. the interest expense totaling PLN 519.8m and the excess of f/x losses over f/x gains totaling PLN 459.5m. This figure results from the depreciation of Polish Zloty versus Euro (by 8.4 percentage points throughout the financial year).

The asset structure and the funding sources are also the determinants of the cash flows. During the reporting period the Company generated PLN 365.6 M positive cash flows on operating activity which permitted to service the debt financing totaling PLN 451.1 M and to finance the purchase of fixed assets totaling PLN 34.5 M. Eventually, the cash as at the end of 2020 was reduced compared to the beginning of the year by PLN 118.7 M.



In the period covered by these financial statements there were no amendments to any facility agreements. Throughout the year 2020, the Company paid principal installments of Senior Loans according to the schedule, that is in the total amount of EUR 91.7m.

The Management Board resolved to propose to the General Meeting that the loss incurred by the Company in 2020 be covered with future profits.

To summarize, the Company enjoys a steady financial standing that is periodically audited by its partner financial institutions. The Management Board believes that as at the date of this report, 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. Nevertheless, the Management Board cannot predict any potential impact of the third or fourth COVID-19 wave, if any.

V. Financial instruments

The Company holds the following financial instruments: loans granted, bank loans incurred, borrowings, junior bonds issued and deferred payment liability. 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.

In order to partly hedge the interest rate volatility risk for the amended and restated senior loans agreement, in March 2018 the Company entered into two IRS (Interest Rate Swap) contracts hedging 40.7% of its capital. Such contracts provide for replacing the floating interest rate of the commercial loan (6M EURIBOR) with the fixed interest rate of 0.528% and 0.5225% with respect to the drawdown and repayment schedule in line with the facility agreement. Final settlement has been scheduled for December 2023. The fair value of said instrument as at 31 December 2020 was PLN - 6.9m. In order to hedge the PLN/EUR f/x risk, the Company has been entering into forward contracts. Until 31.12.2020, the Company entered into 41 transactions worth EUR 116,300,000 in aggregate. The FX forward contracts resulted in a positive annual measurement of PLN 9.9m.

VI. Commercial drivers of strongest influence on the Company performance

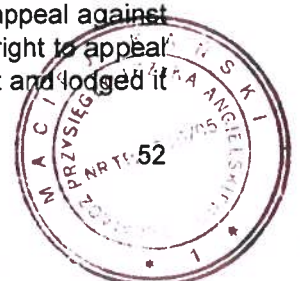
The commercial drivers that have the strongest influence on the operations of the Company include:

- 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).

In 2020 of particular significance for the business of AWSA and the Company's performance was the progress of the COVID-19 pandemic. The impact of the coronavirus pandemic on the operating revenues of the Company has been described in Section IV and Section IX.

VII. Issues related to the European Commission Decision

On 25 August 2017 the European Commission issued a decision in which it demanded that the State Treasury recover from the Company ca. PLN 895.0 M with interest as alleged unlawful State aid incompatible with the internal EU market. In order to enforce the abovementioned decision, the State Treasury filed a case with the District Court in Poznań which issued the payment order on 29 November 2017. In response to that the Company took a number of legal measures including, among others, an appeal to the General Court against the European Commission Decision, requesting dismissal of the Decision-based recovery demand and declaring the decision unlawful. On 24 October 2019 the General Court of the European Union in Luxembourg issued a judgment dismissing the AWSA appeal against the decision of the European Commission (the "Decision"). The Company exercised its right to appeal to the Court of Justice of the European Union against the judgment of the General Court and lodged it



on 20 December 2019. In late October 2020, during the pleadings stage of the proceedings the European Commission and Poland provided their replies to the Court of Justice of the European Union. Both parties continue their existing strategy and sustain their statements. The next stage of the proceedings may involve a hearing.

In February 2018 the Company obtained a facility from the commercial banks which permitted to apply the interim measure in that the Company made the most of the lawfully available option to pay the amount adjudicated by the payment order to the escrow account of the Ministry of Finance. The amount specified in the payment order, together with interest, was transferred to the escrow account with the BGK Bank on 12 March 2018. The abovementioned measures allowed the Company to continue operations and devising further strategy, exercising due care and attention, when considering various potential outcomes of the proceedings both in Polish and European courts.

On 26 March 2018 the Court in Poznań issued a decision whereby: (1) the injunction following the payment order was lifted as a result of the payment by AWSA of the entire amount to the escrow account of the Minister of Finance; (2) the proceedings instituted by Poland before Polish court was suspended until the final judgment of the European Court of Justice on the appeal AWSA lodged against the EC Decision.

On 2 December 2019 the District Court in Poznań recommenced the payment order proceedings and on 11 December 2019 the Court dismissed the Company's request for continued stay. The files of the case were transferred to the Court of Appeals in Poznań for the decision to be made regarding jurisdiction. The Company filed another request for the stay of the proceedings to the Court of Appeals on 9 January 2020. The current status is that the proceedings will remain stayed until the Court of Justice of the European Union issues a binding and irrevocable decision on the complaint filed by the respondent against the decision of the European Commission of 25 August 2017 in case C-933/19P - Autostrada Wielkopolska vs. the Commission (Art. 177 sec. 1 item 31 of the Polish Code of Civil Procedure).

VIII. Operation and maintenance

A. Rehabilitation of pavement in the section Poznań (Krzyszew Interchange)- Września and other works

The Company has identified spot pavement softening issues in the section in question (in particular on the Northern carriageway). The Company ordered detailed pavement examination and diagnostics with a report that would identify the causes of that occurrence, and propose way forward.

In 2020 pavement was rehabilitated at the Kotowo O&M Center, as well as at the Buk interchange roundabout and selected service roads.

B. Rehabilitation of the engineering structures

The rehabilitation of engineering structures performed by the Company included 22 bridges in the section Nowy Tomyśl - Poznań, 6 engineering structures in the section Poznań - Września, 5 engineering structures in the section Września - Konin.

The Company also began rehabilitation works at 20 culverts under the motorway located in the section Września - Konin. The rehabilitation of culverts is scheduled to be completed in Q2 2021.

C. Replacement of the emergency communication system

In 2020, in view of a significant degree of wear and tear and unavailability of spare parts, the Company replaced the emergency roadside telephone system, together with the relevant management system, with respect to Section I. Tests on completion will be performed following the deployment in early 2021.

D. Refurbishment of the toilet buildings



responding to any restrictions imposed upon the society by the government, by way of informing the drivers and reminding them of such restrictions.

- A special event for drivers was held. Between Thursday, 21 May and Sunday, 24 May drivers traveling the concession section of A2 between Poznań and Konin were given sanitizing gel as a gift. It was a joint event by Autostrada Wielkopolska SA and Autostrada Eksploatacja SA, as a result of which 30 thousand of practical sanitizing gel bottles were given to drivers, that could be used both to sanitize hands and the car interior.
- Given the difficult situation of the health service sector, the Company got actively involved in helping the medical facilities. In April Autostrada Wielkopolska donated a state-of -the-art USG machine to diagnose the lungs and heart performance to the Hospital at Lutycka St. As part of the "Let's take care of one another" campaign also chemical agents have been bought that permitted to perform almost 1.5 thousand coronavirus tests by the Medical University of Poznań. The Regional Ambulance Station in Poznań, the hospital in Nowy Tomyśl and the hospital in Słupca were presented with 5.5 thousand protective masks for their staff. In addition, the Regional Ambulance Station in Poznań received more than 900 liters of the hand and surface sanitizing agent. In December 2020 AWSA bought and donated to the Provisional Hospital at the Poznań Fair Grounds: a defibrillator, 2 electrocardiographs, 2 vital signs monitors and 2 printers of ID bands for patients.
- In addition to regular education activities showing positive aspects of using motorways, PR activities were performed that enhanced traffic safety. An information campaign was launched that related to proper behavior when driving on a motorway; banners were put on the toll barriers and toll booths at Toll Plazas to remind the drivers about keeping safe distance, the rules of safe overtaking, taking a rest and staying focused when driving, etc.
- Together with the Operator a media relations campaign was launched dealing with the most frequent causes of accidents on Polish motorways. As a result, a couple of hundred of articles in local and nationwide media were published, dealing with the adjusting speed to road conditions, keeping safe distance, planning stops and rest during long-distance trips, preparing to winter season, etc. All those publications presented opinions, experiences and solutions applied by Autostrada Wielkopolska. The media campaign was supported with auxiliary social media campaign.

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.

In 2020 Autostrada Wielkopolska once again became the major sponsor of the Malta Festival. Due to the coronavirus pandemic, the Festival this time was held in a new formula, mainly online. Performances involving spectators were largely confined, with the final show, originally scheduled for October, being postponed until 2021.

In 2020 the "School Talents Academy" project was continued. It is a multiyear 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. The participants will receive assistance from graduates of the best international universities in developing their talents and skills and choosing the best education path.

XIII. 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.

XIV. Own shares / stock

Non applicable.



XV. Branches (plants) owned by the Company

Non applicable.

XVI. 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 70 (77941 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. 6_2021

Poznań, 24 March 2021

Maciej Kaniyka
Certified translator and interpreter of English

