

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

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

I. General information on the Company and its commercial strategy

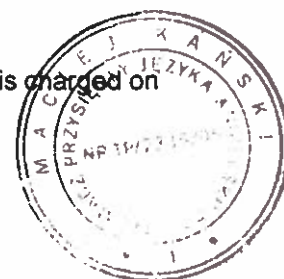
Autostrada Wielkopolska II S.A. (hereinafter AWSAII, the Company, the Concessionaire) with registered office at Stanisława Zwierzchowskiego 1, 61-248 Poznań, entered into the Register of Entrepreneurs kept by the Regional Court for Poznań Nowe Miasto and Wilda districts, Commercial Division VIII of the National Court Register, under number KRS 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for the Construction and Operation of Section II of A2 Toll Motorway (COA) with the Minister of Infrastructure, which superseded the existing Original Concession Agreement with respect to the provisions governing the design, construction, financing and operation of Section II.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. (AESAs) 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 AESAs permits optimizing the Companies' operations and ensures professional quality of the services delivered. The support from AESAs 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:



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- 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 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



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Infrastructure A2 West S.à.r.l., i.e. the investment vehicle controlled by the Meridiam investment funds specializing in infrastructural investments and by the company KI One S.A. belonging to the Kulczyk Investments group. Within the period between 01.01.2021 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 structure of the Company's assets is as follows: fixed assets account for about 81%, with only 19% of current assets, of which 79% are trade receivables and the short-term part of the financial asset. Fixed assets include, as follows: 99.4% 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. and 0.1% are fixed assets and intangibles.

The balance sheet total as at 31 December 2021 is PLN 5,798.0 million and is by PLN 190.6 million lower than the preceding year. The asset financing structure has not changed materially: Almost 9% of assets are financed with equity, with the remaining part being financed with debt, of which 85.4% are loans, borrowings and other financial instruments.

The Company equity as at the reporting date is PLN 518.7 million and is higher than one disclosed as at 31 Dec. 2020 by PLN 28.9 million.

In the period covered by these financial statements there were no amendments to any facility agreements. 2021

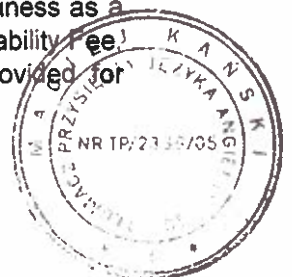
The revenues gained by the Company from operation services and secondary facilities during the current reporting period totaled PLN 298.6 million which permitted paying the 193.6 million operating cost and generating PLN 105.0 million sales profit.

When reviewing 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 227.9 million. A factor that enhanced the Company's financial performance was the recognition of the revenues from the discounting of the financial asset totaling PLN 251.0 million.

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 589.1 million positive cash flows from operating activities, which allowed full debt service and debt financing cost payment, as well as the distribution of dividend in the amount PLN 75.0, as well as an advance towards dividend for the current financial year. Eventually, the cash as at the end of 2021 increased compared to the beginning of the year by PLN 20.9 million.

The Management Board resolved to submit to the General Meeting a proposal to distribute the profit in that the amount of PLN 102.1 million would be allocated for dividend distribution, while PLN 0.1 million would 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.



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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 2021 was PLN -79.9 million 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

B. Rehabilitation works

With a view to ensure good technical condition of the toll motorway facilities, the Company performed a number of rehabilitation works. Major works completed included rehabilitation of the pavement on the Rzepin Interchange and the Torzym Interchange, renovation of the middle supports and stabilizing the embankments of the animal bridges, re-development of the sewage treatment plant at the Koryta Rest Area, cleaning of 13 stormwater ponds and upgrading of the meteorological stations and the emergency roadside telephone network (ERTN).

VIII. Operation and maintenance

A. Maintenance

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



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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 2021 was 21,104 veh./day (13,013 cars and 8,091 heavy vehicles). Compared to the traffic flows recorded in 2020, we have noted growth of the total traffic by 19.0%, composed of a 20.8% growth in cars and a 16.4% growth in trucks. As a result, the recorded total traffic rebounded to the levels observed prior to the pandemic, with truck traffic exceeding the pre-pandemic levels, while car traffic remaining below the traffic flows observed before the outbreak.

X. Environmental protection and monitoring

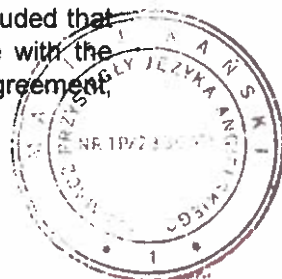
In view of the regulation issued on 7 February 2020 by the Voivode of Lubuskie concerning the spreading of the African Swine Fever (ASF), the Company was required to close all animal passages and culverts the animal bridges in Lubuskie in the section between Świecko and Trzciel as a means of protection 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. The situation persists, with the State Treasury continuing to refund the maintenance costs.

The monitoring of protected game migration (despite the ASF-related closings) and the environmental monitoring outside the Right of Way in the "Natura 2000 Areas" performed in 2021 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 2021 the Company also kept the surface and groundwater monitoring, as required by the water permits in force. In general, the monitoring showed no adverse impact on the environment.

On 28.09.2021 GDDKiA Zielona Góra Branch performed an inspection, according to the *Inspection Plan for 2021 with respect to the concession motorway projects under the Public Private partnership scheme and with respect to the lease of Type III Service Areas located on the motorways*. The abovementioned inspection was performed in line with Article 63d sec. of the Act of 27 October 1994 on toll motorways and the National Road Fund. The inspection involved visual evaluation of the condition of the environmental protection facilities (as well as the inspection of the performance of technical inspections of the environmental protection facilities by the Concessionaire, as well as the Concessionaire's compliance with the ensuing conclusions and recommendations).

During the inspection the Inspection Team of GDDKiA found no irregularities. 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.



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XI. Public Relations and Marketing Activities

In 2021 the Company performed the following PR and Marketing activities:

- 1) In addition to regular education activities showing positive aspects of using motorways, PR activities were performed concerning traffic safety. The communication at Service Areas was continued with regard to the rules of driving on the motorway; also, regular digital campaigns were launched highlighting the most common causes of accidents on Polish motorways, reminding 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.
- 2) COVID19- related restrictions made most of the PR activities take place online, using the OOH media or under a strict sanitary regime.
- 3) The "Every kilometer matters" communication platform - launching and implementing.
- 4) The opening motif of the campaign "Every kilometer matters" was the launching of the CSR program "Driving course on the motorway" which raised the issues of traffic safety and proper driver behavior. Said program is meant to improve the skills and driving techniques of drivers in terms of traveling on motorways and expressways. It 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 AWSAII, 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.
- 5) 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, road infrastructure and safe driving on expressways.
- 6) The information campaign related to the closing of animal bridges required by the regulation of the Voivode of Lubuskie in connection with the ASF disease was continued. Notice of the closed bridges is posted at Rest and Service Areas and has been regularly reminded to drivers in social media of the Company.
- 7) The "Let's take care of one another" event was continued, aimed at raising awareness among drivers or enhancing their safety in terms of combating the pandemic. The health care service support was also provided. 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.
- 8) Additional billboards were put in place at Rest and Service Areas, increasing the space used to communicate with drivers regarding the rules of safe driving.

XII. 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.

XIII. Own shares / stock

Non applicable.



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XIV. Branches (plants) owned by the Company

Non applicable.

XV. 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 notes that in view of the Company's revenue structure (predominantly relying upon the availability payments by the Minister of Infrastructure), imposing sanctions on Russia, curbing the imports from Ukraine or the exodus of Ukrainian drivers from the trucking market will have no material impact on the revenues. The Management Board will be monitoring any potential impact of the conflict on the Company's operation and will take any steps available in order to mitigate any adverse effect.

*[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]
[illegible signature]
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.

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Reg. No. 4_2022

Poznań, 31 March 2022 (31.03.2022)

Maciej Kański

[Handwritten signature]
Certified translator and interpreter of English

