STALEXPORT Autostrady

CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP

as at the day and for the year ended 31 December 2020

Mysłowice, 1 March 2020

CONTENTS

Consolidated statement of comprehensive income
for the year ended 31 December

In thousands of PLN, unless stated otherwise	*Note*	*2020*	*2019*
Revenue	6, 8	289 545	351 487
Cost of sales	6, 9	(96 069)	(89 097)
Gross profit		**193 476**	**262 390**
Other income	10	8 103	6 313
Administrative expenses	6, 9	(101 033)	(139 033)
Other expenses	11	(225)	(514)
Impairment losses on trade and other receivables		(30)	(3)
Operating profit		**100 291**	**129 153**
Finance income		4 141	11 360
Finance expenses		(5 509)	(15 878)
Net finance expense	12	**(1 368)**	**(4 518)**
Share of profit/(loss) of equity accounted investees (net of income tax)		**(272)**	**137**
Profit before income tax		**98 651**	**124 772**
Income tax expense	13.1	(7 195)	(44 376)
Profit for the period		**91 456**	**80 396**
Other comprehensive income			
Items that will never be reclassified to profit or loss for the period			
Change in fair value of equity instruments	18	(168)	(219)
Remeasurement of employee benefits	27	(174)	(236)
Income tax on other comprehensive income	13.3	65	148
		(277)	**(307)**
Items that are or may be reclassified subsequently to profit or loss for the period			
Foreign currency translation differences for foreign operations		27	82
Effective portion of changes in fair value of cash flow hedges		-	(46)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period		-	3 020
Income tax on other comprehensive income		-	(565)
		27	**2 491**
Other comprehensive income for the period, net of income tax		**(250)**	**2 184**
Total comprehensive income for the period		**91 206**	**82 580**
Profit attributable to:			
owners of the Company		87 261	75 526
non-controlling interest		4 195	4 870
Profit for the period		**91 456**	**80 396**
Total comprehensive income attributable to:			
owners of the Company		87 054	77 753
non-controlling interest		4 152	4 827
Total comprehensive income for the period		**91 206**	**82 580**
Earnings per share	24		
Basic earnings per share (PLN)		0.35	0.31
Diluted earnings per share (PLN)		0.35	0.31

The consolidated statement of comprehensive income should be analyzed together with notes, which constitute integral part of the consolidated financial statements

Consolidated statement of financial position
as at

In thousands of PLN	*Note*	*31 December 2020*	*31 December 2019*
ASSETS			
Non-current assets			
Property, plant and equipment	14	31 126	31 813
Intangible assets	15	483 081	438 177
Investment property	16	5 898	6 455
Investments in associates	17	700	973
Other non-current investments	18	457 068	417 794
Deferred tax assets	19	25 929	23 033
Total non-current assets		**1 003 802**	**918 245**
Current assets			
Inventories		3 209	3 064
Current investments	18	181 065	1 574
Income tax receivables	20	350	-
Trade and other receivables	21	13 932	26 301
Cash and cash equivalents	22	229 863	372 868
Total current assets		**428 419**	**403 807**
Total assets		**1 432 221**	**1 322 052**
EQUITY AND LIABILITIES			
Equity	23		
Share capital	23.1	185 447	185 447
Share premium reserve		7 431	7 430
Fair value reserve		(204)	291
Other reserve capitals and supplementary capital		509 752	511 248
Foreign currency translation reserve		-	143
Retained earnings and uncovered losses		158 600	81 776
Total equity attributable to owners of the Company		**861 026**	**786 335**
Non-controlling interest	23.5	4 853	9 429
Total equity		**865 879**	**795 764**
Liabilities			
Non-current liabilities			
Lease liabilities	26	3 102	3 112
Employee benefits	27	6 445	4 452
Deferred income	29	4 359	5 191
Other non-current liabilities	28	20 164	17 567
Provisions	31	371 303	314 374
Total non-current liabilities		**405 373**	**344 696**
Current liabilities			
Lease liabilities	26	125	125
Income tax liabilities	20	21 619	20 555
Trade and other payables	32	67 045	90 307
Employee benefits	27	640	857
Deferred income	29	832	832
Contract liabilities	30	7 978	6 570
Provisions	31	62 730	62 346
Total current liabilities		**160 969**	**181 592**
Total liabilities		**566 342**	**526 288**
Total equity and liabilities		**1 432 221**	**1 322 052**

The consolidated statement of financial position should be analyzed together with notes, which constitute integral part of the consolidated financial statements

Consolidated statement of cash flows
for the year ended 31 December

In thousands of PLN	*Note*	*2020*	*2019*
Cash flows from operating activities			
Profit before income tax		**98 651**	**124 772**
Adjustments for			
Depreciation and amortisation	9	58 779	57 005
Foreign currency translation differences for foreign operations		27	82
Gain on disposal of intangible assets and property, plant and equipment	10	(34)	(173)
Interest and dividends		(4 304)	(5 158)
Share of (profit)/loss of equity accounted investees		272	(137)
Change in receivables		12 369	11 059
Change in inventories		(145)	(173)
Change in trade and other payables		(19 866)	49 782
Change in provisions		(3 351)	(10 083)
Change in deferred income		(832)	(831)
Change in contract liabilities		1 408	468
Cash generated from operating activities		**142 974**	**226 613**
Income tax paid		(9 312)	15
Net cash from operating activities		**133 662**	**226 628**
Cash flows from investing activities			
Investment proceeds		**315 126**	**13 121**
Sale of intangible assets and property, plant and equipment		268	222
Proceeds from non-current deposits held for investment expenditures		310 265	328
Dividends received		-	7
Dividends from equity accounted investees		-	234
Interest received		4 593	12 330
Investment expenditures		**(570 576)**	**(25 001)**
Acquisition of intangible assets and property, plant and equipment		(40 778)	(25 001)
Acquisition of financial assets	18	(529 798)	-
Net cash used in investing activities		**(255 450)**	**(11 880)**
Cash flows from financing activities			
Financial expenditures		**(21 217)**	**(175 621)**
Dividends paid, including attributable to:	23.4	(21 091)	(91 487)
owners of the Company		(12 363)	(91 487)
non-controlling interest		(8 728)	-
Repayment of loans and borrowings		-	(77 723)
Interest paid		-	(6 285)
Payment of lease liabilities	26	(126)	(126)
Net cash used in financing activities		**(21 217)**	**(175 621)**
Total net cash flows		**(143 005)**	**39 127**
Change in cash and cash equivalents		**(143 005)**	**39 127**
Cash and cash equivalents at the beginning of the period		**372 868**	**333 741**
Cash and cash equivalents at the end of the period		**229 863**	**372 868**

The consolidated statement of cash flows should be analyzed together with notes, which constitute integral part of the consolidated financial statements

Consolidated statement of changes in equity

In thousands of PLN

	Note	Share capital	Share premium reserve	Fair value reserve	Hedging reserve	Other reserve capitals and supplementary capital	Foreign currency translation reserve	Retained earnings and uncovered losses	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
As at 1 January 2020		**185 447**	**7 430**	**291**	**-**	**511 248**	**143**	**81 776**	**786 335**	**9 429**	**795 764**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	***87 261***	***87 261***	***4 195***	***91 456***
Other comprehensive income:		**-**	**-**	***(137)***	**-**	***15***	***(19)***	***(66)***	***(207)***	***(43)***	***(250)***
Remeasurement of employee benefits	*27*	-	-	-	-	-	-	(121)	**(121)**	(53)	**(174)**
Change in fair value of equity instruments	*18*	-	-	(168)	-	-	-	-	**(168)**	-	**(168)**
Foreign currency translation differences for foreign operations		-	-	-	-	15	(19)	31	**27**	-	**27**
Income tax on other comprehensive income	*13.3*	-	-	31	-	-	-	24	**55**	10	**65**
Total comprehensive income for the period		**-**	**-**	***(137)***	**-**	***15***	***(19)***	***87 195***	***87 054***	***4 152***	***91 206***
Liquidation/Redemption of equity instruments measured at fair value through other comprehensive income		-	-	(358)	-	-	-	358	**-**	-	**-**
Dividends paid	*23.4*	-	-	-	-	(1 966)	-	(10 397)	**(12 363)**	(8 728)	**(21 091)**
Allocation of profit to other reserve capitals and supplementary capital		-	-	-	-	455	-	(455)	**-**	-	**-**
Changes in Capital Group's structure	*1*	-	-	-	-	-	(124)	124	**-**	-	**-**
Other		-	1	-	-	-	-	(1)	**-**	-	**-**
As at 31 December 2020		**185 447**	**7 431**	**(204)**	**-**	**509 752**	**-**	**158 600**	**861 026**	**4 853**	**865 879**

Consolidated statement of changes in equity (continued)

In thousands of PLN

	Note	Share capital	Share premium reserve	Fair value reserve	Hedging reserve	Other reserve capitals and supplementary capital	Foreign currency translation reserve	Retained earnings and uncovered losses	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
As at 1 January 2019		**185 447**	**7 430**	**407**	**(2 409)**	**429 324**	**132**	**179 738**	**800 069**	**4 602**	**804 671**
Profit for the period		-	-	-	-	-	-	***75 526***	***75 526***	***4 870***	***80 396***
Other comprehensive income:		-	-	***(116)***	***2 409***	***(8)***	***11***	***(69)***	***2 227***	***(43)***	***2 184***
Effective portion of changes in fair value of cash flow hedges		-	-	-	(46)	-	-	-	**(46)**	-	**(46)**
Net change in fair value of cash flow hedges reclassified to profit or loss for the period		-	-	-	3 020	-	-	-	**3 020**	-	**3 020**
Remeasurement of employee benefits	*27*	-	-	-	-	-	-	(183)	**(183)**	(53)	**(236)**
Change in fair value of equity instruments	*18*	-	-	(219)	-	-	-	-	**(219)**	-	**(219)**
Foreign currency translation differences for foreign operations		-	-	-	-	(8)	11	79	**82**	-	**82**
Income tax on other comprehensive income	*13.3*	-	-	103	(565)	-	-	35	**(427)**	10	**(417)**
Total comprehensive income for the period		-	-	***(116)***	***2 409***	***(8)***	***11***	***75 457***	***77 753***	***4 827***	***82 580***
Dividends paid	*23.4*	-	-	-	-	(91 487)	-	-	**(91 487)**	-	**(91 487)**
Allocation of profit to other reserve capitals and supplementary capital		-	-	-	-	173 419	-	(173 419)	-	-	-
As at 31 December 2019		**185 447**	**7 430**	**291**	-	**511 248**	**143**	**81 776**	**786 335**	**9 429**	**795 764**

The consolidated statement of changes in equity should be analyzed together with notes, which constitute integral part of the consolidated financial statements

(all amounts in PLN thousand (TPLN), unless stated otherwise)

1. Group overview

Stalexport Autostrady S.A. ("the Company") with its seat in Poland, Mysłowice, Piaskowa 20 Street, is a public listed company registered in the National Court Register under registration number KRS 16854.

Neither the name of the Company nor its other means of identification have changed since the end of the previous reporting period.

The Company together with its subsidiaries constitutes Stalexport Autostrady S.A. Capital Group ("Group", "Capital Group").

The business activities of the Group include the following:

- construction of roads and railroads, in particular services related to managing, construction by adapting to the requirements of toll motorway and exploitation of the section of A-4 motorway Katowice-Kraków,
- management and business advisory,
- rental services.

As at 31 December 2020, beside the Company, the Group comprised of the following entities:

Name of the entity	Seat of the entity	Main activities	Status	Ownership interest and voting rights	Date of obtaining control/Date of acquisition	Consolidation method
Stalexport Autostrada Małopolska S.A.	Mysłowice	Construction and operation of motorway	Subsidiary	100%	1998	Full consolidation
VIA4 S.A. *	Mysłowice	Motorway operation	Subsidiary	55%	1998	Full consolidation
Biuro Centrum Sp. z o.o.	Katowice	Real estate administration	Associate	40.63%	1994	Equity method
Petrostal S.A. w likwidacji**	Warszawa	Non-operational	Subsidiary	100%	2005	-

* Assessment of control included the fact, that Company had and still has (currently through subsidiary Stalexport Autostrada Małopolska S.A.) a decisive influence on the definition of the objective and operating model of VIA4 (operator on the section Katowice – Kraków of A-4 motorway subject to the concession – see note 4), including significant operational and financial activities. Furthermore, as the result of the ownership interest held, the decisions regarding VIA4 policy on dividends are at Company's sole discretion.
** This entity is not subject to consolidation due to existing limitations regarding control exercise.

The consolidated financial statements as at the day and for the year ended 31 December 2020 comprise financial statements of the Company and its subsidiaries and also Group's share in net assets of associates.

The Capital Group is also included within the consolidated financial statements of the higher-level parent entity Atlantia S.p.A. (Italy). The ultimate parent company is Edizione S.r.l. (Italy).

Changes in the Capital Group's structure

On 28 February 2020 the District Court Katowice-Wschód in Katowice, VIII Commercial Division of the National Court Register, made an entry into the register of entrepreneurs of the Company's cross-border merger with its subsidiary Stalexport Autoroute S.à r.l. with its registered office in Luxembourg.

The cross-border merger of the companies was conducted in accordance with the terms and conditions included in the merger plan agreed and adopted on 30 September 2019 by both Management Boards of merging companies i.e. by taking over all assets and liabilities of Stalexport Autoroute S.à r.l. by the Company without an increase of its share capital, in accordance with Art. 516 (1) in relation to Art. 492 § 1 item 1 and Art. 515 of the Commercial companies code of 15 September 2000 ("CCC") and Art. 278 of the Luxembourg act of 10 August 1915 on commercial companies.

According to the Art. 494 § 1 of CCC on the day of the merger i.e. on 28 February 2020 the Company stepped into all the rights and obligations of Stalexport Autoroute S.à r.l., which in accordance with the Luxembourg law was wound up without going into liquidation.

Considering that until the date of the merger Stalexport Autoroute S.à r.l was consolidated by means of full consolidation method, the aforementioned business combination had no impact on these consolidated financial statements, except for the reclassification of foreign currency translation differences for foreign operation in amount of TPLN 124 from the dedicated equity item to "Retained earnings and uncovered losses".

2. Basis of preparation of the consolidated financial statements

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS EU") and other regulations in force.

The consolidated financial statements were approved by the Management Board of the Company on 1 March 2021.

IFRS EU contain all International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") as well as related Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") except for the Standards and Interpretations which are awaiting approval of the European Union as well as those Standards and Interpretations which have been approved by the European Union but are not yet effective.

2.2. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- derivative financial instruments measured at fair value;
- equity instruments measured at fair value through other comprehensive income.

2.3. Functional and presentation currency

These consolidated financial statements are presented in Polish zloty, being presentation currency of the Group and also the functional currency of the Company, rounded to the nearest thousand.

2.4. New standards and interpretations not adopted

New standards, amendments to standards and interpretations, which are effective for annual periods beginning after 1 January 2020, have not been applied in preparation of these consolidated financial statements. Neither of the new standards nor amendments to the already existing standards, are expected to have a significant impact on the consolidated financial statements of the Group for the period for which they will become effective.

2.5. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, equity and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and the results of which form a basis for professional judgment on carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgments and estimates made by the Management Board, which had significant impact on the consolidated financial statements, have been discussed in notes 15, 18, 19, 20, 26, 27, 28, 31, 32, 33 and 34.

Uncertainty over tax treatments

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.

Tax settlements and other areas of business activity may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR aim is to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR defines tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. New regulations require considerably greater judgment in assessing tax effects of individual transactions.

The Group recognises and measures receivables/liabilities due to current income tax, as well as deferred tax assets/liabilities applying the requirements of IAS 12 *Income Taxes*, based on taxable profit (tax loss), tax bases, unused tax losses, and relevant tax rates, taking into the account the uncertainty related to tax settlements.

In October 2018, EU endorsed interpretation IFRIC 23 *Uncertainty over income tax treatments*, which is effective for reporting periods beginning on 1 January 2019 or later. This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

3. Going concern

The Group continuously monitors the impact of the COVID-19 epidemic on its operations, including its future financial situation and results.

The financial results of the Group's motorway operations are directly dependent on the level of traffic on the section of the A4 Katowice-Krakow motorway subject to the concession. The significant decrease in traffic observed in the 12-month period of 2020 was mainly caused by the economic and social effect of the COVID-19 epidemic, of which the Group provides updates through its published current reports, which present the dynamics of traffic in 2020 on a weekly basis compared to the same periods of 2019. Note 8 presents a comparison of traffic for the respective monthly periods of 2020 and 2019.

Taking into account the overall economic and legal situation of the Group, including expectations regarding traffic level within the 12-month period from the end of current reporting period and in subsequent years, as at the date of approval of these consolidated financial statements, no circumstances have been identified that would indicate a material deterioration of the Group's financial position, including as a result of the aforementioned impact of the COVID-19 epidemic on the Group's operations, and therefore the consolidated financial statements have been prepared under the assumption that the Group will continue to operate as a going concern for the foreseeable future.

The above-mentioned predictions of traffic were determined based on the changes in traffic observed in the current period, with the assumption of the expected economic growth and the gradual reduction of the impact of the COVID-19 epidemic on traffic. The fulfilment of such predictions involves various types of assumptions and risks of their fulfilment, among which the risks related to the impact of the COVID-19 epidemic on the Group's operations, including on its revenues, have a special role.

4. Information concerning the Concession Agreement

The activities of the Group include primarily business related to the management, construction by transformation to toll motorway and operation of the section Katowice – Kraków of A-4 motorway, performed mainly by the Company’s subsidiary Stalexport Autostrada Małopolska S.A. (“Concession Holder”, “SAM S.A.”). These activities are regulated by the concession agreement (“Concession Agreement”).

The subject of the Concession Agreement is completion of construction of the A-4 motorway (by transformation to the toll motorway) on the section from Katowice (junction Murckowska, km 340.2) to Krakow (junction Balice I, km 401.1) and its subsequent operation as well as conducting and completion of the remaining construction works as specified in the Concession Agreement (“Venture”).

The Concession Agreement has been concluded for a time equal to the term of the concession i.e. 30 years ending in March 2027.

As specified in the Concession Agreement, toll revenues constitute the principal source of income from the execution of the venture.

Throughout the term of the Concession Agreement, the Concession Holder shall have the right to use and receive profits from the road strip of the motorway. The right includes among other things the right to demolish and remove the existing buildings, facilities, equipment, trees and plants, subject to any relevant legal provisions.

In return the Concession Holder is responsible for the operation and maintenance of the toll motorway until the termination or expiry of the Concession Agreement, which determines detailed range of the Concession Holder’s obligations, and is obliged to perform precisely specified construction works.

Furthermore, as determined by the Concession Agreement, after fulfilment of conditions therein defined, the Concession Holder:

i made concession payments to the National Road Fund ("Concession Payments"), constituting so-called subordinate debt (obligation due to loan drawn by State Treasury from the European Bank for Reconstruction and Development for the purpose of financing the construction of A-4 Toll Motorway Katowice-Kraków taken over by the Concession Holder);

ii is obliged to makes payments to the National Road Fund constituting State Treasury's share in profits of the Venture ("Payments to the State Treasury').

So far completed Phase I included the construction of toll collection system, setting up of the maintenance centre in Brzęczkowice and construction of the communication and motorway traffic management system, including the emergency communication system. Further investment phases (Phase II) in progress or to be carried out include, among others, renovations of bridges, development of junctions, construction of rest areas and works related to environmental protection measures (constructions of noise screens, motorway drainage system, passes for animals).

At the conclusion of the Concession Agreement the right to use and receive profits from all buildings and structures constructed by the Concession Holder will be transferred to the State Treasury.

According to provisions of the Concession Agreement between SAM S.A. and the Minister of Infrastructure Payments to the State Treasury, as well as dividend payments to the shareholder(s) of SAM S.A., are dependent, among others, on completion of specified construction phases, achieving minimum level of debt service ratios and assuring the sufficient coverage of reserve accounts.

The Group recognises the liabilities due to Payments to the State Treasury only after all the underlying conditions for the obligation to make payments, as foreseen in the Concession Agreement, are met. So-called calculation date is considered to be the moment when the aforementioned criteria triggering the payment obligation are met, i.e. the date as of which the assessment of meeting of the criteria, as well as the determination of the amount available for distribution in the period prior to next calculation date, are performed.

In previous years the Group, in accordance with the provisions of Project Loan Agreement in force until its repayment date, i.e. 30 September 2019, considered 31 March and 30 September as calculation dates (with the liability of TPLN 34,941 net recognised as at 31 March 2019 (subsequently increased in II quarter 2019 by TPLN 9,415 net due to the adjustment of settlements resulting from the received individual tax interpretation regarding value added tax) and liability of TPLN 44,444 net recognised as at 30 September 2019). Starting from 2020, in the absence of an explicit regulation of this issue in the Concession Agreement, the Group considers 30 June and 31 December as the calculation dates, therefore the Group recognized the liability due to Payments to the State Treasury in amount of TPLN 14,880 net as at 30 June 2020 and in amount of TPLN 29,730 net as at 31 December 2020.

5. Description of significant accounting policies

Changes resulting from the introduction of amendments to existing standards and interpretations, effective for reporting periods beginning on 1 January 2020 or later, had no significant impact on Group's accounting policies, and as the result, on these consolidated financial statements.

With the exception of changes described above, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

5.1. Basis of consolidation

5.1.1. Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has a rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

5.1.2. Non-controlling interest

In the consolidated statement of financial position the Group discloses non-controlling interest within equity, separately from the equity attributable to the owners of the Company.

Changes in the Group's interest in a subsidiary that do not result in the Company's loss of control over the subsidiary are accounted for as equity transactions.

5.1.3. Associates and joint arrangements

Associates are those entities for which the Group has significant influence, but not control or joint control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or jointly controlled entity.

A joint arrangement is a contractual arrangement, whereby two or more parties undertake business activity subject to joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. In neither of reporting periods included in these consolidated financial statements, the Group had any interest in joint arrangements.

5.1.4. Consolidation adjustments

Intergroup balances and any unrealized gains and losses or income and expenses arising from intergroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

5.2. Foreign currency

5.2.1. Foreign currency transactions

Transactions in foreign currencies on the day of transaction are translated into Polish zloty at the National Bank of Poland ("NBP") average exchange rate for particular currency at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the average NBP rate at that date. Foreign exchange differences arising on settlement of foreign transactions or balance sheet translation are recognized in profit or loss for the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the average NBP rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the average NBP rate at the date the fair value was determined.

5.2.2. Conversion of foreign subsidiaries

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Polish zloty at an average NBP rate at the reporting date.

The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Polish zloty at exchange rate, calculated as an average of average NBP exchange rates at the last day of every month comprising the accounting period. The income and expenses of foreign operations in hyperinflationary economies are translated at average NBP rates at the reporting date. Foreign currency differences are recognised in other comprehensive income and presented in the "Foreign currency translation reserve" in equity. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss.

Prior to translating the financial statements of foreign operations in hyperinflationary economies, its financial statements for the current period including comparative data are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

5.3. Service concession arrangements

The Group recognizes as service concession arrangements (in accordance with IFRIC 12 *Service Concession Arrangements*) the public-to-private service concession arrangements if:

- the grantor controls or regulates what services the Group must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

Such arrangements apply to infrastructure that the Group constructs or acquires from a third party for the purpose of the service arrangement, as well as existing infrastructure to which the grantor gives the Group access for the purpose of the service arrangement.

Such infrastructure shall not be recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the Group. The Group has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Under the terms of service concession arrangements the Group acts as a service provider. The Group constructs or upgrades infrastructure (construction or upgrade services – the revenue is recognised in accordance with accounting policies applied for construction contracts) used to provide a public service and operates and maintains that infrastructure (operation services – the revenue is recognized in accordance with policy described in note 5.18.1) for a specified period of time.

If the Group provides construction or upgrade services the consideration received or receivable by the Group shall be recognized in consolidated statement of financial position as an asset. The consideration may be recognized as:

- a financial asset: The Group shall recognise a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services;
- an intangible asset: The Group shall recognise an intangible asset to the extent that it receives a right (a licence) to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash, because the amounts are contingent on the extent that the service is rendered. Under intangible asset model, the Group's rights are recognised in the consolidated statement of financial position under concession intangible assets in the fair value of construction or upgrade services. They are amortised over the term of the arrangement, starting from the beginning of rendering services to public.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset it is necessary to account separately for each component of the Group’s consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

The Group may have contractual obligations it must fulfil as a condition of its licence a) to maintain the infrastructure to a specified level of serviceability or b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement. These contractual obligations to maintain or restore infrastructure, except for upgrade element, shall be recognised and measured at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period.

When the contract requires the Group to incur during the concession period capital expenditures related to replacement independently of the use of the concession infrastructure during the concession, these capital expenditures should be included in concession intangible asset’s cost. Bearing in mind, that these outflows are not contingent on use of infrastructure, the Group should recognise a provision (with the above mentioned intangible asset as a corresponding item) for the present value of the best estimate of the amount of the future replacement costs to be incurred due to obligation undertaken. The provision shall be recognized when the obligation is accepted.

Concession Agreement – A-4 Katowice-Kraków motorway

Intangible asset model has been applied to the Concession Agreement, concerning Stalexport Autostrada Małopolska S.A.

The Group recognised an intangible asset as the consideration given for the adaptation of motorway to toll motorway requirements (Phase I) and for construction/upgrade works, which according to the Concession Agreement were to be executed in later periods (Phase II). The cost of the element of the intangible asset recognized in relation to Phase I expenditures, was defined as the value of costs incurred during its execution (including borrowing costs) and the cost of the element of the intangible asset recognized in relation to estimated costs of Phase II, was determined as the present value of those future outflows at the date of initial recognition (without borrowing costs recognition).

The element of the intangibles recognized in relation to obligation to bear Phase II expenditures, was recorded in correspondence with the provision. A present value of future outflows was calculated, through discounting of their estimated nominal value, using non-current risk-free interest rate, which was determined by the Group on the basis of historical and current return on non-current State Treasury Bonds.

All changes in provision's estimates due to:

- changes of interest rates;
- changes of construction works schedule;
- changes in capital expenditures estimates;

are reflected in the valuation of intangible assets and impact the consolidated statement of comprehensive income prospectively, being recognized in the period of change and in future periods, if they are also affected by the change.

The unwinding of the discount related to provision is recognized as finance expense of the period.

Concession intangible assets comprise also an element reclassified from property, plant and equipment, which cost was determined as the present value of discounted Concession Payments at the date of their recognition.

According to policies described in note 5.4, an intangible asset with a finite useful life is subject to amortisation over its useful life.

The concession intangible asset is to be amortised from the beginning of toll collection (year 2000), until the expiration date of the Concession Agreement (year 2027).

The Group applied amortisation method, which in its view reflects in most appropriate way the manner in which future economic benefits deriving from intangible asset will be consumed, i.e. unit of production method based on forecasted annual average traffic increase during the concession period on the section of motorway subject to concession.

Payments to the State Treasury

Considering that Payments to the State Treasury are not for a right to a good or service that is separate from the service concession arrangement or for the right to use an asset that is separate from the infrastructure within the scope of IFRIC 12 that is a lease, and also due to the fact that the intangible model has been applied to the Concession Agreement in accordance with IFRIC 12, the Group accounts for these payments applying IAS 38 *Intangible Assets*, treating them as variable consideration for the purchase of an intangible asset.

At the moment, IFRS do not regulate explicitly/specifically how to account for variable consideration for the purchase of an intangible asset. Due to above, the Group in accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors*, developed in this respect an accounting policy by analogy to other standards, i.e. IAS 17 Leases/IFRS 16 Leases.

Taking into the account that the variable payments for the purchase of an intangible asset are in their nature similar to contingent rent and variable payments (not depended on an index or a rate) as defined respectively in IAS 17 (during its period of applicability, i.e. until 31 December 2018) and IFRS 16, the Group considered justifiable to apply unified accounting policy set in these standards for aforementioned type of payments also for the purpose of Payments to the State Treasury recognition.

Consequently, the Group accounts for Payments to the State Treasury in profit or loss for the period in which the criteria for making the payment have been met. The payments are recognised within administrative expenses item of the consolidated statement of comprehensive income. So called calculation date is considered the moment when the criteria triggering the payment of the obligation (liability recognition) have been met, i.e. the date as of which the assessment of meeting of the aforementioned criteria, as well as the determination of the amount available for distribution in the period prior to next calculation date, are performed. The calculation date is currently 30 June and 31 December respectively.

Concession fees

According to the Concession Agreement, the Concession Holder periodically pays to the National Road Fund concession fees ("Concession fees"), which include (i) rent for the use (right to use and receive profits) of

a road strip of the A-4 Katowice-Kraków section of the motorway subject to the concession, and (ii) refund of GDDKiA's costs of supervision and control.

Considering that:

- Concession fees are not for a right to a good or service that is separate from the service concession arrangement or for the right to use an asset that is separate from the infrastructure within the scope of IFRIC 12 Service Concession Arrangements that is a lease;
- the intangible model has been applied to the Concession Agreement in accordance with IFRIC 12;
- the obligation to incur Concession fees is not conditional on the Group achieving certain results of its operations or on the occurrence of a specific related event;
- Concession fees are subject to periodical indexation based on consumer price index;

the Group included the present value of Concession fees to be paid (fair value of the consideration given) in the measurement of the liabilities due to purchase of the concession intangible assets (right to collect tolls from motorway users).

The present value of Concession fees to be paid recognised in correspondence with the concession intangible assets was determined as at the date the obligation to incur aforementioned fees was assumed, i.e. 1 January 2000 in case of rent, and 1 January 2001 in case of refund supervision and control cost respectively, by discounting the nominal value of future payments using historical interest rates determined for the aforementioned dates, i.e. 19.20% and 19.45%, respectively.

Subsequent remeasurement of liabilities due to Concession fees reflecting changes to their amounts adjust the cost of the concession intangible assets. Interest on the liability (unwinding of discount) is recognised as finance expense of the current period.

5.4. Other intangible assets

Other intangible assets are measured at cost less accumulated depreciation and impairment losses (see note 5.12.2).

Subsequent expenditures

Subsequent expenditures on existing other intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized as incurred.

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of other intangible assets unless such lives are indefinite. The estimated useful lives are as follows:

- intellectual property rights up to 5 years
- computer software up to 5 years
- licences 2-5 years

If the estimated useful life of intangible assets attributable to the Concession Agreement other than the ones described in 5.3 exceeds the concession period, the amortisation period is shortened to the remaining concession period.

The adequacy of amortisation methods, useful lives and residual values is reviewed at each reporting date and adjusted if appropriate.

5.5. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see note 5.12.2).

The cost includes the purchase price of the assets and costs directly related to the purchase and completion of the asset, so that it can be available for use, including the transport, loading, unloading and storing costs. Rebates, discounts and other similar reductions decrease the cost. The construction cost of property, plant and equipment or assets under construction includes total cost incurred by the entity in the period of their construction, assembly, adjustment and modernization till the date of their transfer to use (or up to the end of the reporting period, if the asset was not transferred to use before this date). The construction cost also includes preliminary estimates of the cost of dismantling and removing the components of tangible fixed assets and the restoration cost, if required.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) shall be capitalised as part of the cost of that asset. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are costs which could have been avoided, if the capital expenditure on qualified asset had not been incurred. The capitalisation of borrowing costs as part of the cost of a qualifying asset shall commence when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified as an investment property.

Subsequent expenditures

The Group recognizes in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Items of property, plant and equipment, relatively their significant and separate components, are depreciated on a straight – line basis over their estimated useful lives, considering residual values. Land is not depreciated.

The Group adopted following useful lives for particular categories of property, plant and equipment:

- buildings and constructions 5-40 years
- plant and equipment 3-15 years
- vehicles 3-10 years

- other 1-10 years

If the estimated useful life of items of property, plant and equipment attributable to the Concession Agreement exceeds the concession period, the depreciation period is reduced to the remaining concession period.

The adequacy of useful lives, depreciation methods and residual values (if significant) is reassessed annually.

5.6. Investment property

Investment property is property (land or a building—or part of a building—or both) held (by the Group as an owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both.

An owned investment property is measured initially at its cost. Subsequently such investment properties are measured at cost less accumulated depreciation and impairment losses.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of investment property (residual values are taken into account).

Considering that the part of the office building owned by the Group and building's component parts are only marginally used in administrative activities, all these assets are treated entirely as investment property. The Group assumed 40-year period of economic useful life for the aforementioned office building.

Investment property held by the Group as right-of-use assets is recognised and measured according to policies described in note 5.7, i.e. at cost less any accumulated depreciation and impairment losses, taking into account adjustments resulting from remeasurement of lease liabilities, with which these assets were initially recognised.

5.7. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset, and
- the right to direct the use of the identified asset.

If the customer has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The lease commencement date is the date on which a lessor makes an underlying asset available for use by a lessee, i.e. an asset that is the subject of a lease, for which the right to use that asset has been provided by a lessor to a lessee.

Group as a lessor

The Group recognises assets held under a finance lease in its consolidated statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payments receivable are treated by the Group as repayment of principal and finance income to reimburse and reward the lessor for its investment and services.

Other leases which are not classified as finance lease contracts are treated as operating lease.

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

Group as a lessee

At the lease commencement date the Group recognises a right-of-use asset and a lease liability.

At the lease commencement date, the Group measures the right-of-use asset at cost comprising the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Group and also an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequently right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, taking into account adjustments resulting from a potential revaluation of lease liabilities. The right-of-use assets are depreciated using the straight-line method from the lease commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease, or if that rate can't be readily determined, using the Group's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group subsequently measures the lease liabilities by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset, or, if the carrying amount of the right-of-use asset has been reduced to zero, in profit or loss for the period.

After the lease commencement date, the Group recognises in profit or loss for the period, unless the costs are included in the carrying amount of another asset, both:

- interest on the lease liability; and
- variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

If a right-of-use asset meets the definition of investment property, it is presented within the consolidated statement of financial position as investment property, in other cases, the Group includes assets in question within the same line item as that within which the corresponding underlying assets would be presented if they were owned by the Group. Lease liabilities are presented separately from other liabilities, broken down into current and non-current liabilities.

In case of short-term leases and leases for which the underlying asset is of low value, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Perpetual usufruct of land

In the Group's opinion, the perpetual usufruct of the land meets the prerequisites for the identification of the lease.

5.8. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined based on the first in, first out principle. The cost includes expenditure incurred directly in acquiring the inventories and their adoption for use or sale.

5.9. Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group’s accounting policies. Thereafter, as at the day of initial classification as held for sale, the assets (or disposal group) are measured at the lower of their carrying amount or fair value less cost to sell.

5.10. Non-derivative financial instruments

5.10.1. Recognition and initial measurement

The Group recognises a financial asset or a financial liability in the consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument

Except for trade receivables without a significant financing component, at initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Trade receivables without a significant financing component are initially measured at the transaction price.

5.10.2. Classification and subsequent measurement

Financial assets

At initial recognition the Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income (debt investments and investments in equity instruments) or fair value through profit or loss on the basis of both:

a) the Group’s business model for managing the financial assets, and
b) the contractual cash flow characteristics of the financial asset.

Financial assets are measured at amortised cost if both of the following conditions are met and these assets are not designated as at fair value through profit or loss:

i the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

ii the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

All foreign exchange gains and losses on monetary assets are recognised in profit or loss.

Debt investments are measured at fair value through other comprehensive income if both of the following conditions are met and these assets are not designated as at fair value through profit or loss:

i they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

ii their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses are recognised in profit or loss.

In line with an option foreseen in IFRS 9 *Financial Instruments*, the Group measures investments in equity instruments, that are not held for trading, at fair value (however in limited circumstances cost may be an appropriate estimate of fair value), which subsequent changes are recognised in other comprehensive income (without possibility of subsequent transfer to profit or loss). Dividends on such investments are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets not classified as measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a financial asset that is measured at fair value through profit or loss, including interest expense and dividends, is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or at fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

A gain or loss on a financial liability that is measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial liability is derecognised and through the amortisation process. A gain or loss on a financial liability that is measured at fair value through profit or loss, including any interest expense, is recognised in profit or loss. All foreign exchange gains and losses on monetary liabilities are recognised in profit or loss.

5.10.3. Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The difference between the carrying amount measured at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Group removes a financial liability (or a part of a financial liability) when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

5.10.4. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.11. Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

The Group measures derivatives at fair value.

A hedged item can be a recognised asset or liability, an unrecognised firm commitment, a forecast transaction or a net investment in a foreign operation. If a hedged item is a forecast transaction, that transaction must be highly probable. The hedged item must be reliably measurable. The Group may designate an item in its entirety or a component of an item as the hedged item in a hedging relationship.

At the inception of the hedging relationship the Group formally designates and documents the hedging relationship between eligible hedging instruments and eligible hedged items. That documentation includes risk management objective and strategy for undertaking the hedge, as well as identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements.

A hedging relationship qualifies for hedge accounting only if, after Group fulfils the above, it meets all of the following hedge effectiveness requirements: (i) there is an economic relationship between the hedged item and the hedging instrument; (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; (iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

As long as a cash flow hedge meets the qualifying criteria, the effective portion of changes in the fair value of hedging instrument is recognised in other comprehensive income and a separate component of equity associated with the hedged item (hedging reserve). The effective portion of changes in the fair value of hedging instrument is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

For cash flow hedges other, that do not subsequently result in the recognition of a non-financial asset or non-financial liability, the amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss (for example, in the periods that interest income or interest expense is recognised or when a forecast sale occurs).

5.12. Impairment

5.12.1. Financial assets

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the Group expects to be paid in full but later than when contractually due.

The Group recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost;
- debt investments measured at fair value through other comprehensive income;
- contract assets (IFRS 15 *Revenue from Contracts with Customers*).

The Group recognises loss allowances for expected credit losses at the amount equal to:

- lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or
- 12-month expected credit losses if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition.

For trade receivables and contract assets the Group measures loss allowances at an amount equal to lifetime expected credit losses.

When determining whether the credit risk has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

When determining whether the credit risk on a financial instrument has increased significantly, the Group considers the change in the risk of a default occurring since initial recognition. The Group considers a financial asset to be in default when: i) the borrower is unlikely to pay its credit obligations to the Group in full, without the Group realising security (if any is held), or ii) the financial asset is more than 90 days past due.

The maximum period over which expected credit losses shall be measured is the maximum contractual period (including extension option) over which the entity is exposed to credit risk.

For financial assets, a credit loss is the present value of the difference (cash shortfall) between:

- the contractual cash flows that are due to the Group under the contract; and
- the cash flows that the Group expects to receive.

Expected credit losses are discounted to the reporting date, not to the expected default or some other date, using the effective interest rate determined at initial recognition or an approximation thereof.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately by the Group. The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable (i.e. the estimate of expected cash flows considers the probability of a foreclosure and the cash flows that would result from it). Consequently, any cash flows that are expected from the realisation of the collateral beyond the contractual maturity of the contract should be included in this analysis.

As at the end of the reporting period for trade receivables the Group determined the amount of expected credit losses using a provision (allowance) matrix, defined on the basis of historical credit loss experience.

The Group recognises in profit or loss, as an impairment gain or loss under separate item of consolidated statement of comprehensive income, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with accounting policy applied.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, the Group measures the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

5.12.2. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated annually.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In case of assets, which do not generate independent cash flows, value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.12.3. Non-current assets held for sale

An impairment loss in respect of a disposal group is recognised firstly as the decrease of goodwill and then allocated to assets on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

5.13. Equity

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of treasury shares

When treasury shares are bought, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Fair value reserve

All gains and losses from valuation of investments in equity instruments measured at fair value through other comprehensive income are attributed to this equity item.

Hedging reserve

Hedging reserve balance is the result of valuation changes of cash flow hedging instruments, which are considered effective and also respective changes of deferred tax.

5.14. Employee benefits

5.14.1. Retirement and disability benefits

The Group companies in accordance with Labour Code or their internal remuneration policies are obliged to payment of retirement and disability benefits.

The Group's obligation resulting from retirement/disability benefits is measured by estimation of future salary of a given employee for the period in which an employee will receive the benefit and by estimation of future retirement/disability benefit. Retirement/disability benefits are discounted using market State Treasury bond return rate at the end of the reporting period. The retirement/disability benefit obligation is recognized proportionally to the projected length of service of a given employee. Recognizing the liability due to retirement/disability benefits, the Group discloses total actuarial gains or losses in other comprehensive income for the period in which they arisen.

5.14.2. Jubilee bonuses

Some of the Group's companies offer its employees jubilee bonuses which depend on the current length of service of a given employee and the current average remuneration in the industry.

The Group's obligation resulting from jubilee bonuses is measured by estimation of future salary of a given employee for the period in which an employee will become entitled to a particular jubilee bonus and by estimation of future jubilee bonus. Jubilee bonuses are discounted using market State Treasury bond return rate at the end of the reporting period. Recognizing the liability due to jubilee bonuses, the Group discloses total actuarial gains or losses in profit or loss, within the period in which they arisen.

Staff rotation is estimated on the basis of historical data and forecasts on level of employment in the future.

5.14.3. Current employee benefits

Current employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised in the amount expected to be paid under short-term employee benefits, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5.15. Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised as finance cost.

Provision for motorway resurfacing

Due to the obligation deriving from the Concession Agreement, which concerns operation and maintenance of motorway, the Group recognizes a provision for its resurfacing. The provision is recognized based on estimated cost of resurfacing proportionally to the utilization period. The estimated amount is discounted at the reporting date.

Provision for capital expenditures related to replacement and upgrade of infrastructure

Accounting policies applied to provision for capital expenditures of Phase II are described in note 5.3.

5.16. Deferred income

Deferred income constitutes mainly prepayments received due to rental of passengers service areas. After initial recognition according to fair value, the deferred income is recognized as other income within profit or loss on the straight-line basis over a rental agreement period.

5.17. Contract liabilities

Contract liabilities constitute prepayments received for the passage through A4 Katowice - Kraków motorway (due to top-ups of KartA4 or A4Go devices). After initial recognition according to fair value, the aforementioned amounts are recognized as revenue in profit or loss for the period, in which top-ups of KartA4/A4Go are utilized.

5.18. Revenue

5.18.1. Revenue from contracts with customers (sale of goods and services)

The Group recognises revenue in the amount constituting transaction price, when (or as) it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Revenue from motorway operation

Revenue from motorway operation (toll revenue) is recognised when the customer passes through toll collection plaza as the result of:

- customer paying the motorway toll in cash or by means of bank cards directly at the toll collection plaza; or
- positive identification at the toll collection plaza of customer's right to pass through the motorway (subscription coupons, kartA4, electronic toll collection, fleet cards).

5.18.2. Other revenue

Rental income

Rental income from investment property and passenger service areas is recognised in profit or loss on a straight-line basis over the term of the lease.

5.19. Finance income and expenses

Finance income comprises interest income on funds invested by the Group, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and liabilities, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

5.20. Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payables or receivables due to tax on taxable income of the year, calculated using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit, differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. These reductions are reversed when it is probable that sufficient taxable profits will be available.

5.21. Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively for future resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

5.22. Earnings per share (EPS)

In preparation of consolidated financial statements basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares for the period.

There were no factors that would result in dilution of earnings per share in the reporting periods presented in these consolidated financial statements.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

6. Segment reporting

The Group presents its activity in business segments, which are based on the Group's management and internal reporting structure.

The Group operates in one geographical segment – entire revenue is earned in Poland, where all Group's non-current assets are located (excluding financial instruments).

Business segments

Business segments include:

- management, advisory and rental services,
- management and operation of motorways.

Business segments results

For the year ended 31 December 2020

	Management, advisory and rental services	Management and operation of motorways	Total
Operating revenues			
Revenue from external customers	3 259	286 286	**289 545**
Total revenue	**3 259**	**286 286**	**289 545**
Operating expenses			
Cost of sales to external customers	(4 594)	(91 475)	**(96 069)**
Total cost of sales	**(4 594)**	**(91 475)**	**(96 069)**
Other income	94	8 009	**8 103**
Other expenses	(6)	(219)	**(225)**
Impairment losses on trade and other receivables	(4)	(26)	**(30)**
Administrative expenses*	(5 585)	(95 448)	**(101 033)**
Operating profit/(loss)	**(6 836)**	**107 127**	**100 291**
Net finance income/(expense)	1 241	(2 609)	**(1 368)**
Share of loss of equity accounted investees (net of income tax)	(272)	-	**(272)**
Income tax expense	(1 275)	(5 920)	**(7 195)**
Profit/(Loss) for the period	**(7 142)**	**98 598**	**91 456**
Other comprehensive income, net of income tax			**(250)**
Total comprehensive income for the period			**91 206**
Major non-cash items			
Depreciation and amortisation	(653)	(58 126)	**(58 779)**
Impairment losses on trade and other receivables	(4)	(26)	**(30)**
Unwinding of discount (including lease interest expense)	(116)	(5 089)	**(5 205)**

* Expenses related to "Management, advisory and rental services" comprise all administrative expenses of the Company - expenses related to "Management and operation of motorways" include Payments to the State Treasury in amount of TPLN 44,610 (net).

(all amounts in PLN thousand (TPLN), unless stated otherwise)

For the year ended 31 December 2019

	Management, advisory and rental services	Management and operation of motorways	Total
Operating revenues			
Revenue from external customers	3 360	348 127	**351 487**
Total revenue	**3 360**	**348 127**	**351 487**
Operating expenses			
Cost of sales to external customers	(3 881)	(85 216)	**(89 097)**
Total cost of sales	**(3 881)**	**(85 216)**	**(89 097)**
Other income	59	6 254	**6 313**
Other expenses	(10)	(504)	**(514)**
Reversal of impairments losses/(Impairment losses) on trade and other receivables	2	(5)	**(3)**
Administrative expenses*	(3 788)	(135 245)	**(139 033)**
Operating profit/(loss)	**(4 258)**	**133 411**	**129 153**
Net finance income/(expense)	3 264	(7 782)	**(4 518)**
Share of profit of equity accounted investees (net of income tax)	137	-	**137**
Income tax expense	(766)	(43 610)	**(44 376)**
Profit/(Loss) for the period	**(1 623)**	**82 019**	**80 396**
Other comprehensive income, net of income tax			**2 184**
Total comprehensive income for the period			**82 580**
Major non-cash items			
Depreciation and amortisation	(652)	(56 353)	**(57 005)**
Reversal of impairments losses/(Impairment losses) on trade and other receivables	2	(5)	**(3)**
Unwinding of discount (including lease interest expense)	(116)	(9 474)	**(9 590)**

* Expenses related to "Management, advisory and rental services" comprise all administrative expenses of the Company - expenses related to "Management and operation of motorways" include Payments to the State Treasury in amount of TPLN 88,800 (net).

Financial position according to business segments as at

	31 December 2020	*31 December 2019*
Management, advisory and rental services		
Assets of the segment	329 868	205 941
Liabilities of the segment	7 521	5 851
Management and operation of motorways		
Assets of the segment	1 102 353	1 116 111
Liabilities of the segment	558 821	520 437
Total assets	**1 432 221**	**1 322 052**
Total liabilities	**566 342**	**526 288**

Major customer

In the year ended 31 December 2020 and 31 December 2019 sales to neither of Group's customers generated the revenue of more than 10% of total revenue for the period.

7. Disposal group classified as held for sale

As at 31 December 2020 and 31 December 2019 the Group wasn't in possession of any assets or liabilities classified as held for sale.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

8. Revenue

The table below includes a reconciliation of Group's main revenue categories with the business segments identified (see note 6).

	2020			*2019*		
	Management, advisory and rental services	*Management and operation of motorways*	*Total*	*Management, advisory and rental services*	*Management and operation of motorways*	*Total*
Revenue from contracts with customers						
Toll revenue, including:	-	285 619	**285 619**	-	347 424	**347 424**
Manual toll collection (cash, bank cards)	-	156 743	**156 743**	-	216 628	**216 628**
Fleet cards	-	59 020	**59 020**	-	70 840	**70 840**
Electronic toll collection	-	67 805	**67 805**	-	55 770	**55 770**
KartA4	-	2 051	**2 051**	-	4 186	**4 186**
Revenue due to other services rendered	-	14	**14**	-	6	**6**
	-	**285 633**	**285 633**	**-**	**347 430**	**347 430**
Other revenue						
Revenue from rental of investment property	3 258	-	**3 258**	3 358	-	**3 358**
Revenue due to other services rendered	1	-	**1**	2	-	**2**
Other revenue	-	653	**653**	-	697	**697**
	3 259	**653**	**3 912**	**3 360**	**697**	**4 057**
Total	**3 259**	**286 286**	**289 545**	**3 360**	**348 127**	**351 487**

The average daily traffic (ADT) on the section of the A4 Katowice-Krakow motorway subject to the concession for each month of 2020 and 2019 has been presented below.

ADT	January			February			March		
	2020	*2019*	*change*	*2020*	*2019*	*change*	*2020*	*2019*	*change*
Light vehicles	35 682	33 408	6,8%	36 167	36 507	-0,9%	21 417	34 910	-38,6%
Heavy vehicles	6 495	6 794	-4,4%	7 092	7 251	-2,2%	6 657	7 269	-8,4%
Total	**42 177**	**40 202**	**4,9%**	**43 260**	**43 759**	**-1,1%**	**28 074**	**42 178**	**-33,4%**
ADT	April			May			June		
	2020	*2019*	*change*	*2020*	*2019*	*change*	*2020*	*2019*	*change*
Light vehicles	12 513	37 339	-66,5%	21 339	37 192	-42,6%	30 505	40 612	-24,9%
Heavy vehicles	5 208	7 355	-29,2%	5 717	7 399	-22,7%	6 544	7 349	-11,0%
Total	**17 721**	**44 694**	**-60,4%**	**27 056**	**44 591**	**-39,3%**	**37 049**	**47 961**	**-22,8%**
ADT	July			August			September		
	2020	*2019*	*change*	*2020*	*2019*	*change*	*2020*	*2019*	*change*
Light vehicles	39 833	44 196	-9,9%	42 849	47 303	-9,4%	37 067	40 027	-7,4%
Heavy vehicles	7 088	7 633	-7,1%	6 725	7 039	-4,5%	7 504	7 549	-0,6%
Total	**46 921**	**51 828**	**-9,5%**	**49 574**	**54 342**	**-8,8%**	**44 572**	**47 576**	**-6,3%**
ADT	October			November			December		
	2020	*2019*	*change*	*2020*	*2019*	*change*	*2020*	*2019*	*change*
Light vehicles	29 087	38 511	-24,5%	23 586	34 887	-32,4%	27 529	35 106	-21,6%
Heavy vehicles	7 420	7 866	-5,7%	7 067	7 098	-0,4%	6 439	6 054	6,4%
Total	**36 507**	**46 377**	**-21,3%**	**30 654**	**41 985**	**-27,0%**	**33 968**	**41 160**	**-17,5%**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

9. Expenses by nature

	2020	2019
Depreciation and amortisation	(58 779)	(57 005)
Energy and materials consumption	(4 495)	(5 054)
Accrual of provision for motorway resurfacing disclosed within cost of sales (external services)*	(14 868)	(8 087)
Other external services, including:	(33 439)	(32 527)
- renovation and maintenance services	(23 088)	(20 571)
- advisory services	(3 714)	(5 494)
Payments to the State Treasury (net amount)	(44 610)	(88 800)
Taxes and charges	(5 775)	(3 476)
Employee benefit expenses	(32 857)	(30 840)
Other costs	(2 273)	(2 341)
Cost of goods and materials sold	(6)	-
Total expenses by nature	**(197 102)**	**(228 130)**
Cost of sales and administrative expenses	**(197 102)**	**(228 130)**

* Including change of estimates related to provisions - see note 31.

9.1. Employee benefit expenses

	2020	2019
Wages and salaries	(24 546)	(24 245)
Social security contributions and other benefits	(6 100)	(5 824)
Movement in employee benefits liabilities included in profit and loss:	(2 211)	(771)
Post-employment benefits	(142)	(115)
Jubilee bonuses liabilities	(538)	(697)
Other employee benefits	(1 531)	41
Total	**(32 857)**	**(30 840)**

10. Other income

	2020	2019
Rental income from passenger service areas	7 347	4 916
Compensations, grants, contractual penalties and costs of court proceedings received	372	209
Reimbursement of real estate tax paid for previous periods	-	214
Interest from receivables	13	13
Time-barred liabilities written off	19	-
Net gain on disposal of property, plant and equipment and intangible assets	34	173
Other	318	788
Total	**8 103**	**6 313**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

11. Other expenses

	2020	*2019*
Donations granted	(100)	(91)
Repair of damages	(27)	(74)
Penalties, compensations, payments	(53)	(62)
Reversal of rental income from passenger service areas for previous periods due to reimbursement of real estate tax paid	-	(214)
Unrecoverable input VAT	(34)	(21)
Other	(11)	(52)
Total	**(225)**	**(514)**

12. Net finance expense

	2020	*2019*
Recognised in profit or loss for the period		
Dividend income:	-	7
- equity instruments - financial instruments measured at fair vale through other comprehensive income (held at the reporting date)	-	7
Interest income under the effective interest method on:	4 022	11 043
- cash and cash equivalents	3 037	4 836
- non-current deposits	920	6 205
- debt instruments (corporate bonds)	65	-
- other	-	2
Net foreign exchange gain	119	116
Other finance income	-	194
Finance income	**4 141**	**11 360**
Interest expense on liabilities measured at amortised cost, including:	(3 156)	(6 091)
- loans and borrowings, including:	-	(3 053)
- nominal	-	(1 692)
- other	-	(1 361)
- discount of Concession fees	(2 738)	(2 803)
- lease interest expense	(116)	(116)
- other	(302)	(119)
Discount of provisions	(2 351)	(6 671)
Net change in fair value of cash flow hedges reclassified from other comprehensive income	-	(3 020)
Ineffective portion of changes in fair value of cash flow hedges	-	(28)
Other finance expenses	(2)	(68)
Finance expenses	**(5 509)**	**(15 878)**
Net finance expense recognised in profit or loss for the period	**(1 368)**	**(4 518)**
Recognised in other comprehensive income		
Foreign currency translation differences for foreign operations	27	82
Effective portion of changes in fair value of cash flow hedges	-	(46)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	-	3 020
Change in fair value of equity instruments	(168)	(219)
Finance income/(expenses) recognised in other comprehensive income	**(141)**	**2 837**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

13. Income tax

13.1. Income tax recognised in profit or loss for the period

	2020	*2019*
Current income tax expense	**(10 026)**	**(39 244)**
Current income tax on profits for the year	(27 499)	(39 242)
Adjustment in respect of prior years	17 473	(2)
Deferred tax	**2 831**	**(5 132)**
Recognition and reversal of temporary differences	2 831	(5 132)
Income tax impacting profit for the period	**(7 195)**	**(44 376)**

The income tax rate which embraced the majority of Group's activities amounted to 19% in 2019-2020. It is assumed that the income tax rate shouldn't change in upcoming years.

On 1 September 2020 SAM S.A. received from the First Silesian Tax Office in Sosnowiec the amount of TPLN 1,123 as the reimbursement of overpayment of CIT for 2018, which was identified based on the application submitted by the company in June 2020. On 27 November 2020 SAM S.A. received from the First Silesian Tax Office in Sosnowiec the amount of TPLN 16,872 as the reimbursement of overpayment of CIT for 2019, which was identified based on the application submitted by the company in September 2020. Both these applications resulted from a change in the company's approach to the eligibility of Payments to the State Treasury for tax deductibility.

13.2. Effective tax rate

	2020		*2019*	
	%		%	
Profit before income tax		**98 651**		**124 772**
Income tax calculated using domestic tax rate	(19.0%)	(18 744)	(19.0%)	(23 707)
Share of profit/(loss) of equity accounted investees	(0.1%)	(52)	0.0%	26
Current-year losses for which no deferred tax asset is recognised	0.2%	213	-	-
Unrecognised temporary differences / temporary differences previously unrecognised / permanent differences	(6.2%)	(6 085)	(16.6%)	(20 693)
Current income tax adjustment in respect of prior years	17.7%	17 473	(0.0%)	(2)
Total	**7.3%**	**(7 195)**	**(35.6%)**	**(44 376)**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

13.3. Income tax recognised in other comprehensive income

	2020			***2019***		
	Before tax	**Tax (expense) /benefit**	**Net**	**Before tax**	**Tax (expense) /benefit**	**Net**
Change in fair value of equity instruments	(168)	31	(137)	(219)	103	(116)
Remeasurement of employee benefits	(174)	34	(140)	(236)	45	(191)
Other comprehensive income that will never be reclassified to profit or loss for the period	***(342)***	***65***	***(277)***	***(455)***	***148***	***(307)***
Effective portion of changes in fair value of cash flow hedges	-	-	-	(46)	9	(37)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	-	-	-	3 020	(574)	2 446
Other comprehensive income that are or may be reclassified subsequently to profit or loss for the period	***-***	***-***	***-***	***2 974***	***(565)***	***2 409***
Total	**(342)**	**65**	**(277)**	**2 519**	**(417)**	**2 102**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

14. Property, plant and equipment

	Buildings and constructions	Plant and equipment	Vehicles	Other	Under construction	Total
Cost as at 1 January 2019	**20 940**	**23 826**	**18 686**	**8 296**	**401**	**72 149**
Acquisitions	-	1 514	778	59	1 311	**3 662**
Transfer from property, plant and equipment under construction	185	276	-	195	(656)	**-**
Transfer from provisions for capital expenditure	-	-	-	-	164	**164**
Transfer from intangible assets	42	1 143	-	-	-	**1 185**
Transfer to inventory	-	-	-	-	(160)	**(160)**
Disposals	-	(68)	(677)	(44)	-	**(789)**
Cost as at 31 December 2019	**21 167**	**26 691**	**18 787**	**8 506**	**1 060**	**76 211**
Cost as at 1 January 2020	**21 167**	**26 691**	**18 787**	**8 506**	**1 060**	**76 211**
Acquisitions	48	1 612	2 040	93	3 250	**7 043**
Transfer from property, plant and equipment under construction	821	2 142	-	-	(2 963)	**-**
Disposals	-	(217)	(1 825)	(20)	-	**(2 062)**
Cost as at 31 December 2020	**22 036**	**30 228**	**19 002**	**8 579**	**1 347**	**81 192**
Depreciation and impairment losses as at 1 January 2019	**(14 363)**	**(10 673)**	**(9 316)**	**(4 134)**	**-**	**(38 486)**
Depreciation for the period	(934)	(3 013)	(1 886)	(828)	-	**(6 661)**
Disposals	-	65	640	44	-	**749**
Depreciation and impairment losses as at 31 December 2019	**(15 297)**	**(13 621)**	**(10 562)**	**(4 918)**	**-**	**(44 398)**
Depreciation and impairment losses as at 1 January 2020	**(15 297)**	**(13 621)**	**(10 562)**	**(4 918)**	**-**	**(44 398)**
Depreciation for the period	(907)	(3 846)	(1 909)	(834)	-	**(7 496)**
Disposals	-	203	1 605	20	-	**1 828**
Depreciation and impairment losses as at 31 December 2020	**(16 204)**	**(17 264)**	**(10 866)**	**(5 732)**	**-**	**(50 066)**
Carrying amounts						
As at 1 January 2019	6 577	13 153	9 370	4 162	401	**33 663**
As at 31 December 2019	5 870	13 070	8 225	3 588	1 060	**31 813**
As at 1 January 2020	5 870	13 070	8 225	3 588	1 060	**31 813**
As at 31 December 2020	5 832	12 964	8 136	2 847	1 347	**31 126**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

Impairment losses

As at 31 December 2020 and 31 December 2019 there were no indicators, which would require the Group to test property, plant and equipment for impairment.

Property, plant and equipment under construction

As at 31 December 2020 property, plant and equipment under construction included expenditures related to i.a. replacement of variable message signs (VMS) and central system servers.

Collateral

As at 31 December 2020, no collateral has been established on the Group's property, plant and equipment.

As at 31 December 2019 property, plant and equipment with a carrying value of TPLN 15,935 provided a collateral for Project Loan Agreement (see also note 25).

15. Intangible assets

	Concession intangible assets	Other concessions, licences, software and other	Other intangible assets	Intangible assets not ready for use	Total
Cost as at 1 January 2019	**938 183**	**12 643**	**970**	**125**	**951 921**
Acquisitions	-	59	-	8 104	**8 163**
Transfer from intangible assets not ready for use	-	-	1 828	(1 828)	-
Transfer to property, plant and equipment	-	-	-	(1 185)	**(1 185)**
Revaluation of concession intangible assets	31 079	-	-	-	**31 079**
Transfer to inventory	-	-	-	(7)	**(7)**
Disposals	-	(55)	-	(8)	**(63)**
Cost as at 31 December 2019	**969 262**	**12 647**	**2 798**	**5 201**	**989 908**
Cost as at 1 January 2020	**969 262**	**12 647**	**2 798**	**5 201**	**989 908**
Acquisitions	-	36	-	3 476	**3 512**
Transfer from intangible assets not ready for use	-	3 797	-	(3 797)	-
Revaluation of concession intangible assets	92 118	-	-	-	**92 118**
Disposals	-	(7)	-	-	**(7)**
Other reclassifications	-	1 828	(1 828)	-	-
Cost as at 31 December 2020	**1 061 380**	**18 301**	**970**	**4 880**	**1 085 531**
Amortisation and impairment losses as at 1 January 2019	**(496 718)**	**(4 311)**	**(970)**	**-**	**(501 999)**
Amortisation for the period	(48 333)	(1 454)	-	-	**(49 787)**
Disposals	-	55	-	-	**55**
Amortisation and impairment losses as at 31 December 2019	**(545 051)**	**(5 710)**	**(970)**	**-**	**(551 731)**
Amortisation and impairment losses as at 1 January 2020	**(545 051)**	**(5 710)**	**(970)**	**-**	**(551 731)**
Amortisation for the period	(48 645)	(2 081)	-	-	**(50 726)**
Disposals	-	7	-	-	**7**
Amortisation and impairment losses as at 31 December 2020	**(593 696)**	**(7 784)**	**(970)**	**-**	**(602 450)**
Carrying amounts					
As at 1 January 2019	441 465	8 332	-	125	**449 922**
As at 31 December 2019	424 211	6 937	1 828	5 201	**438 177**
As at 1 January 2020	424 211	6 937	1 828	5 201	**438 177**
As at 31 December 2020	467 684	10 517	-	4 880	**483 081**

During the current reporting period the Group revalued concession intangible assets recognized in relation to estimated costs of Phase II and liabilities due to Concession fees:

i due to changes of discount rates used for valuation of provision for capital expenditures (see note 31), which resulted in their increase by TPLN 14,911 (2019: increase of TPLN 1,269);

ii due to changes of estimates regarding construction works schedule and capital expenditures, which according to the Concession Agreement are to be executed by the Group before the end of the concession period (see note 31), resulting in the increase of concession intangible assets by TPLN 76,734 (2019: increase of TPLN 29,622);

iii due to remeasurement of Concession fees (indexation), which resulted in their increase by TPLN 473 (2019: increase of TPLN 188).

The amortisation charge on concession intangible assets is recognized in cost of sales. The amortisation charge on other intangible assets is recognized in administrative expenses.

The annual amortisation rate calculated on the base of estimated traffic increase during the concession period in relation to present net value of intangible asset at the beginning of the period equalled 10.74% in 2020 (2019: 10.65%). According to the amortisation schedule drawn up as at 31 December 2020, based on updated estimates of traffic growth, the ratio of annual amortisation costs to the carrying net value of intangible asset will range from 14.99% to 16.74% during the remaining concession period.

Intangible assets not ready for use

As at 31 December 2020 intangible assets not ready for use include dominantly expenditure on software related to the new sales system.

Impairment losses

As at 31 December 2020 and 31 December 2019 there were no indicators, which would require the Group to test concession intangible assets for impairment.

As at 31 December 2020 and 31 December 2019 Group's other intangible assets (including intangible assets not ready for use) weren't subject to any impairment.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

16. Investment property

	Right-of-use assets	Other investment property	Total
Cost as at 1 January 2019	**3 247**	**30 879**	**34 126**
Cost as at 31 December 2019	**3 247**	**30 879**	**34 126**
Cost as at 1 January 2020	**3 247**	**30 879**	**34 126**
Cost as at 31 December 2020	**3 247**	**30 879**	**34 126**
Depreciation and impairment losses as at 1 January 2019	**-**	**(27 114)**	**(27 114)**
Depreciation for the period	(46)	(511)	**(557)**
Depreciation and impairment losses as at 31 December 2019	**(46)**	**(27 625)**	**(27 671)**
Depreciation and impairment losses as at 1 January 2020	**(46)**	**(27 625)**	**(27 671)**
Depreciation for the period	(46)	(511)	**(557)**
Depreciation and impairment losses as at 31 December 2020	**(92)**	**(28 136)**	**(28 228)**
Carrying amounts			
As at 1 January 2019	3 247	3 765	**7 012**
As at 31 December 2019	3 201	3 254	**6 455**
As at 1 January 2020	3 201	3 254	**6 455**
As at 31 December 2020	3 155	2 743	**5 898**

Investment property comprises the Group-owned part of the building property at Mickiewicza St. in Katowice including the land (subject to perpetual usufruct) on which the office building and the adjacent parking lot are situated, as well as the parking lot property at Sokolska St. in Katowice, consisting of land (subject to perpetual usufruct) on which parking lot and garages are situated.

Based on property expert's valuation, conducted in January 2021 as at 31 December 2020, the fair value of the Group-owned part of the building at Mickiewicza St. (appraised using the comparative approach, paired comparison method) and the fair value of perpetual usufruct of land on which aforementioned building is situated (appraised using income-based approach, investment method, simple capitalization technique of net income) were estimated at PLN 15.2 million – the fair value of the investment property situated at Sokolska St. was estimated at PLN 8.9 million (the perpetual usufruct of land was appraised using the comparative approach, paired comparison method and the building component using replacement cost method, index technique). The fair value measurement for all of the investment properties has been categorised as a Level 3 of fair value hierarchy.

Consolidated rental income (office and parking space) in 2020 amounted to TPLN 3,258 (in 2019: TPLN 3,358) and was presented in the consolidated statement of comprehensive income under "Revenue" - attributable costs amounting to TPLN 4,595 (in 2019: TPLN 3,881) were presented under "Cost of sales".

(all amounts in PLN thousand (TPLN), unless stated otherwise)

17. Investments in associates

Basic financial data of associated entities, adjusted for fair value adjustments and differences in accounting policies was as follows.

	31 December 2020	*31 December 2019*
% ownership interest	**40.63%**	**40.63%**
Total assets*	3 442	3 787
Total liabilities	(1 719)	(1 393)
Net assets	**1 723**	**2 394**
Group's share of net assets	700	973
	2020	***2019***
Revenues	10 973	9 878
Profit for the period	53	318
Changes in equity due to previous years' adjustments	(723)	19
Total comprehensive income for the period	**(670)**	**337**
Group's share of total comprehensive income	(272)	137
Group's share in net assets at beginning of the period	973	1 070
Group's share of total comprehensive income	(272)	137
Dividends received during the period	-	(234)
Other	(1)	-
Carrying amount of interest at the end of the period	**700**	**973**

(*) Including fair value adjustments;

As at 31 December 2020 as well as at 31 December 2019 the Group had only interest in one associate i.e. Biuro Centrum Sp. z o.o., which main business activity concerns management and maintenance of office building jointly owned by the Group.

18. Other investments

	31 December 2020	*31 December 2019*
Non-current		
Bank deposits	107 118	417 621
Debt instruments measured at amortised cost (corporate bonds)	349 885	-
Equity instruments measured at fair value through other comprehensive income	65	173
Total	**457 068**	**417 794**
Current		
Debt instruments measured at amortised cost (corporate bonds)	179 978	-
Equity instruments measured at fair value through other comprehensive income	1 087	1 574
Total	**181 065**	**1 574**

As at 31 December 2020 bank deposits comprised cash kept on reserve accounts designated to:

i capital expenditures of Phase F2b – TPLN 68,151 (31 December 2019: TPLN 326,888),

ii future maintenance expenditures – TPLN 32,882 (31 December 2019: TPLN 26,000),

iii uninsured loss – TPLN 6,084 (31 December 2019: none).

The abovementioned item included also accrued interests of TPLN 1 (31 December 2019: TPLN 239). All reserve accounts were established in accordance with the provisions of Concession Agreement.

As at 31 December 2019 the non-current bank deposits included also cash in amount of TPLN 64,494 designated to dividend payments to shareholders of the Concession Holder.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

As at 31 December 2020 and 31 December 2019 the following investments constituted equity instruments measured at fair value through other comprehensive income:

	Fair value at 31 December 2020	*Dividend income recognised in 2020*
Dom Maklerski BDM S.A.	1 087	-
Zakłady Metalowe DEZAMET S.A.	65	-

	Fair value at 31 December 2019	*Dividend income recognised in 2019*
Dom Maklerski BDM S.A.	1 147	-
Konsorcjum Autostrada Śląsk S.A. w likwidacji	427	-
Zakłady Metalowe DEZAMET S.A.	173	7

Debt instruments measured at amortised cost comprise zero-coupon bonds issued by Pekao Faktoring Sp. z o.o. (guaranteed by Bank Polska Kasa Opieki S.A.) with the nominal value amounting to TPLN 530,000, acquired by the Group in December 2020 for the amount of TPLN 529,798. The maturity date for bonds with a nominal value of TPLN 180,000 was set at 1 February 2021, and for bonds with a nominal value of TPLN 350,000 at 1 March 2021.

Considering that the bonds with a nominal value of TPLN 350,000 were acquired using the funds from the reserve accounts described above (TPLN 324,837 from account for capital expenditures of Phase F2b and TPLN 25,000 from account for future maintenance expenditures), these instruments were presented as non-current investments.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

19. Deferred tax

Deferred tax assets and liabilities are attributable to the following items of assets and liabilities:

	Assets		Liabilities		Liabilities	
	31 December 2020	*31 December 2019*	*31 December 2020*	*31 December 2019*	*31 December 2020*	*31 December 2019*
Concession intangible assets	-	-	(87 376)	(78 879)	**(87 376)**	**(78 879)**
Property, plant and equipment and other intangible assets	32 659	33 378	(523)	(454)	**32 136**	**32 924**
Investment property	-	-	(489)	(503)	**(489)**	**(503)**
Other non-current investments	-	-	(7)	(72)	**(7)**	**(72)**
Trade and other receivables	271	271	(66)	(62)	**205**	**209**
Inventories	7	7	-	-	**7**	**7**
Current investments	295	284	(12)	-	**283**	**284**
Cash and cash equivalents	-	-	(4)	(81)	**(4)**	**(81)**
Lease liabilities	613	615	-	-	**613**	**615**
Other non-current liabilities	2 708	2 159	-	-	**2 708**	**2 159**
Deferred income	986	1 144	-	-	**986**	**1 144**
Contract liabilities	1 516	1 248	-	-	**1 516**	**1 248**
Employee benefits	1 650	1 355	-	-	**1 650**	**1 355**
Provisions	82 466	71 578	-	-	**82 466**	**71 578**
Trade and other payables	6 030	861	-	-	**6 030**	**861**
Deferred tax assets/liabilities on temporary differences	**129 201**	**112 900**	**(88 477)**	**(80 051)**	**40 724**	**32 849**
Tax loss carry-forwards	2 135	1 782	-	-	**2 135**	**1 782**
Deferred tax assets/liabilities	**131 336**	**114 682**	**(88 477)**	**(80 051)**	**42 859**	**34 631**
Set off of tax	(88 477)	(80 051)	88 477	80 051	**-**	**-**
Unrecognised temporary differences and tax losses	(16 930)	(11 598)	-	-	**(16 930)**	**(11 598)**
Net deferred tax assets/liabilities as in consolidated statement of financial position	**25 929**	**23 033**	**-**	**-**	**25 929**	**23 033**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

Deferred tax assets have not been recognised in full amount of excess of negative temporary differences and tax losses over positive temporary differences, due to uncertainty of some temporary differences utilization (particularly in respect of property, plant and equipment, as well as provisions for capital expenditures) and estimates regarding tax losses carried forward utilization.

Changes of deferred tax during the period

	1 January 2020	Change of deferred tax on temporary differences recognised in: profit or loss for the period	other comprehensive income	31 December 2020
Concession intangible assets	**(78 879)**	(8 497)	-	**(87 376)**
Property, plant and equipment and other intangible assets	**32 924**	(788)	-	**32 136**
Investment property	**(503)**	14	-	**(489)**
Other non-current investments	**(72)**	45	20	**(7)**
Trade and other receivables	**209**	(4)	-	**205**
Inventories	**7**	-	-	**7**
Current investments	**284**	(12)	11	**283**
Cash and cash equivalents	**(81)**	77	-	**(4)**
Lease liabilities	**615**	(2)	-	**613**
Other non-current liabilities	**2 159**	549	-	**2 708**
Deferred income	**1 144**	(158)	-	**986**
Contract liabilities	**1 248**	268	-	**1 516**
Employee benefits	**1 355**	261	34	**1 650**
Provisions	**71 578**	10 888	-	**82 466**
Trade and other payables	**861**	5 169	-	**6 030**
Tax loss carry-forwards	**1 782**	353	-	**2 135**
Unrecognised temporary differences and tax losses	**(11 598)**	(5 332)	-	**(16 930)**
Total	**23 033**	**2 831**	**65**	**25 929**

	1 January 2019	Change of deferred tax on temporary differences recognised in: profit or loss for the period	other comprehensive income	31 December 2019
Concession intangible assets	**(81 918)**	3 039	-	**(78 879)**
Property, plant and equipment and other intangible assets	**38 431**	(5 507)	-	**32 924**
Investment property	**99**	(602)	-	**(503)**
Other non-current investments	**(304)**	238	(6)	**(72)**
Trade and other receivables	**(422)**	631	-	**209**
Inventories	**7**	-	-	**7**
Current investments	**175**	-	109	**284**
Cash and cash equivalents	**(285)**	204	-	**(81)**
Loans and borrowings	**319**	(319)	-	**-**
Lease liabilities	**-**	615	-	**615**
Other non-current liabilities	**2 895**	(736)	-	**2 159**
Deferred income	**1 302**	(158)	-	**1 144**
Contract liabilities	**1 159**	89	-	**1 248**
Employee benefits	**1 588**	(278)	45	**1 355**
Provisions	**71 489**	89	-	**71 578**
Trade and other payables	**334**	527	-	**861**
Derivative financial instruments	**587**	(22)	(565)	**-**
Tax loss carry-forwards	**1 923**	(141)	-	**1 782**
Unrecognised temporary differences and tax losses	**(8 797)**	(2 801)	-	**(11 598)**
Total	**28 582**	**(5 132)**	**(417)**	**23 033**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

Tax losses

According to the tax regulations, tax loss incurred in a given tax year can reduce taxable income over the next five consecutive tax years, however the decrease in any of those years cannot exceed 50% of the loss for a given year. As at 31 December 2020 the amount of tax losses remaining to be utilized amounted to TPLN 11,236 (31 December 2019: TPLN 9,380). Due to uncertainty regarding the utilization of some of the tax losses in the foreseeable future, as at 31 December 2020 the Group recognised the corresponding deferred tax assets only partially, i.e. the amount of TPLN 962 (31 December 2019: TPLN 1,362).

Year of tax loss		**2016**	**2017**	**2019**	**2020**	**Total**
Expected utilization date						
	2022	-	3 350	591	1 124	5 065
Total		***-***	***3 350***	***591***	***1 124***	***5 065***
Expected expiry date						
	2021	1 107	3 350	-	-	4 457
	2024	-	-	591	-	591
	2025	-	-	-	1 123	1 123
Total		***1 107***	***3 350***	***591***	***1 123***	***6 171***
Remaining tax loss		**1 107**	**6 700**	**1 182**	**2 247**	**11 236**
Deferred tax assets recognised		**-**	**637**	**112**	**214**	**962**

20. Income tax receivables and liabilities

As at 31 December 2020 the income tax receivables amounted to TPLN 1,691 (31 December 2019: TPLN 1,341), comprising the amount due to the Group to be settled with a future income tax liabilities (TPLN 1,341) and the difference between the payments made for the current tax year and the amount of tax payable. Due to uncertain recovery of these receivables as at 31 December 2020, an allowance of TPLN 1,341 was recognized (31 December 2019: TPLN 1,341).

Income tax liabilities of TPLN 21,619 (31 December 2019: TPLN 20,555) represent the difference between payments made for the previous and current tax year and the amount of tax payable (including the tax on income from buildings, the so-called “minimum income tax”).

21. Trade and other receivables

	31 December 2020	***31 December 2019***
Trade receivables from related parties	2 042	1 103
Trade receivables from other parties	10 788	14 065
Receivables from taxes, duties, social and health insurances and other benefits	493	10 593
Other receivables from other parties	609	540
Total	**13 932**	**26 301**

Receivables from contracts with customers included within trade and other receivables amounted to TPLN 8,791 as at 31 December 2020 and TPLN 11,183 as at 31 December 2019.

Information about the Group’s exposure to credit and market risks, as well as information on impairment losses are included in note 34.1.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

22. Cash and cash equivalents

	31 December 2020	*31 December 2019*
Cash in hand	107	107
Bank balances	83 374	179 687
Current bank deposits	146 018	192 663
Cash in transit	364	411
Cash and cash equivalents in the consolidated statement of financial position	**229 863**	**372 868**
Cash and cash equivalents in the consolidated statement of cash flows	**229 863**	**372 868**

23. Equity

23.1. Share capital

	31 December 2020	*31 December 2019*
Number of shares at the beginning of the period	247 262 023	247 262 023
Number of shares at the end of the period (fully paid)	247 262 023	247 262 023
Nominal value of 1 share (PLN)	0.75	0.75
Nominal value of A-series issue	6 256	6 256
Nominal value of B-series issue	370	370
Nominal value of D-series issue	3 000	3 000
Nominal value of E-series issue	71 196	71 196
Nominal value of F-series issue	37 500	37 500
Nominal value of G-series issue	67 125	67 125
Total	**185 447**	**185 447**

The holders of ordinary shares are entitled to dividends as declared and are entitled to one vote per share at General Meeting of the Company. All shares entitle the shareholders to Company's assets in the same extent in case of its division.

23.2. Fair value reserve

All gains and losses from valuation of investments in equity instruments measured at fair value through other comprehensive income are attributed to this equity item.

23.3. Other reserve capitals and supplementary capital

Other reserve capitals may be created by the General Meeting from a part or total of approved profits of the companies constituting the Group. The General Meeting may also define a particular aim to which such resources should be assigned.

23.4. Dividends

2020

On 19 June 2020 the Ordinary General Meeting of the Company decided to pay out the dividend in amount of TPLN 12,363, i.e. PLN 0.05 per share. The dividend date was set for 26 June 2020 and the dividend payment date for 6 July 2020.

On 24 March 2020 the Ordinary General Meeting of VIA4 S.A. decided to pay out dividend amounting to TPLN 19,395, out of which TPLN 8,728 was attributed to non-controlling interest.

2019

On 3 April 2019 the Ordinary General Meeting of the Company decided to pay out the dividend in amount of TPLN 91,487, i.e. PLN 0.37 per share. The dividend date was set for 18 April 2019 and the dividend payment date for 20 May 2019.

On 21 March 2019 the Ordinary General Meeting of VIA4 S.A. decided to pay out dividend amounting to TPLN 3,045 (the amount was paid in full in 2018 as interim dividend), out of which TPLN 1,370 was attributed to non-controlling interest.

23.5. Non-controlling interest

The following table summarizes the information relating to VIA4 S.A. Group's sole subsidiary with a non-controlling interest, before any intra-group eliminations.

	31 December 2020	*31 December 2019*
Non-controlling interest %	**45%**	**45%**
Non-current assets	15 306	16 324
Current assets	14 128	24 314
Non-current liabilities	(11 029)	(11 243)
Current liabilities	(7 620)	(8 441)
Net assets	**10 785**	**20 954**
Net assets attributable to non-controlling interest	4 853	9 429
Revenues	45 651	49 109
Profit for the period	9 322	10 822
Other comprehensive income	(96)	(95)
Total comprehensive income for the period	**9 226**	**10 727**
Profit for the period attr. to non-controlling interest	4 195	4 870
Total comprehensive income attr. to non-controlling interest	4 152	4 827
Net cash from operating activities	11 890	13 771
Net cash from investing activities	169	47
Net cash used in financing activities	(22 344)	(3 054)
Net change in cash and cash equivalents	**(10 285)**	**10 764**
Dividends paid during the period attributable to non-controlling interest	(8 728)	-

24. Earnings per share

The calculation of basic earnings per share was performed based on the net profit attributable to shareholders of the Company of TPLN 87,261 (2019: profit of TPLN 75,526) and a weighted average number of ordinary shares at the reporting date of 247,262 thousand (31 December 2019: 247,262 thousand).

Net profit per ordinary share attributable to shareholders of the Company

	2020	*2019*
Profit for the period attributable to shareholders of the Company (in TPLN)	87 261	75 526
Weighted average number of ordinary shares at the end of the period (thousands of shares)	247 262	247 262
Profit for the period per ordinary share attributable to shareholders of the Company (in PLN)	**0.35**	**0.31**

As at 31 December 2020 and 31 December 2019 no factors were determined that would result in dilution of profit per one share.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

25. Loans and borrowings

Neither at 31 December 2020 nor at 31 December 2019 did the Group have any loans and borrowings.

Collateral established on Group's property

As at 31 December 2020 there was no collateral established on Group's property.

As at 31 December 2019, apart from securities established on property, plant and equipment described in note 14, the most significant collateral established in relation to the bank loan included:

- pledge of shares of Stalexport Autoroute S.à r.l., Stalexport Autostrada Małopolska S.A. and VIA4 S.A.,
- transfer of rights deriving from agreements related to project Toll Motorway A-4 Katowice-Kraków,
- transfer of rights to bank accounts of Stalexport Autostrada Małopolska S.A.,
- cession of Stalexport Autostrada Małopolska S.A. claims in relation to project Toll Motorway A-4 Katowice-Kraków.

Following the repayment of entire debt resulting from the Project Loan Agreement on 30 September 2019, in I semester 2020 the security agent confirmed the release of collateral under the said agreement and the Group received a complete set of decisions on removal of aforementioned collaterals from the relevant court registers.

26. Lease liabilities

As the result of IFRS 16 introduction the Group recognised a lease liability amounting to the present value of payments for perpetual usufruct that are not yet paid (the perpetual usufruct expires in December 2089), discounted using the Company's incremental borrowing rate (3.67%) as of initial application date, i.e. 1 January 2019.

Lease liabilities as at 1 January 2020	**3 237**
Changes from financing cash flows	**(126)**
Payment of lease liabilities	(126)
Other changes	**116**
Interest expense	116
Lease liabilities as at 31 December 2020	**3 227**
current amount	125
non-current amount	3 102

Lease liabilities as at 1 January 2019	**3 247**
Changes from financing cash flows	**(126)**
Payment of lease liabilities	(126)
Other changes	**116**
Interest expense	116
Lease liabilities as at 31 December 2019	**3 237**
current amount	125
non-current amount	3 112

(all amounts in PLN thousand (TPLN), unless stated otherwise)

27. Employee benefits

	31 December 2020	*31 December 2019*
Non-current		
Retirement benefits	1 338	1 113
Disability benefits	51	48
Jubilee bonuses liabilities	2 424	2 190
Other employee benefits	2 632	1 101
Total	**6 445**	**4 452**
Current		
Retirement benefits	347	340
Disability benefits	8	7
Jubilee bonuses liabilities	285	510
Total	**640**	**857**

Amounts of future liabilities due to retirement benefits, disability benefits and jubilee bonuses were calculated on the basis of actuarial appraisal model.

Other employee benefits as at 31 December 2020 comprised accrued amount of bonuses attributable to members of the Management Boards of companies constituting the Group under 3-year incentive plans for years 2019-2021, enacted by the Supervisory Boards of these companies in December 2020, estimated assuming the maximum level of benefits awarded.

In 2019, the 2016-2018 incentive plans enacted by the Supervisory Boards of the companies constituting the Group were settled.

27.1. Movement in employee benefits

	Post-employment benefits		**Jubilee bonuses liabilities**		**Other employee benefits**		**Total**	
	2020	***2019***	***2020***	***2019***	***2020***	***2019***	***2020***	***2019***
As at 1 January	**1 508**	**1 227**	**2 700**	**2 240**	**1 101**	**3 520**	**5 309**	**6 987**
Included in profit or loss	**142**	**115**	**538**	**697**	**1 531**	**(41)**	**2 211**	**771**
Current service cost	120	88	273	249	1 316	1 101	**1 709**	**1 438**
Past service cost	-	-	-	-	215	-	**215**	**-**
Gains arising from settlements	-	-	-	-	-	(1 142)	**-**	**(1 142)**
Interest cost	-	27	44	61	-	-	**44**	**88**
Actuarial loss	22	-	221	387	-	-	**243**	**387**
Included in other comprehensive income	**174**	**236**	**-**	**-**	**-**	**-**	**174**	**236**
Actuarial loss arising from:	174	236	-	-	-	-	**174**	**236**
- financial assumptions	81	121	-	-	-	-	**81**	**121**
- other assumptions	93	115	-	-	-	-	**93**	**115**
Benefits paid	**(80)**	**(70)**	**(529)**	**(237)**	**-**	**(2 378)**	**(609)**	**(2 685)**
As at 31 December	**1 744**	**1 508**	**2 709**	**2 700**	**2 632**	**1 101**	**7 085**	**5 309**

27.2. Actuarial assumptions

Liabilities due to retirement benefits, disability benefits and jubilee bonuses were calculated according to following assumptions:

	31 December 2020	*31 December 2019*
Discount rate	1.40%-1.50%	2.0%
Future remuneration increase	3.0%-3.5%	3.0%-3.5%
Probability of resignation	2%-5.2%	2.1%-5.4%

(all amounts in PLN thousand (TPLN), unless stated otherwise)

The weighted-average duration of liabilities due to particular employee benefits as at the current reporting date was as follows:

(in years)	*31 December 2020*	*31 December 2019*
Post-employment benefits	11.8-16.3	12.5-16.8
Jubilee bonuses liabilities	3.8-14.2	4.8-14.8

27.3. Sensitivity analysis

A sensitive analysis has been disclosed below, showing how reasonably possible changes of material actuarial assumptions made at the reporting date, holding other assumptions constant, would have impacted the liabilities due to employee benefits.

	Discount rate change		Remuneration increase change		Probability of resignation change	
31 December 2020	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt
Retirement benefits	1 764	1 612	1 612	1 762	1 674	1 688
Disability benefits	61	58	58	61	59	60
Jubilee bonuses liabilities	2 803	2 619	2 620	2 801	2 732	2 686
Total	**4 628**	**4 289**	**4 290**	**4 624**	**4 465**	**4 434**
31 December 2019	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt
Retirement benefits	1 519	1 391	1 391	1 518	1 510	1 388
Disability benefits	56	53	53	56	56	53
Jubilee bonuses liabilities	2 783	2 624	2 624	2 782	2 786	2 618
Total	**4 358**	**4 068**	**4 068**	**4 356**	**4 352**	**4 059**

28. Other non-current liabilities

	31 December 2020	*31 December 2019*
Liabilities due to Concession fees	10 688	11 363
Other payables to related parties	8 789	5 752
Other payables to other parties	687	452
Total	**20 164**	**17 567**

Other non-current liabilities constitute amounts retained as performance guarantee in relation to construction contracts and guarantee deposits concerning already completed construction works with a due date exceeding 12-month period.

Concession fees include (i) rent for the use (right to use and receive profits) of a road strip of the A-4 Katowice-Kraków section of the motorway subject to the concession, and (ii) refund of GDDKiA's costs of supervision and control (for more details see note 5.3).

29. Deferred income

	31 December 2020	*31 December 2019*
Non-current		
Deferred rental income (mainly passengers service areas)	4 318	5 144
Other	41	47
Total	**4 359**	**5 191**
Current		
Deferred rental income (mainly passengers service areas)	826	825
Other	6	7
Total	**832**	**832**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

30. Contract liabilities

	31 December 2020	*31 December 2019*
Current		
Prepaid tolls for passage through A-4 Katowice - Kraków motorway	7 978	6 570
Total	**7 978**	**6 570**

The prepayments amounting to TPLN 5,173 recognised as contract liabilities at the beginning of the reporting period have been recognised as revenue in 2020 (in 2019: TPLN 5,451).

31. Provisions

Non-current provisions	**Provisions for motorway resurfacing**	**Provisions for capital expenditures (Phase II)**	**Total**
Balance at 1 January 2019	**2 460**	**294 903**	**297 363**
Additions, including:	10 771	5 230	**16 001**
- due to discounting	*51*	*5 230*	***5 281***
Change of estimates	(1 121)	33 841	**32 720**
Reclassifications	(12 110)	(19 600)	**(31 710)**
Balance at 31 December 2019	**-**	**314 374**	**314 374**
Balance at 1 January 2020	**-**	**314 374**	**314 374**
Additions, including:	-	1 954	**1 954**
- due to discounting	-	*1 954*	***1 954***
Change of estimates	785	127 616	**128 401**
Reclassifications	(785)	(72 641)	**(73 426)**
Balance at 31 December 2020	**-**	**371 303**	**371 303**
Current provisions			
Balance at 1 January 2019	**27 614**	**51 280**	**78 894**
Additions, including:	442	948	**1 390**
- due to discounting	*442*	*948*	***1 390***
Change of estimates	(1 512)	(2 950)	**(4 462)**
Utilisation	(24 653)	(20 697)	**(45 350)**
Capital expenditures transferred to property, plant and equipment	-	164	**164**
Reclassifications	12 110	19 600	**31 710**
Balance at 31 December 2019	**14 001**	**48 345**	**62 346**
Balance at 1 January 2020	**14 001**	**48 345**	**62 346**
Additions, including:	8 734	306	**9 040**
- due to discounting	*91*	*306*	***397***
Change of estimates	5 440	(35 971)	**(30 531)**
Utilisation	(20 570)	(30 981)	**(51 551)**
Reclassifications	785	72 641	**73 426**
Balance at 31 December 2020	**8 390**	**54 340**	**62 730**

Provision for capital expenditures constitutes the present value of future construction costs to be incurred in relation to Katowice-Kraków section of A4 motorway (Phase II), due to obligations undertaken by Concession Holder under the Concession Agreement (see note 4).

During the current period the Group changed estimates regarding discount rates used for calculation of the present value of provisions for resurfacing and provision for capital expenditures of Phase II (in both cases as at 31 December 2019 the rates ranged from 1.69% to 1.98%, currently from -0.11% to 1.81%). As result of those changes the provision for resurfacing increased by TPLN 192 (2019: increase of TPLN 30), which in line with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* was recognized as an increase of operating expenses for the period. At the same time the provision for capital expenditures (Phase II) increased by TPLN 14,911 (2019: increase of TPLN 1,269), which was recognized as an increase of concession intangible assets.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

During the current period the Group also conducted a revaluation of provision for resurfacing and provision for capital expenditures of Phase II following the change of estimates regarding expected expenditures and future construction works schedule. As result of these changes the provision for resurfacing increased by TPLN 6,033 (2019: decrease of TPLN 2,663), which in line with IAS 37 increased operating expenses for the period. At the same time the provision for capital expenditures (Phase II) increased by TPLN 76,734 (2019: increase of TPLN 29,622), which was recognized as an increase of concession intangible assets.

32. Trade and other payables (current)

	31 December 2020	*31 December 2019*
Trade payables to related parties	11 593	13 774
Trade payables to other parties	8 901	4 817
Amounts due to taxes, duties, social and health insurance and other benefits	2 400	2 403
Payroll liabilities	2 691	2 695
Liabilities due to Concession fees (note 5.3, 28)	3 315	3 207
Payments to the State Treasury (note 4, 5.3)	29 730	54 667
Other payables and accruals to related parties	4 081	4 417
Other payables and accruals to other parties	4 334	4 327
Total	**67 045**	**90 307**

The balance of other payables and accruals consists mainly of amounts retained as performance guarantee in relation to construction contracts and guarantee deposits concerning already completed construction works. The value of abovementioned payables amounted to TPLN 4,374 as at 31 December 2020 (31 December 2019: TPLN 5,098).

The changes in the balance of the liabilities due to Payments to the State Treasury recorded in years 2019-2020 are shown below.

	31 December 2020	*31 December 2019*
Payments to the State Treasury at the beginning of the reporting period	**54 667**	**-**
including VAT	*10 223*	*-*
Recognition of net liability as at calculation date (see note 5.3)	44 610	88 800
Recognition of VAT	3 422	20 425
Payment of the liability	72 969	54 558
Payments to the State Treasury at the end of the reporting period	**29 730**	**54 667**
including VAT	*-*	*10 223*

(all amounts in PLN thousand (TPLN), unless stated otherwise)

33. Financial instruments

33.1. Classification and fair value of financial instruments

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2020		Carrying amount			Fair value			
	Note	Financial instruments measured at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments*	18	1 152	-	**1 152**	-	-	1 152	**1 152**
		1 152	**-**	**1 152**				
Financial assets not measured at fair value								
Debt instruments (corporate bonds)	18	-	529 863	**529 863**				
Trade and other receivables**	21	-	13 439	**13 439**				
Bank deposits (non-current investments)	18	-	107 118	**107 118**				
Cash and cash equivalents	22	-	229 863	**229 863**				
		-	**880 283**	**880 283**				
Financial liabilities not measured at fair value								
Lease liabilities	26	-	(3 227)	**(3 227)**				
Liabilities due to Concession fees	28,3	-	(14 003)	**(14 003)**				
Payments to the State Treasury	4,32	-	(29 730)	**(29 730)**				
Trade and other payables**	32	-	(36 943)	**(36 943)**				
		-	**(83 903)**	**(83 903)**				

(all amounts in PLN thousand (TPLN), unless stated otherwise)

31 December 2019		**Carrying amount**			**Fair value**			
	Note	**Financial instruments measured at fair value through other comprehensive income**	**Financial instruments measured at amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Equity instruments*	18	1 747	-	**1 747**	-	-	1 747	**1 747**
		1 747	**-**	**1 747**				
Financial assets not measured at fair value								
Trade and other receivables**	21	-	15 708	**15 708**				
Bank deposits (non-current investments)	18	-	417 621	**417 621**				
Cash and cash equivalents	22	-	372 868	**372 868**				
		-	**806 197**	**806 197**				
Financial liabilities not measured at fair value								
Lease liabilities	26	-	(3 237)	**(3 237)**				
Liabilities due to Concession fees	28,3	-	(14 570)	**(14 570)**				
Payments to the State Treasury	4,32	-	(54 667)	**(54 667)**				
Trade and other payables**	32	-	(32 544)	**(32 544)**				
		-	**(105 018)**	**(105 018)**				

* Equity instruments belonging to the Group are not listed on financial markets, the Group has also no information on recent observable arm's length transactions in these instruments. Considering the above, the fair value of the equity instruments determined based on the Group's share in nett assets of their issuers as at 31 December 2020 or at the end of the last reporting period for which the Group has adequate financial data. In 2020 the Group recorded losses due to valuation of aforementioned equity instruments amounting TPLN 168 (2019: loss of TPLN 219), presented within item "Change in fair value of equity instruments" of the consolidated statement of comprehensive income.

** Without consideration of receivables due to VAT/payables due to taxes, duties, social and health insurance and other benefits, payroll liabilities, liabilities due to Concession fees and Payments to the State Treasury.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

Hierarchy of financial instruments carried at fair value

Financial instruments carried at fair value can be classified according to the following valuation methods:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3: inputs that are not based on observable market data (unobservable inputs).

33.2. Hedge accounting

Cash flow hedge accounting

In 2020 the Group did not hedge cash flows.

In 2019 the Group hedged cash flows resulting from payments of interest related to the Project Loan Agreement. For cash flow being hedged cash flow hedge accounting was applied. Derivatives i.e. interest rate swaps were used as hedging instruments.

Due to early settlement of hedging transactions as a result of full prepayment of the Project Loan Agreement, as at 31 December 2019 the Group recognised no liabilities deriving from the valuation of the hedging instruments. The impact of cash flow hedge accounting identified as effective, was recognized in consolidated statement of comprehensive income and presented as a separate item of other comprehensive income. Ineffective portion of changes in fair value of hedging instrument amounted to TPLN 28 and was recognised in finance expenses.

33.3. Reconciliation of movements of liabilities to cash flows arising from financing activities

	Financial liabilities
	Lease liabilities
Balance as at 1 January 2020	**3 237**
Changes from financing cash flows	**(126)**
Payment of lease liabilities	(126)
Other changes	**116**
Interest expense	116
Balance as at 31 December 2020	**3 227**

	Financial liabilities		Hedge derivatives	Total
	Loans and borrowings	Lease liabilities	Interest rate swaps used for hedging (liability)	
Balance as at 1 January 2019	**77 405**	**3 247**	**3 749**	**84 401**
Changes from financing cash flows	**(77 723)**	**(126)**	**-**	**(77 849)**
Repayment of loans and borrowings	(77 723)	-	-	**(77 723)**
Payment of lease liabilities	-	(126)	-	**(126)**
Changes in fair value	**-**	**-**	**(2 946)**	**(2 946)**
Other changes	**318**	**116**	**(803)**	**(369)**
Interest expense	2 764	116	3 020	**5 900**
Interest paid	(2 446)	-	(3 823)	**(6 269)**
Balance as at 31 December 2019	**-**	**3 237**	**-**	**3 237**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

34. Financial risk management

34.1. Credit risk

Credit risk is a risk of financial loss to the Group if a customer or a counterparty fails to meet its contractual obligations, and it arises principally from the Group's receivables from customers and investment securities.

The Group places its cash and cash equivalents in financial institutions with high financial credibility and the corporate bonds acquired by the Group in 2020 are guaranteed by such an institution (credit rating of BBB+ - see also note 18). Considering the above, the Group assesses that aforementioned financial instruments have low credit risk.

The following table shows the Group's maximum exposure to the credit risk:

	31 December 2020	*31 December 2019*
Other non-current investments	457 068	417 794
Current investments	181 065	1 574
Income tax receivables	350	-
Trade and other receivables	13 932	26 301
Cash and cash equivalents	229 863	372 868
Total	**882 278**	**818 537**

In relation to trade receivables the Group measures loss allowances at an amount equal to lifetime expected credit losses.

As at 31 December 2020 for trade receivables the Group determined the amount of expected credit losses using a provision (allowance) matrix, defined on the basis of historical credit loss experience.

The following table provides information about the exposure to credit risk and also allowances for expected credit losses for trade receivables as at 31 December 2020 and 31 December 2019.

31 December 2020	Weighted-average loss rate	Trade receivables (gross)	Secured amount (up to gross receivables)	Trade receivables (gross) exceeding secured amount	Loss allowance
Current (not past due)	0.00%	6 142	5	6 137	-
1-30 days past due	0.01%	1 749	11	1 738	-
31-90 days past due	4.88%	48	5	43	2
91-180 days past due	14.10%	29	-	29	4
181-365 days past due	49.00%	6	1	5	2
366-730 days past due	42.80%	6	-	6	3
more than 730 days past due	100.00%	5 054	4 861	193	193
Total		**13 034**	**4 883**	**8 151**	**204**

31 December 2019	Weighted-average loss rate	Trade receivables (gross)	Secured amount (up to gross receivables)	Trade receivables (gross) exceeding secured amount	Loss allowance
Current (not past due)	0.00%	10 094	4	10 090	-
1-30 days past due	0.09%	159	17	142	-
31-90 days past due	3.60%	43	2	41	2
91-180 days past due	14.00%	12	1	11	2
366-730 days past due	75.69%	8	-	8	6
more than 730 days past due	100.00%	5 055	4 862	193	193
Total		**15 371**	**4 886**	**10 485**	**203**

Past due trade receivables amounting to TPLN 4,861 are secured on the customer's property, which value exceeds the value of these receivables. Additionally, trade receivables due to rental of investment property amounting to TPLN 22 are secured by the guarantee deposits received by the Group.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

Other receivables are subject to loss allowance in amount of TPLN 91,353. These receivables derive from activities discontinued in previous periods and mainly result from loan guarantees granted to entities which were not able to settle their liabilities.

The movement in loss allowances in respect of trade and other receivables and other was as follows:

	2020	*2019*
Balance as at 1 January	**(91 558)**	**(91 553)**
Net remeasurement of loss allowance	(30)	(3)
Amounts written off	35	-
Reclassifications	(4)	(1)
Balance as at 31 December	**(91 557)**	**(91 557)**

34.2. Market risk

Market risk is the risk that changes in market demand, supply and prices, as well as other factors will affect the Group's financial results and controlled assets value (such as foreign exchange rates, interest rates and cost of capital). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

The Group's exposure to the interest rate risk relates mainly to cash and cash equivalents with floating interest rates based on WIBOR + margin. In 2020 the Group did not hedge against the risk of interest rate fluctuations.

The table below presents susceptibility profile of the Group (maximum exposure) to the risk of interest rate fluctuations by means of presentation of financial instruments according to fixed and floating interest rate:

	Nominal amount *31 December 2020*	**Nominal amount** *31 December 2019*
Fixed-rate instruments		
Bank deposits (non-current investments)	107 118	417 621
	107 118	**417 621**
Floating-rate instruments		
Cash and cash equivalents	229 863	372 868
	229 863	**372 868**

While managing interest rate risk, the Group, in addition to transactions described above, aims to reduce the impact of interest rate fluctuations via current monitoring of financial market. Moreover, some investments are independent of WIBOR rate fluctuations.

The Group has conducted sensitivity analysis of floating interest rate financial instruments and hedge derivatives to changes of market interest rates. The table below presents the impact of increase or decrease of interest rate by 100 basis points on profit or loss for the period and equity. The analysis assumes that all other variables such as foreign exchange rates remain constant. The analysis was performed for current and comparable reporting periods.

	Zysk lub strata bieżącego okresu		**Equity**	
	increase 100 bp	decrease 100 bp	increase 100 bp	decrease 100 bp
31 December 2020				
Floating interest rate instruments	2 299	(2 299)	2 299	(2 299)
31 December 2019				
Floating interest rate instruments	3 729	(3 729)	3 729	(3 729)

(all amounts in PLN thousand (TPLN), unless stated otherwise)

Foreign currency risk

At the end of 2020 foreign currency risk concerned cash and cash equivalents and trade and other payables.

The table below shows profile of the Group's sensibility (maximum exposure) to exchange rate change by means of presentation of financial instruments by currencies in which they are denominated.

Assets/liabilities by currency after conversion into PLN (in TPLN)

31 December 2020	EUR	USD
Cash and cash equivalents	46	20
Trade and other payables	(37)	-
Net consolidated statement of financial position exposure	**9**	**20**

31 December 2019	EUR	USD
Cash and cash equivalents	142	5
Trade and other payables	(92)	-
Net consolidated statement of financial position exposure	**50**	**5**

The Group performed sensitivity analysis of financial instruments denominated in foreign currencies to rate fluctuations. The table below presents the impact of strengthening or weakening of Polish zloty by 5 per cent in relation to all foreign currencies, on profit or loss for the period and equity. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss for the period		**Equity**	
	increase of exchange rates by 5%	decrease of exchange rates by 5%	increase of exchange rates by 5%	decrease of exchange rates by 5%
31 December 2020	1	(1)	1	(1)
31 December 2019	3	(3)	3	(3)

(all amounts in PLN thousand (TPLN), unless stated otherwise)

34.3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, possession of financial means necessary to fulfil Group's financial and investment liabilities using the most attractive sources of financing.

Liquidity management focuses on detailed analysis, planning and undertaking suitable actions related to working capital and net financial indebtedness.

The table below shows the Group's maximum exposure to liquidity risk:

31 December 2020

Non-derivative financial liabilities	Carrying value	Contracted cash flow value	up to 6 months	6-12 months	1-2 years	2-5 years	over 5 years
Other non-current liabilities	**9 476**	**(9 476)**	-	-	(2 739)	(6 737)	-
Lease liabilities	**3 227**	**(8 674)**	(126)	-	(126)	(377)	(8 045)
Liabilities due to Concession fees	**14 003**	**(24 562)**	(1 889)	(1 889)	(3 779)	(11 337)	(5 668)
Payments to the State Treasury	**29 730**	**(29 730)**	(29 730)	-	-	-	-
Trade and other payables	**34 000**	**(34 000)**	(34 000)	-	-	-	-
Total	**90 436**	**(106 442)**	**(65 745)**	**(1 889)**	**(6 644)**	**(18 451)**	**(13 713)**

31 December 2019

Non-derivative financial liabilities	Carrying value	Contracted cash flow value	up to 6 months	6-12 months	1-2 years	2-5 years	over 5 years
Other non-current liabilities	**6 204**	**(6 204)**	-	-	(224)	(5 908)	(72)
Lease liabilities	**3 237**	**(8 800)**	(126)	-	(126)	(377)	(8 171)
Liabilities due to Concession fees	**14 570**	**(27 420)**	(1 828)	(1 828)	(3 656)	(10 968)	(9 140)
Payments to the State Treasury	**54 667**	**(54 667)**	(54 667)	-	-	-	-
Trade and other payables	**32 433**	**(32 028)**	(32 028)	-	-	-	-
Total	**111 111**	**(129 119)**	**(88 649)**	**(1 828)**	**(4 006)**	**(17 253)**	**(17 383)**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

34.4. Capital management

The Group's policy is to maintain strong capital base, which should be foundation for positive perception of the Group by investors, creditors and market and should also lead to further business development. The Group monitors the changes in ownership, return on equity and debt/equity ratios.

The Group aims is to achieve a return on equity ratio at the level considered satisfactory by the shareholders.

The Company and its subsidiaries, which are the joint stock companies, are subject to the regulation resulting from art. 396 § 1 of the Polish Commercial Companies Code, which requires that at least 8% of profit for a given financial year should be assigned to supplementary capital, until this capital reaches at least 1/3 of the share capital. As at 31 December 2020, all joint stock companies constituting the Group, already achieved the aforementioned level of supplementary capital.

The net debt to adjusted equity ratio at the end of the reporting period was as follows:

	31 December 2020	*31 December 2019*
Total liabilities	566 342	526 288
minus		
Provisions for capital expenditures (Phase II)	425 643	362 719
Bank deposits (non-current investments)	107 118	417 621
Debt instruments (corporate bonds)	529 863	-
Cash and cash equivalents	229 863	372 868
Net debt	**(726 145)**	**(626 920)**
Total equity	865 879	795 764
Adjusted equity	**865 879**	**795 764**
Net debt to adjusted equity ratio	**(0.84)**	**(0.79)**

There were no changes in the capital management policy during the financial year.

35. Capital expenditure commitments

The most significant contracts of the motorway business that generate capital expenditure, which have been carried out in 2020, are set out below.

On 4 July 2017 SAM S.A. employed Pavimental Polska Sp. z o.o. for the contract ROM48 "Renovation of M48 bridge supports" ultimately amounting to TPLN 22,169 (including change orders). As at 31 December 2020 the financial progress of the project (value of works recorded) amounted to TPLN 22,169 (100% of the contract value), out of which TPLN 12 was recorded in 2020.

On 21 November 2018 SAM S.A. and consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. signed a contract ROM09-54 "Renovation of bridges M09L and M09P and also replacement of expansion joints on the bridge M54P" amounting ultimately to TPLN 11,989 (including change orders). As at 31 December 2020 the financial progress of the project (value of works recorded) amounted to TPLN 11,989 (100% of the contract value), out of which TPLN 5,123 was recorded in 2020.

On 4 February 2019 SAM S.A. and Pavimental Polska Sp. z o.o. signed the contract HM-4-2019 „Resurfacing 2019-2020" for the resurfacing of motorway sections with a total length of 42.4 km, resurfacing of bridges and the partial reconstruction of linear drainage within the motorway median. The current value of the contract amounts to TPLN 59,828 (including change orders). As at 31 December 2020 the financial progress of the project (value of works recorded) amounted to TPLN 54,921 (92% of the contract value), out of which TPLN 27,529 was recorded in 2020.

On 9 July 2019 SAM S.A. and Pavimental Polska Sp. z o.o. signed the contract F2b-10-2018 "Reconstruction of A-4 motorway drainage – part III" including reconstruction of drainage for one catchment in Małopolskie voivodeship. The value of the contract amounts to TPLN 15,820 (including change orders). As at 31 December 2020 the financial progress of the project (value of works recorded) amounted to TPLN 11,812 (75% of the contract value), out of which TPLN 11,084 was recorded in 2020.

On 30 November 2018 SAM S.A., VIA4 S.A. and Autostrade Tech S.p.A signed a Software Service Agreement pursuant to which SAM S.A. is entitled to commission investment projects related to the development of the toll collection system. In 2020, under the said agreement, works were carried out, among others, on the implementation of integration module between toll collection system and e-commerce system. The value of capital expenditures for projects commissioned under the Software Maintenance Agreement amounted to TPLN 4,237 in 2020.

On 14 August 2019 SAM S.A. and Future Processing Sp. z o.o. signed a software support and development agreement under which a new e-commerce system will be implemented to replace the existing Internet Customer Service. In 2020 capital expenditures amounting to TPLN 1,320 were incurred under the aforementioned agreement.

On 29 January 2020 SAM S.A. and Pavimental Polska Sp. z o.o. signed a contract MPA12-2019 "Modernisation of 12 culverts located in section of the A4 motorway Katowice – Kraków subject to the concession" amounting to TPLN 7,305. As at 31 December 2020 the financial progress of the project (value of works recorded) amounted to TPLN 3,183 (44% of the contract value).

On 21 February 2020 SAM S.A. and Zakład Handlowo-Usługowy BIESZCZADY signed a contract for running repairs of noise screens no. 8 and 9 located on the section of the A4 Katowice - Kraków motorway subject to the concession amounting to TPLN 1,145. As at 31 December 2020 the financial progress of the project (value of works recorded) amounted to TPLN 1,145 (100% of the contract value).

On 27 April 2020 SAM S.A. and Zakład Handlowo-Usługowy BIESZCZADY signed a contract for the repair of elements of the road lane drainage system on the section of the A4 Katowice - Kraków motorway subject to the concession amounting to TPLN 1,355. As at 31 December 2020 the financial progress of the project (value of works recorded) amounted to TPLN 1,355 (100% of the contract value).

On 29 April 2020 SAM S.A. and Przedsiębiorstwo Kompletacji i Montażu Systemów Automatyki Carboautomatyka S.A. signed a contract for the design and construction of four gantry structures at Brzęczkowice and Balice toll plazas amounting to TPLN 1,850. As at 31 December 2020 the financial progress of the project (value of works recorded) amounted to TPLN 1,850 (100% of the contract value).

On 2 June 2020 SAM S.A. and company KRYMEX signed a contract for the reconstruction of linear drainage within the motorway median on the section of the A4 Katowice - Kraków motorway subject to the concession amounting to TPLN 1,095. As at 31 December 2020 the financial progress of the project (value of works recorded) amounted to TPLN 1,095 (100% of the contract value).

On 25 June 2020 SAM S.A. and Pavimental Polska Sp. z o.o. signed the contract F2b-12-2020 "Reconstruction of A-4 motorway drainage – part IV" including reconstruction of drainage for 13 catchments in Małopolskie voivodeship. The value of the contract amounts to TPLN 64,730. As at 31 December 2020 the financial progress of the project (value of works recorded) amounted to TPLN 2,950 (5% of the contract value).

36. Contingent liabilities

Both as at 31 December 2020 and 31 December 2019 the Group had no contingent liabilities.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

37. Related party transactions

37.1. Intragroup receivables and liabilities

31 December 2020	Trade and other receivables	Trade and other payables	Guarantees and suspended amounts
Biuro Centrum Sp. z o.o.	1	340	-
Associates	***1***	***340***	***-***
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	3 386
Pavimental Polska Sp. z o.o.	6	10 677	9 484
Telepass S.p.A.	2 035	-	-
Autostrade Tech S.p.A.	-	576	-
Other related entities	***2 041***	***11 253***	***12 870***
Total	**2 042**	**11 593**	**12 870**

31 December 2019	Trade and other receivables	Trade and other payables	Guarantees and suspended amounts
Atlantia S.p.A.	-	17	-
Parent entities	***-***	***17***	***-***
Biuro Centrum Sp. z o.o.	2	112	-
Associates	***2***	***112***	***-***
Pavimental S.p.A. S.A. Oddział w Polsce	-	589	3 202
Pavimental Polska Sp. z o.o.	15	5 842	6 969
Telepass S.p.A.	1 086	-	-
Autostrade Tech S.p.A.	-	7 212	-
Other related entities	***1 101***	***13 643***	***10 171***
Total	**1 103**	**13 772**	**10 171**

37.2. Related party transactions amounts

2020	Revenue	Other income	Cost of acquired goods and services	Capital expenditures and resurfacing works
Atlantia S.p.A.	-	18	-	-
Parent entities	***-***	***18***	***-***	***-***
Biuro Centrum Sp. z o.o.	215	-	(3 777)	-
Associates	***215***	***-***	***(3 777)***	***-***
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	(2 348)	(2 775)
Pavimental Polska Sp. z o.o.	191	14	(3 518)	(41 944)
Telepass S.p.A.	11 993	-	-	-
Autostrade Tech S.p.A.	-	13	(2 190)	(5 130)
Other related entities	***12 184***	***27***	***(8 056)***	***(49 849)***
Total	**12 399**	**45**	**(11 833)**	**(49 849)**

2019	Revenue	Other income	Cost of acquired goods and services	Capital expenditures and resurfacing works
Biuro Centrum Sp. z o.o.	220	-	(3 043)	-
Associates	***220***	***-***	***(3 043)***	***-***
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	(3 921)	(3 693)
Pavimental Polska Sp. z o.o.	177	12	(6 659)	(33 777)
Autogrill Polska Sp. z o.o.	12	-	-	-
Telepass S.p.A.	10 841	-	-	-
Autostrade Tech S.p.A.	-	11	(2 101)	(8 163)
Other related entities	***11 030***	***23***	***(12 681)***	***(45 633)***
Total	**11 250**	**23**	**(15 724)**	**(45 633)**

Related party transactions were at an arm’s length basis (see also point 5.3 of the Management Board`s Report on the activities of the Company and the Capital Group of Stalexport Autostrady S.A. in 2020).

(all amounts in PLN thousand (TPLN), unless stated otherwise)

37.3. Transactions with key personnel

The remuneration cost of the key and supervising personnel of the Group was as follows:

	2020	2019
the Company		
Management Board	***2 520***	***812***
Salaries	1 225	912
Movement in employee benefits liabilities	1 295	(100)
Supervisory Board	***108***	***70***
Salaries	108	70
Subsidiaries		
Management Boards	***2 360***	***2 103***
Salaries	2 116	2 029
Movement in employee benefits liabilities	244	74
Supervisory Boards	***2***	***3***
Salaries	2	3
Total	**4 990**	**2 988**

In 2020 and 2019 the Group did not grant any loans to the Members of Management Board or Supervisory Board Members of the companies constituting the Group. The Group did not grant to the above-mentioned individuals any advance payments or guarantees.

38. Remuneration of the entity conducting audit of the financial statements and its related entities

Information regarding the remuneration of entity authorised to audit financial statements has been provided within point 5.23 of the Management Board`s Report on the activities of the Company and the Capital Group of Stalexport Autostrady S.A. in 2020.

39. Subsequent events

On 1 February 2021 the Group received TPLN 180,000 due to timely redemption of zero-coupon bonds issued by Pekao Faktoring Sp. z o.o. (see note 18).

Explanation

This document constitutes a translation of the consolidated financial statements of Stalexport Autostrady S.A. Capital Group, which were originally issued in Polish. In case of ambiguities in interpretation of terminology, the original Polish terminology should be treated as binding.