

Management Board Report on the business of Autostrada Wielkopolska S.A. in 2021

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on the business of the Company Autostrada Wielkopolska S.A.
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*[Stamp with particulars of the company
Autostrada Wielkopolska S.A.]*

I. General information on the Company and its commercial strategy

Autostrada Wielkopolska S.A. (hereinafter AWSA, the Company, the Concessionaire) with registered office at 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. A2 Motorway is part of the



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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.

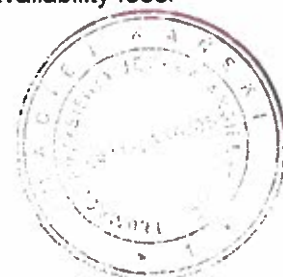
According to applicable law, eventually all Polish motorways will be tolled. Nowadays, toll is charged on the following motorway sections:

- 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) – Sońnica (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.



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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 directly or indirectly 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.

IV. The current and forecast financial position of the Company

The structure of the Company's assets is as follows: almost 95% remain to be fixed assets, with only about 5% of current assets, of which cash accounts for ca. 20% , with more than 48% being other securities in the form of treasury bonds.

Fixed assets as at 31.12.2021 included as follows: 51.5% are intangibles, being mainly the rights under the Concession Agreement, 34.4% 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 unlawful State aid, 1.0% is the loan to Autostrada Eksploatacja S.A., 19.9% are prepayments (including the deferred tax asset) and 0.2% other fixed assets.

The balance sheet total as at 31 December 2021 is PLN 4,241/8 M and is by PLN 82.8 M lower than the preceding year.

The Company still has negative equity, therefore the entire project is financed with debt, of which ca. 79% 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 - 3,235.6 and is higher than one disclosed as at 31 Dec. 2020 by the profit generated in the current reporting period, i.e. by PLN 467.9M.

In 2021, the Company generated profit on sales of PLN 311.3 million (39,3% compared to the level of revenues), which turned out to be very similar to the result achieved in 2020.

The nature of the Company's business, its asset structure and the funding sources are also the determinants of the cash flows. During the reporting period, the Company generated PLN 512.6 million positive cash flows from operating activities, which significantly allowed debt and interest service, as well as the financing of the purchase of fixed assets. Eventually, the cash balance as at the end of 2021 was reduced compared to the beginning of the year by PLN 126.5 M.



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In the period covered by these financial statements there were no amendments to any facility agreements. Throughout the year 2021 the Company paid principal installments of the Senior Loan totaling EUR 113.2 M.

The Management Board resolved to submit to the General Meeting a proposal to distribute the profit generated by the Company in 2021 in that it would cover the accumulated losses incurred in prior years, beginning with the oldest one.

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 is unable to predict the consequences of a possible further wave of COVID-19 pandemic and Russia's invasion of Ukraine.

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. In order to hedge the PLN/EUR f/x risk, the Company has been entering into forward contracts.

VI. Commercial drivers of strongest influence on the Company performance

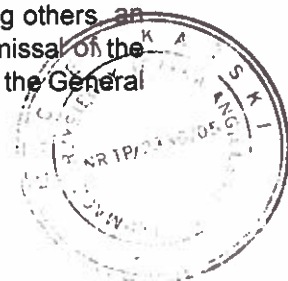
The commercial drivers that have the strongest influence on the operations of the Company include:

- 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).

The year 2021 has been the period of successive waves of pandemic in Poland and worldwide, which did not have such a significant impact on the Company's activities as in 2020. The impact of the coronavirus pandemic on the traffic and 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



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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.

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 Company filed another request for the stay of the proceedings to the Court of Appeals on 9 January 2020. The proceedings were stayed until the Court of Justice of the European Union considered the case and issued a final judgment.

On 11 November 2021, the Court of Justice of the European Union dismissed AWSA's appeal against the judgment of the General Court of the European Union.

In view of the judgment of the Court of Appeal in Warsaw of 26 November 2019 referred to hereinabove, on 15 September 2021, the Minister of Infrastructure demanded payment from AWSA of ca. PLN 5.5M as the refund of the arbitration costs. AWSA challenged such demand for payment within the time limit specified by the Court and requested that the claim be dismissed. With the decision of 27 September 2021 the Court refused to dismiss the claim. As at the date of this submission, AWSA awaits a hearing to be scheduled.

VIII. Operation and maintenance

A. Major resurfacing works

The Company began rehabilitation of the pavement in the section Nowy Tomyśl - Poznań. In 2021, rehabilitation of pavement was completed on the southern carriageway between 108+400 and km 111+750. In 2021 rehabilitation of the pavement on the Bolewice Operation and Maintenance Center and of the Września Interchange was also performed.

B. Rehabilitation of the engineering structures

The rehabilitation of the engineering structures performed by the Company included 2 structures in the section Nowy Tomyśl - Poznań, 6 structures in the section Poznań - Września and 22 structures the section Września - Konin. Minor repair works were also performed on the remaining engineering structures managed by the Company.



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The Company also completed the rehabilitation works that had been commenced in 2020 on 20 culverts under the motorway located in the section Września - Konin.

C. Replacement of the emergency communication system

In 2021, the Company, after performing final tests, completed the replacement of the emergency telephony system and the related management systems.

D. Refurbishment of the toilet buildings

Refurbishment of the toilet buildings located at Rest and Service Areas and Toll Plazas was continued. In 2021 refurbishment covered the facilities located in the motorway section between Nowy Tomyśl and Poznań (7 buildings) and between Poznań and Września (6 buildings). The process is scheduled to be completed mid 2022.

E. Secondary O&M Center in Września

In 2021, the Company signed an Annex to the Concession Agreement with the Government that legitimized construction of such O&M Center (the existing provisions had not envisaged any such Tollroad Facility). In view of the price increase of the construction materials on the market and no possibility to obtain any attractive offer for the performance of works, a decision was made to postpone construction of the O&M Center.

F. Construction of the third lane in the section between Poznań West Interchange and Krzesiny Interchange

The major pavement works affecting traffic in the motorway mainline in both directions were completed in 2019. In 2020- 2021 works were continued relating to the construction, extension and rehabilitation of noise barriers, the infrastructure of the Central Control System, greenery planting and the replacement of the road safety systems at interchanges. In 2021, as required by the contract, the Handover Certificate was issued for part of the Permanent Works.

G. Maintenance

The motorway was being maintained at a high standard in all major areas, i.e. winter maintenance, routine maintenance and interventions in emergencies. Also, works were being performed resulting from the need to replace equipment and fittings in order to make them respond to the changing circumstances and to maintain the required technical efficiency level.

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.

IX. Traffic and revenue

A. Traffic

An increase in traffic flows was observed in 2021 compared to 2020, amounting to, respectively:

- 1) total traffic: Łądek Toll Plaza (15.6%), Nagradowice Toll Plaza 17.9%), Gołuski Toll Plaza (18.3%),
- 2) car traffic: Łądek Toll Plaza (18.2%), Nagradowice Toll Plaza (19.9%), Gołuski Toll Plaza (20.4%),
- 3) heavy goods vehicle traffic: Łądek Toll Plaza (11.6%), Nagradowice Toll Plaza (13.6%), Gołuski Toll Plaza (13.6%).



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B. Toll revenues

In 2021 the Company yielded total net toll revenues of PLN 768 M. On 15 February 2021 the Company launched indexation of the toll rates, in that the rates changed to: PLN 23 for Category I vehicles, PLN 34 for Category II, PLN 52 for Category III, PLN 80 for Category IV and PLN 230 for Category V.

C. Impact of COVID-19 on traffic and revenues

The successive lifting of mobility restrictions, together with the progress in the vaccination process against SARS-CoV, has helped the traffic flows to rebound to levels recorded before the outbreak. Although successive waves of infections caused a temporary reduction in traffic, this was mainly the case for cars and the magnitude of this impact was much lower than in 2020. In addition, the reduction in car traffic was impacted by the continued popularization of various forms of remote work.

X. Toll collection and pricing policy

In view of the changes in macroeconomic factors, in particular the impact of the epidemic on the projection of GDP, CPI and trade indicators, as well as in view of the popularization of remote work, the Company launched indexation of the applicable toll rates. The Company envisaged the indexation of tolls for all vehicle categories in 2022. As of 10 January 2022 the following base toll rates were applied in the sections Nowy Tomyśl – Poznań, Poznań – Września and Września – Konin: Cat. I - PLN 25, Cat. II - PLN 37, Cat. III - PLN 57, Cat. IV - PLN 87 Cat. V - PLN 250

XI. Environmental protection and monitoring

In 2021, each year, the Company performed water tests in line with the water permits held.

The year ending, the Company completed the as-built study for the project consisting in the construction of the third lane and the strengthening of the pavement structure of the A2 motorway in the section between Poznań West Interchange and Poznań Krzesiny Interchange, i.e. from km 155+870 to km 172+000.

The Company:

- commissioned preparation of the Project Brief for the project consisting in the construction of the third lane and the strengthening of the pavement structure of the A2 motorway in the section between Poznań Krzesiny - Poznań Wschód, from km 172+000 to km 179+700.

On 22 September 2021, the Poznań Branch of GDDKiA performed a visual inspection of the care taking and maintenance of greenery on the motorway and at the Rest and Service Areas and Operation and Maintenance Centers, as well as a visual assessment of the condition of the environmental protection facilities/equipment in accordance with the 2021 Monitoring Plan for compliance with the terms of the construction and operation agreements or solely for the operation of motorways and lease agreements for rest and service areas type II and III in the Poznań Branch. The inspection also covered the Partner's performance of technical inspections of the environmental facilities/equipment and follow-up to the resulting findings and recommendations. The abovementioned inspection was performed in line with Article 63d of the Act of 27 October 1994 on toll motorways and the National Road Fund.



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No irregularities resulting from any acts or omissions of the inspected entity were found during inspection. GDDKiA concluded that in view of the proper performance by the Company in this respect, i.e. one being in line with the applicable provisions of law and the terms and conditions of the construction and operation agreement, no additional recommendations should be issued to the Company.

XII. Public Relations and Marketing Activities

The PR activities in 2021 involved the launching of and implementation of the terms of a new communication platform called "Every kilometer matters." Comprehensive communication included: working with local and nationwide media and keeping the media and the public informed about the Company's activities in the field of ensuring quality road infrastructure, safety of drivers traveling in the A2 concession section, and the introduction of state-of-the-art solutions such as modern LED lighting or the Traffic Management System. Meetings were held with journalists (individually and online), OOH and digital campaigns.

The campaign "Every kilometer matters" was launched and inaugurated with a CSR program "Driving course on the motorway", which promotes safe driving and correct maneuvering, and permits practice drives on the motorway with a driving instructor. The summary of the first stage of the "Driving course on the motorway" program was delivered at an online press conference at the end of the year, attended by representatives of the Management Board of AWSA and AWSAll, the Driver Training Centers and the directors of the Regional Traffic Center in Poznań. The Program was under the patronage of the National Road Safety Council, the Marshals of the Wielkopolskie and Lubuskie voivodships and the Mayor of Poznań.

The pandemic coupled with the situation affected by COVID-19 also in 2021 had their impact on the PR and marketing activities of the Company. The "Let's take care of one another" event was launched, individually by the Company or together with the Operator, which was aimed at raising awareness among drivers or enhancing their safety in terms of combating the pandemic. The health care service support was also provided.

In particular:

- Cyclical information campaigns were launched in respect of complying with the sanitary regime, as well as information actions about the Concessionaire's and the Operator's compliance with the recommendations of the Chief Sanitary Inspectorate. On top of that, the Company was responding to any restrictions imposed upon the society by the government, by way of informing the drivers and reminding them of such restrictions.
- The Company was actively involved in assisting medical units, including cooperation with the temporary hospital at the Fair area in Poznań, and financial support to the hospital in Słupca which was transformed into a single-ward isolation hospital.

In addition to regular education activities showing positive aspects of using motorways, PR activities were performed concerning traffic safety. A digital campaign on the rules of correct driving on the motorway was launched. The campaign highlighted the most common causes of accidents on Polish motorways. It reminded the users, among others, about the need to maintain correct speed, proper distance from the vehicle ahead, safe overtaking rules, as well as the need to take a rest and remain focused on the road, etc.

In 2021 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, with limited audience and partly online.



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XIII. Achievements in research and development

In 2021 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

On 24.02.2022 the Russian invasion in Ukraine began. As at the date of these financial statements, the Management Board is of the opinion that such situation is not an event that would entail any adjustments to the financial statements for 2021, still it is an event subsequent to the reporting date that required additional disclosure. The Management Board of the company has not yet identified any material impact of the conflict on the Company's revenues and assets, however its future impact cannot be fully predicted. The Management Board highlights the fact that, after sanctions had been imposed on Russia, along with the restrictions on imports from Ukraine and the exodus of Ukrainian drivers from the trucking market, the Russian-Ukrainian war may bring about the drop in the Company's revenues. This drop may, at the same time, be offset by intra-national relocations. The Management Board will be monitoring the potential impact and will take any steps available in order to mitigate any adverse effect to the Company.

[stamp: Sebastian Joachimiak; Member of
the Management Board]
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Sebastian Joachimiak
Member of the Management Board

[stamp: Krzysztof Andrzejewski; Member of
the Management Board]
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Krzysztof Andrzejewski
Member of the Management Board

Poznań, 18 March 2022

*This is to certify the completeness and correctness of the foregoing translation from Polish.
Pages: 26. Characters: 29324. 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. 2_2022

Poznań, 31 March 2022 (31.03.2022)

Maciej Kański

Certified translator and interpreter of English