STALEXPORT

Autostrady

CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP

as at the day and for the year ended 31 December 2018

Mysłowice, 27 February 2019

CONTENTS

Consolidated statement of comprehensive income
for the year ended 31 December

In thousands of PLN, unless stated otherwise	*Note*	***2018***	***2017****
Revenue	7, 9	336 529	318 831
Cost of sales	7, 10	(52 198)	(70 507)
Gross profit		**284 331**	**248 324**
Other income	11	10 396	5 926
Administrative expenses	7, 10	(48 687)	(35 845)
Other expenses	12	(3 282)	(2 047)
Reversal of impairments losses/(Impairment losses) on trade and other receivables		(57)	51
Operating profit		**242 701**	**216 409**
Finance income		13 661	12 985
Finance expenses		(21 401)	(31 181)
Net finance expense	13	**(7 740)**	**(18 196)**
Share of profit of equity accounted investees (net of income tax)	18	**207**	**179**
Profit before income tax		**235 168**	**198 392**
Income tax expense	14	(48 740)	(39 612)
Profit for the period		**186 428**	**158 780**
Other comprehensive income			
Items that will never be reclassified to profit or loss for the period			
Change in fair value of equity instruments	34.1	493	-
Remeasurement of employee benefits	28	(49)	(35)
Income tax on other comprehensive income	14.3	(78)	7
		366	**(28)**
Items that are or may be reclassified subsequently to profit or loss for the period			
Foreign currency translation differences for foreign operations		(24)	(9)
Effective portion of changes in fair value of cash flow hedges	24.2	(487)	(431)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	24.2	2 998	3 842
Income tax on other comprehensive income	14.3	(477)	(648)
		2 010	**2 754**
Other comprehensive income for the period, net of income tax		**2 376**	**2 726**
Total comprehensive income for the period		**188 804**	**161 506**
Profit attributable to:			
owners of the Company		181 136	153 382
non-controlling interest		5 292	5 398
Profit for the period		**186 428**	**158 780**
Total comprehensive income attributable to:			
owners of the Company		183 533	156 119
non-controlling interest		5 271	5 387
Total comprehensive income for the period		**188 804**	**161 506**
Earnings per share	25		
Basic earnings per share (PLN)		0.73	0.62
Diluted earnings per share (PLN)		0.73	0.62

* Restated due to application of IFRS 9 and presentation changes - see notes 5 and 6.24

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 2018***	***31 December 2017***
ASSETS			
Non-current assets			
Property, plant and equipment	15	33 663	36 666
Intangible assets	16	441 154	463 855
Investment property	17	3 765	3 870
Investments in associates	18	1 070	1 034
Other non-current investments	19	419 343	434 147
Deferred tax assets	20	27 353	69 829
Total non-current assets		**926 348**	**1 009 401**
Current assets			
Inventories		2 724	2 630
Current investments	19	1 823	1 403
Income tax receivables	21	18 908	2 560
Trade and other receivables	22	37 360	25 452
Cash and cash equivalents	23	333 741	396 900
Total current assets		**394 556**	**428 945**
Total assets		**1 320 904**	**1 438 346**

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

Consolidated statement of financial position (continued)
as at

In thousands of PLN	*Note*	*31 December 2018*	*31 December 2017*
EQUITY AND LIABILITIES			
Equity	24		
Share capital	24.1	185 447	185 447
Share premium reserve		7 430	7 430
Fair value reserve		407	-
Hedging reserve	24.2	(2 409)	(4 443)
Other reserve capitals and supplementary capital		429 324	281 675
Foreign currency translation reserve		132	184
Retained earnings and uncovered losses		184 975	223 186
Total equity attributable to owners of the Company		**805 306**	**693 479**
Non-controlling interest	24.6	4 602	4 694
Total equity		**809 908**	**698 173**
Liabilities			
Non-current liabilities			
Loans and borrowings	26	33 229	76 295
Employee benefits	28	2 897	4 602
Deferred income	30	6 022	6 854
Other non-current liabilities	29	6 318	6 374
Provisions	32	297 363	362 244
Total non-current liabilities		**345 829**	**456 369**
Current liabilities			
Loans and borrowings	26	44 176	40 943
Derivative financial instruments	32.2, 33.3	3 749	6 456
Income tax liabilities	21	204	337
Trade and other payables	33	27 120	184 935
Employee benefits	28	4 090	381
Deferred income	30	832	5 794
Contract liabilities	31	6 102	-
Provisions	32	78 894	44 958
Total current liabilities		**165 167**	**283 804**
Total liabilities		**510 996**	**740 173**
Total equity and liabilities		**1 320 904**	**1 438 346**

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*	*2018*	*2017*
Cash flows from operating activities			
Profit before income tax		**235 168**	**198 392**
Adjustments for			
Depreciation and amortisation	10	51 185	46 701
Foreign currency translation differences for foreign operations		(24)	(9)
Loss on investment activity	13	-	80
(Gain)/Loss on disposal of intangible assets and property, plant and equipment	11, 12	(47)	45
Tangible asset donations		14	-
Recognition due to physical inventory		-	(5)
Interest and dividends		(4 396)	(1 791)
Share of profit of equity accounted investees		(207)	(179)
Change in receivables		(11 908)	(9 980)
Change in inventories		(94)	246
Change in trade and other payables		9 223	14 438
Change in provisions		(25 410)	(11 198)
Change in deferred income		(5 794)	(469)
Change in contract liabilities		6 102	-
Cash generated from operating activities		**253 812**	**236 271**
Income tax paid		(23 300)	(36 227)
Net cash from operating activities		**230 512**	**200 044**
Cash flows from investing activities			
Investment proceeds		**27 975**	**26 465**
Sale of intangible assets and property, plant and equipment		201	52
Proceeds from non-current deposits held for investment expenditures		15 228	12 762
Dividends received		3	81
Dividends from equity accounted investees		171	166
Interest received		12 372	13 399
Sale of financial assets		-	5
Investment expenditures		**(32 879)**	**(39 369)**
Acquisition of intangible assets and property, plant and equipment		(32 879)	(39 368)
Acquisition of financial assets		-	(1)
Net cash used in investing activities		**(4 904)**	**(12 904)**
Cash flows from financing activities			
Financial proceeds		**-**	**38**
Sale of treasury shares		-	38
Financial expenditures		**(288 767)**	**(157 237)**
Dividends paid, including attributable to:		(77 069)	(50 199)
owners of the Company		(71 706)	(44 507)
non-controlling interest		(5 363)	(5 692)
Repayment of loans and borrowings	26	(40 889)	(37 749)
Interest paid		(7 477)	(9 704)
Concession Payments		(163 332)	(59 585)
Net cash used in financing activities		**(288 767)**	**(157 199)**
Total net cash flows		**(63 159)**	**29 941**
Change in cash and cash equivalents		**(63 159)**	**29 941**
Cash and cash equivalents at 1 January		**396 900**	**366 959**
Cash and cash equivalents at 31 December	23	**333 741**	**396 900**

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	Treasury shares	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 2018		**185 447**	**-**	**7 430**	**-**	**(4 443)**	**281 675**	**184**	**223 186**	**693 479**	**4 694**	**698 173**
Profit for the period		***-***	***-***	***-***	***-***	***-***	***-***	***-***	***181 136***	***181 136***	***5 292***	***186 428***
Other comprehensive income:		***-***	***-***	***-***	***406***	***2 034***	***26***	***(52)***	***(17)***	***2 397***	***(21)***	***2 376***
Effective portion of changes in fair value of cash flow hedges	24.2	-	-	-	-	(487)	-	-	-	**(487)**	-	**(487)**
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	24.2	-	-	-	-	2 998	-	-	-	**2 998**	-	**2 998**
Remeasurement of employee benefits	28	-	-	-	-	-	-	-	(23)	**(23)**	(26)	**(49)**
Change in fair value of equity instruments	34.1	-	-	-	493	-	-	-	-	**493**	-	**493**
Foreign currency translation differences for foreign operations		-	-	-	-	-	26	(52)	2	**(24)**	-	**(24)**
Income tax on other comprehensive income	14.3	-	-	-	(87)	(477)	-	-	4	**(560)**	5	**(555)**
Total comprehensive income for the period		***-***	***-***	***-***	***406***	***2 034***	***26***	***(52)***	***181 119***	***183 533***	***5 271***	***188 804***
Sale of equity instruments measured at fair value through other comprehensive income		-	-	-	1	-	-	-	(1)	**-**	-	**-**
Dividends paid		-	-	-	-	-	-	-	(71 706)	**(71 706)**	(5 363)	**(77 069)**
Allocation of profit to supplementary capital		-	-	-	-	-	147 623	-	(147 623)	**-**	-	**-**
As at 31 December 2018		**185 447**	**-**	**7 430**	**407**	**(2 409)**	**429 324**	**132**	**184 975**	**805 306**	**4 602**	**809 908**

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

Consolidated statement of changes in equity (continued)

In thousands of PLN

	Note	Share capital	Treasury shares	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 2017		**185 447**	**(20)**	**7 430**	**-**	**(7 206)**	**231 486**	**137**	**164 555**	**581 829**	**4 999**	**586 828**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	***153 382***	***153 382***	***5 398***	***158 780***
Other comprehensive income:		**-**	**-**	**-**	**-**	***2 763***	***(51)***	***47***	***(22)***	***2 737***	***(11)***	***2 726***
Effective portion of changes in fair value of cash flow hedges	24.2	-	-	-	-	(431)	-	-	-	**(431)**	-	**(431)**
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	24.2	-	-	-	-	3 842	-	-	-	**3 842**	-	**3 842**
Remeasurement of employee benefits	28	-	-	-	-	-	-	-	(21)	**(21)**	(14)	**(35)**
Foreign currency translation differences for foreign operations		-	-	-	-	-	(51)	47	(5)	**(9)**	-	**(9)**
Income tax on other comprehensive income	14.3	-	-	-	-	(648)	-	-	4	**(644)**	3	**(641)**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	***2 763***	***(51)***	***47***	***153 360***	***156 119***	***5 387***	***161 506***
Sale of treasury shares		-	20	-	-	-	-	-	18	**38**	-	**38**
Dividends paid		-	-	-	-	-	-	-	(44 507)	**(44 507)**	(5 692)	**(50 199)**
Allocation of profit to supplementary capital*		-	-	-	-	-	50 240	-	(50 240)	**-**	**-**	**-**
As at 31 December 2017		**185 447**	**-**	**7 430**	**-**	**(4 443)**	**281 675**	**184**	**223 186**	**693 479**	**4 694**	**698 173**

*Item adjusted by dividends paid in previous years directly from the supplementary capitals of the subsidiaries.

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

1. Group overview

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

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 2018, 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 Autoroute S.a r.l.	Luxembourg	Management activities	Subsidiary	100%	2005	Full consolidation
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	-

* Through Stalexport Autoroute S.a r.l.;
** 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.

Neither the composition nor the structure of the Group were subject to any changes in 2018.

The consolidated financial statements as at the day and for the year ended 31 December 2018 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).

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 27 February 2019.

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 2018, have not been applied in preparation of these consolidated financial statements. Apart from IFRS 16 *Leases,* which has already been endorsed by EU and will be effective for reporting periods beginning on 1 January 2019 or later, 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.

IFRS 16 *Leases*

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, replacing IAS 17 *Leases* and interpretations related to such agreements.

The standard introduces a single lessee accounting model for agreements meeting the definition of lease, i.e. a depreciable right-of-use asset and a lease liability are recognised in statement of financial position. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or if that cannot be readily determined, by using incremental borrowing rate.

Lessors will still distinguish two kinds of lease, i.e. financial lease, if substantially all the risks and rewards incidental to ownership of an underlying asset are transferred, or otherwise an operating lease.

The Group intends to apply IFRS 16, using the modified retrospective approach, with the cumulative effect of the implementation recognised at the date of initial application, i.e. 1 January 2019, as an adjustment to the opening balance of retained earnings at that date. As the result, the comparative information will not be restated.

So far the Group classified perpetual usufruct of land as operating lease, with the payments for perpetual usufruct expensed to profit or loss when incurred. As the result of IFRS 16 introduction the Group will recognise 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. The Group intends to recognise a right-of-use asset measured at the amount equal to the aforementioned liability, as the consequence of which Group's equity will not be subject to any changes as at 1 January 2019.

According to Group's estimates lease liability related to payments for perpetual usufruct of land will amount to TPLN 3,247 at the date of initial application of IFRS 16.

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 14, 16, 19, 20, 24, 28, 32, 34, 35 and 38.

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.

This interpretation is not expected to have any impact on Group's equity at the date of its initial application, i.e. 1 January 2019.

3. Going concern

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. As at the date of approval of these consolidated financial statements, there is no evidence indicating that the Group will not be able to operate as a going concern.

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 and also of the loan agreement ("Project Loan Agreement") between SAM S.A. and consortium ("Consortium") of: PEKAO S.A., FMS WERTMANAGEMENT, KfW IPEX-Bank, Bank BGŻ BNP Paribas S.A. and Portigon AG (London Branch), Payments to 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.

In 2018 the Concession Holder made the first Payment to the State Treasury in the gross amount of TPLN 7,272 (see also note 10). Moreover the Concession Holder estimates that out of the cash and cash equivalents amount being in his possession as at 31 December 2018, the amount of TPLN 26,119 will be attributed to Payments to State Treasury as determined at the next calculation date, i.e. 31 March 2019.

The Group recognises the liabilities due to Payments to the State Treasury only at the calculation date, after all the underlying conditions for the obligation to make payments, as foreseen in the Concession Agreement and Project Loan Agreement, are met (see also note 6.3).

5. Changes in significant accounting policies

Consolidated financial statements as at the day and for the year ended 31 December 2018 are the first annual financial statements of the Group in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*, both effective for reporting periods beginning on 1 January 2018 or later, have been applied. The effect of application of these standards on Group's accounting polices has been presented below.

IFRS 15 *Revenue from Contracts with Customers*

The standard applies to nearly all contracts with customers (the main exceptions are leases, financial instruments and insurance contracts), replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of revenue-related interpretations.

The fundamental principle of the standard is that the revenue is recognised in the amount constituting transaction price, when the control over goods or services is transferred to customers. All goods and services sold in bundles, which can be considered distinct based on a contract with a customer, should be accounted for separately. Furthermore, as a general rule, all discounts and rebates in respect of the transaction price, should be allocated to each element of such bundle.

The Group has adopted IFRS 15 by means of modified retrospective method, according to which the cumulative effect of the implementation is recognised at the date of initial application, i.e. 1 January 2018.

Considering the nature of Group's business, categories of revenue (notes 9 and 11) as well as the provisions of contracts with customers, the application of IFRS 15 had bearing neither on Group's equity as of the aforementioned date, nor on Group's revenue recognition policy.

As the consequence of IFRS 15 implementation, the Group altered the presentation of prepayments received for the passage through A4 Katowice - Kraków motorway (due to top-ups of KartA4 or A4Go devices) by recognising them as a separate item of consolidated financial statements i.e. "Contract liabilities", instead of prior presentation within Deferred income. As at 31 December 2018 the aforementioned prepayments still to be utilized amounted to TPLN 6,102.

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

IFRS 9 *Financial Instruments*

The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting, replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

Classification, measurement and impairment - the standard introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held, as well as a new expected-loss impairment model, which requires timely recognition of expected credit losses.

Hedge accounting - the standard introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

(i) Classification and measurement

IFRS 9 defines three principal categories for financial assets: (i) measured at amortised cost, (ii) measured at fair value through other comprehensive income and (iii) measured at fair value through profit or loss. The standard eliminates categories defined in IAS 39: financial assets held to maturity, loans and receivables, as well as financial assets available for sale.

Analysis of IFRS 9 impact on the consolidated financial statements included the appraisal of business model and cash flow characteristics for financial assets owned, i.e. equity instruments, trade and other receivables, non-current deposits, as well as cash and cash equivalents.

The following table shows the impact of IFRS 9 application on the categories and carrying amounts of Group's financial assets as of 1 January 2018.

	Category of financial assets		**Carrying amount**	
	IAS 39	*IFRS 9*	*IAS 39*	*IFRS 9*
Equity instruments (Other non-current investments)	Available-for-sale financial assets	Measured at fair value through other comprehensive income	70	70
Equity instruments (Current investments)	Available-for-sale financial assets	Measured at fair value through other comprehensive income	1 403	1 403
Trade and other receivables	Loans and receivables	Measured at amortised cost	13 366	13 366
Non-current deposits	Loans and receivables	Measured at amortised cost	434 077	434 077
Cash and cash equivalents	Loans and receivables	Measured at amortised cost	396 900	396 900
Total			**845 816**	**845 816**

Group's available-for-sale financial assets for which there were no reliable ways to determine their fair value, were up till now measured at costs less any impairment loss. According to new standard such assets will be measured at fair value (however in limited circumstances cost may be an appropriate estimate of fair value), which subsequent changes, as per option foreseen in the standard (which the Group elected), will be recognised in other comprehensive income (without possibility of subsequent transfer to profit or loss for the period). The introduction of IFRS 9 has not resulted in a change of the measurement model of Group's other financial assets, i.e. after initial recognition they will continue to be measured at amortised cost.

(ii) Impairment

In case of the Group the new expected credit loss impairment model applies only to financial assets measured at amortised cost.

In line with IFRS 9, the Group recognises expected credit loss amounting to:

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

In relation to trade receivables the Group, in line with the option foreseen in the standard, measures loss allowances at an amount equal to lifetime expected credit losses, using a provision (allowance) matrix. The Group applies its historical credit loss experience, adjusted in certain cases to reflect the impact of forward-looking information.

The introduction of the new impairment model for Group's receivables did not result in a change of the amount of allowances as of 1 January 2018, comparing to the level resulting from the previous policy in this respect.

Impairment losses related to trade and other receivables have been presented separately in the consolidated statement of comprehensive income. Due to the above, the Group reclassified accordingly the reversal of impairment losses amounting to TPLN 51 incurred in 2017 from the item other expenses of the consolidated statement of comprehensive income for that period.

(iii) Hedge accounting

The Group has elected to adopt new hedge accounting model introduced by IFRS 9, requirements of which have been applied prospectively in line with the transition provisions. This change had no bearing on the qualification of hedging relationships, which therefore were regarded as continuing hedging relationships.

(iv) Transition provisions

Changes in accounting policies resulting from the adoption of IFRS 9, except for changes related to hedge accounting described above, have been applied retrospectively by the Group.

With respect to classification and measurement of financial instruments (including impairment), the Group has used the exemption foreseen in the standard and has not restated the data for the previous reporting periods, for which IAS 39 requirements have still been applied.

The adoption of the standard had no impact on Group's equity at the date of its initial application, i.e. 1 January 2018.

6. Significant accounting policies

Except for the changes resulting from the introduction of IFRS 15 and IFRS 9 (see also note 5), which were adequately highlighted, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all Group entities.

Additionally, some comparable figures were restated to align with the current presentation (see note 6.24).

6.1. Basis of consolidation

6.1.1. 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.

6.1.2. 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.

6.1.3. 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.

6.1.4. 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.

6.2. Foreign currency

6.2.1. 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.

6.2.2. 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.

6.3. 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 6.19.1) 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 6.4, 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

In 2018 the Concession Holder made the first Payment 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/IFRS16.

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 and IFRS 16 (which replaces the former standard from 1 January 2019), the Group considers 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, in accordance with Concession Agreement and Project Loan Agreement (see note 4), have been met. The payments are recognised within administrative expenses item of the consolidated statement of comprehensive income. So called calculation date (i.e. 31 March or 30 September, as appropriate) is considered the moment when the criteria triggering the payment obligation (liability recognition) have been met. This is a 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.

6.4. Other intangible assets

Other intangible assets are measured at cost less accumulated depreciation and impairment losses (see note 6.13.2).

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 6.3 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.

6.5. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see note 6.13.2).

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.

6.6. Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost less accumulated depreciation and impairment losses (see note 6.13.2).

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).

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

6.7. Property, plant and equipment under lease

Lease agreements in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and then are subject to depreciation and impairment losses (see note 6.13.2). Subsequent to initial recognition, the property, plant and equipment under finance lease is accounted for in accordance with the accounting policy applicable to group-owned property, plant and equipment. If it is not certain that at the conclusion of the lease agreement the ownership of the leased assets will be transferred to the Group, the assets are depreciated over the shorter of period of the lease and economic useful life of the assets.

Minimum lease payments made under finance leases are apportioned between reduction of the outstanding liability and the finance expense. The finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

6.8. Perpetual usufruct of land

The Group classifies perpetual usufruct of land as operating lease. The prepayments for perpetual usufruct of land are disclosed separately on the face of the consolidated statement of financial position. The prepayments for perpetual usufruct are expensed to profit or loss in the period of lease.

6.9. 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.

6.10. 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.

6.11. Non-derivative financial instruments

6.11.1. 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.

6.11.2. Classification and subsequent measurement

Financial assets – accounting policy applicable from 1 January 2018 (IFRS 9)

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, 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 assets – accounting policy applicable before 1 January 2018 (IAS 39)

The Group classifies financial assets according to following categories: held-to-maturity financial assets, financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets.

Available-for-sale financial assets are subsequently measured at fair value, based on their market value as at the reporting date. If the financial assets are not listed on a stock exchange and if there are no alternative ways to verify their fair value, available-for-sale financial assets are valued at costs less any impairment loss. Gains or losses, except for impairment losses, if there is a market price established by the regulated market or for which the fair value may be established in a reliable way, are recognised in other comprehensive income. A decline in the value of the available-for-sale financial assets resulting from impairment loss is recognized 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.

6.11.3. 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.

6.11.4. 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.

6.12. Derivative financial instruments, including hedge accounting

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

Accounting policy applicable from 1 January 2018 (IFRS 9)

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).

Accounting policy applicable before 1 January 2018 (IAS 39)

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 per cent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

6.13. Impairment

6.13.1. Financial assets

Accounting policy applicable from 1 January 2018 (IFRS 9)

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).

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 31 December 2018 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.

Accounting policy applicable before 1 January 2018 (IAS 39)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include: default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans granted, receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment.

All individually significant loans granted, receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans granted, receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans granted, receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognized in profit or loss.

If, in a subsequent periods, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

In case of equity accounted investees, the investment is treated as a single asset and is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever there are indicators of the impairment. A potential impairment loss is recognised in profit or loss for the period, and is reversed if there has been a favourable change in the investment's recoverable amount.

6.13.2. 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.

6.13.3. 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.

6.14. 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.

6.15. Employee benefits

6.15.1. 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.

6.15.2. 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.

6.15.3. 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.

6.16. 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 6.3.

6.17. 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.

6.18. 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.

6.19. Revenue

6.19.1. Revenue from contracts with customers (sale of goods and services) – recognised in accordance with IFRS 15 since 1 January 2018

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).

6.19.2. 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.

6.20. 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.

6.21. 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.

6.22. 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.

6.23. 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.

6.24. Presentation changes

During the current reporting period the Group altered the presentation within the consolidated statement of comprehensive income regarding negative adjustments to rental income from passenger service areas in respect of previous years, following the reimbursement of real estate tax paid, constituting an element of rent fee. So far these adjustments, irrespective of the reference period, have been presented as the decrease of other income due to rental. In line with the new approach, when the adjustments to aforementioned rental income relate to periods other than the current one, they are recognised as other expenses. According to the Group, this presentation change will enable better assessment of impact these transactions have on financial results, ensuring better comparison with other income due to reimbursement of real estate tax for previous years, based on which the aforementioned adjustments are made.

Comparative information for 2017 has been restated accordingly, with the adjustment to rental income amounting to TPLN 1,705 presented as other expenses.

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

7. 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 2018

	Management, advisory and rental services	Management and operation of motorways	Total
Operating revenues			
Revenue from external customers	3 250	333 279	**336 529**
Total revenue	**3 250**	**333 279**	**336 529**
Operating expenses			
Cost of sales to external customers	(4 044)	(48 154)	**(52 198)**
Total cost of sales	**(4 044)**	**(48 154)**	**(52 198)**
Other income	36	10 371	**10 407**
Other expenses	(20)	(3 273)	**(3 293)**
Impairment losses on trade and other receivables	(10)	(47)	**(57)**
Administrative expenses (*)	(4 537)	(44 150)	**(48 687)**
Operating profit	**(5 325)**	**248 026**	**242 701**
Net finance income/(expense)	4 787	(12 527)	**(7 740)**
Share of profit of equity accounted investees (net of income tax)	207	-	**207**
Income tax expense	(675)	(48 065)	**(48 740)**
Profit for the period	**(1 006)**	**187 434**	**186 428**
Other comprehensive income, net of income tax			**2 376**
Total comprehensive income for the period			**188 804**
Major non-cash items			
Depreciation and amortisation	(548)	(50 637)	**(51 185)**
Impairment losses on trade and other receivables	(10)	(47)	**(57)**
Unwinding of discount	-	(12 257)	**(12 257)**

* Administrative expenses in "Management, advisory and rental services" segment comprise all administrative expenses of the Company.

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

For the year ended 31 December 2017

	Management, advisory and rental services	Management and operation of motorways	Total
Operating revenues			
Revenue from external customers	3 235	315 596	**318 831**
Total revenue	**3 235**	**315 596**	**318 831**
Operating expenses			
Cost of sales to external customers	(4 018)	(66 489)	**(70 507)**
Total cost of sales	**(4 018)**	**(66 489)**	**(70 507)**
Other income*	25	5 912	**5 937**
Other expenses*	(6)	(2 052)	**(2 058)**
Reversal of impairments losses on trade and other receivables*	51	-	**51**
Administrative expenses**	(4 249)	(31 596)	**(35 845)**
Operating profit	**(4 962)**	**221 371**	**216 409**
Net finance income/(expense)	5 087	(23 283)	**(18 196)**
Share of profit of equity accounted investees (net of income tax)	179	-	**179**
Income tax expense	(341)	(39 271)	**(39 612)**
Profit for the period	**(37)**	**158 817**	**158 780**
Other comprehensive income, net of income tax			**2 726**
Total comprehensive income for the period			**161 506**
Major non-cash items			
Depreciation and amortisation	(583)	(46 118)	**(46 701)**
Reversal of impairments losses on trade and other receivables	51	-	**51**
Unwinding of discount	-	(19 668)	**(19 668)**
Revaluation of investment	(85)	-	**(85)**

* Restated due to application of IFRS 9 and presentation changes - see notes 5 and 6.24

** Administrative expenses in "Management, advisory and rental services" segment comprise all administrative expenses of the Company.

Financial position according to business segments as at

	31 December 2018	*31 December 2017*
Management, advisory and rental services		
Assets of the segment	285 128	347 902
Liabilities of the segment	4 789	3 256
Management and operation of motorways		
Assets of the segment	1 035 776	1 090 444
Liabilities of the segment	506 207	736 917
Total assets	**1 320 904**	**1 438 346**
Total liabilities	**510 996**	**740 173**

Major customer

In the year ended 31 December 2018 and 31 December 2017 sales to neither of Group's customers generated the revenue of more than 10% of total revenue for the period.

8. Disposal group classified as held for sale

As at 31 December 2018 and 31 December 2017 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)

9. Revenue

The table below includes a reconciliation of Group's main revenue categories with the business segments identified (see note 7).

	2018			2017		
	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:	-	332 377	**332 377**	-	314 776	**314 776**
Manual toll collection (cash, bank cards)	-	221 046	**221 046**	-	216 385	**216 385**
Fleet cards	-	65 862	**65 862**	-	61 272	**61 272**
Subscription coupons	-	-	**-**	-	1 261	**1 261**
Electronic toll collection	-	39 296	**39 296**	-	27 800	**27 800**
KartA4	-	6 173	**6 173**	-	8 058	**8 058**
Revenue due to other services rendered	-	14	**14**	46	130	**176**
	-	**332 391**	**332 391**	**46**	**314 906**	**314 952**
Other revenue						
Revenue from rental of investment property	3 244	-	**3 244**	3 184	-	**3 184**
Revenue due to other services rendered	6	-	**6**	6	-	**6**
Other revenue	-	888	**888**	-	689	**689**
	3 250	**888**	**4 138**	**3 190**	**689**	**3 879**
Total	**3 250**	**333 279**	**336 529**	**3 236**	**315 595**	**318 831**

10. Expenses by nature

	2018	*2017*
Depreciation and amortisation	(51 185)	(46 701)
Energy and materials consumption	(4 482)	(4 612)
(Accrual)/Reversal of provision for motorway resurfacing disclosed within cost of sales (external services)*	23 004	(2 643)
Other external services, including:	(25 091)	(21 240)
- renovation and maintenance services	(10 503)	(7 468)
- advisory services	(4 435)	(3 867)
Payments to the State Treasury (net amount)	(5 912)	-
Taxes and charges	(5 420)	(2 419)
Employee benefit expenses	(29 581)	(26 800)
Other costs	(2 218)	(1 936)
Cost of goods and materials sold	-	(1)
Total expenses by nature	**(100 885)**	**(106 352)**
Cost of sales and administrative expenses	**(100 885)**	**(106 352)**

* Including change of estimates related to provisions - see note 32.

10.1. Employee benefit expenses

	2018	*2017*
Wages and salaries	(21 947)	(20 299)
Social security contributions and other benefits	(5 531)	(4 895)
Movement in employee benefits liabilities included in profit and loss:	(2 103)	(1 606)
Post-employment benefits	(407)	(96)
Jubilee bonuses liabilities	(521)	(337)
Other employee benefits	(1 175)	(1 173)
Total	**(29 581)**	**(26 800)**

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

11. Other income

	2018	2017*
Rental income from passenger service areas	6 756	3 709
Compensations, contractual penalties and costs of court proceedings received	293	178
Reimbursement of real estate tax paid for previous periods	3 005	1 705
Interest from receivables	19	31
Net gain on disposal of property, plant and equipment and intangible assets	47	-
Other	276	303
Total	**10 396**	**5 926**

* Restated due to application of IFRS 9 and presentation changes - see notes 5 and 6.24

12. Other expenses

	2018	2017*
Donations granted	(97)	(75)
Repair of damages	(45)	(49)
Penalties, compensations, payments	(55)	(24)
Reversal of rental income from passenger service areas for previous periods due to reimbursement of real estate tax paid	(3 005)	(1 705)
Net loss on disposal of property, plant and equipment and intangible assets	-	(45)
Unrecoverable input VAT	(20)	(18)
Other	(60)	(131)
Total	**(3 282)**	**(2 047)**

* Restated due to application of IFRS 9 and presentation changes - see notes 5 and 6.24

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

13. Net finance expense

	2018	*2017*
Recognised in profit or loss for the period		
Dividend income:	3	81
- equity instruments - available for sale	-	81
- equity instruments - financial instruments measured at fair vale through other comprehensive income (held at the reporting date)	3	-
Interest income under the effective interest method on:	13 432	12 759
- cash and cash equivalents	6 749	6 105
- non-current deposits	6 681	6 652
- other	2	2
Gain on sale of investment	-	5
Net foreign exchange gain	226	140
Finance income	**13 661**	**12 985**
Interest expense on liabilities measured at amortised cost, including:	(10 681)	(19 189)
- loans and borrowings, including:	(5 297)	(7 307)
- nominal	(3 595)	(5 062)
- other	(1 702)	(2 245)
- discount of Concession Payments	(4 560)	(11 657)
- other	(824)	(225)
Discount of provisions	(7 697)	(8 011)
Revaluation of available for sale financial assets	-	(85)
Net change in fair value of cash flow hedges reclassified from other comprehensive income	(2 998)	(3 842)
Ineffective portion of changes in fair value of cash flow hedges	(19)	(50)
Other finance expenses	(6)	(4)
Finance expenses	**(21 401)**	**(31 181)**
Net finance expense recognised in profit or loss for the period	**(7 740)**	**(18 196)**
Recognised in other comprehensive income		
Foreign currency translation differences for foreign operations	(24)	(9)
Effective portion of changes in fair value of cash flow hedges (*)	(487)	(431)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period (*)	2 998	3 842
Change in fair value of equity instruments	493	-
Finance income/(expenses) recognised in other comprehensive income	**2 980**	**3 402**

* The Group hedges cash flows resulting from payments of interest related to Project Loan Agreement between SAM S.A. and Consortium. For cash flow being hedged a cash flow hedge accounting is applied. Derivatives are used as hedging instruments (interest rate swap). For further information see notes 34.2 and 35.2.

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

14. Income tax

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

	2018	*2017*
Current income tax expense	**(6 819)**	**(20 099)**
Current income tax on profits for the year	(6 725)	(20 168)
Adjustment in respect of prior years	(94)	69
Deferred tax	**(41 921)**	**(19 513)**
Recognition and reversal of temporary differences	(41 921)	(19 513)
Income tax impacting profit for the period	**(48 740)**	**(39 612)**

The income tax rate which embraced the majority of Group's activities amounted to 19% in 2017-2018. It is assumed that the income tax rate shouldn't change in upcoming years.

14.2. Effective tax rate

	2018		*2017*	
	%		%	
Profit before income tax		**235 168**		**198 392**
Income tax calculated using domestic tax rate	(19.0%)	(44 682)	(19.0%)	(37 694)
Share of profit of equity accounted investees	0.0%	39	0.0%	34
Valuation adjustment / temporary differences previously adjusted / permanent differences	(1.7%)	(4 003)	(1.0%)	(2 021)
Current income tax adjustment in respect of prior years	(0.0%)	(94)	0.0%	69
Total	**(20.7%)**	**(48 740)**	**(20.0%)**	**(39 612)**

14.3. Income tax recognised in other comprehensive income

	2018			*2017*		
	Before tax	**Tax (expense) /benefit**	**Net**	**Before tax**	**Tax (expense) /benefit**	**Net**
Change in fair value of equity instruments	493	(87)	406	-	-	-
Remeasurement of employee benefits	(49)	9	(40)	(35)	7	(28)
Other comprehensive income that will never be reclassified to profit or loss for the period	***444***	***(78)***	***366***	***(35)***	***7***	***(28)***
Effective portion of changes in fair value of cash flow hedges*	(487)	93	(394)	(431)	82	(349)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period*	2 998	(570)	2 428	3 842	(730)	3 112
Other comprehensive income that are or may be reclassified subsequently to profit or loss for the period	***2 511***	***(477)***	***2 034***	***3 411***	***(648)***	***2 763***
Total	**2 955**	**(555)**	**2 400**	**3 376**	**(641)**	**2 735**

* Cash flow hedges are further described in notes 34.2 and 35.2.

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

15. Property, plant and equipment

	Buildings and constructions	Plant and equipment	Vehicles	Other	Under construction	Total
Cost as at 1 January 2017	**20 525**	**16 559**	**15 862**	**6 433**	**1 154**	**60 533**
Acquisitions	262	1 552	2 401	147	12 511	**16 873**
Transfer from property, plant and equipment under construction	123	4 783	190	1 326	(6 422)	**-**
Recognition as utliziation of provisions for capital expenditure	-	-	-	-	(1 355)	**(1 355)**
Transfer from provisions for capital expenditure	-	74	-	37	-	**111**
Transfer to intangible assets	-	-	-	-	(5 818)	**(5 818)**
Transfer to inventory	-	-	-	-	(729)	**(729)**
Transfer of prepayments for property, plant and equipment	-	-	-	-	844	**844**
Recognition due to physical inventory	-	5	-	-	-	**5**
Disposals	(82)	(131)	(261)	(13)	-	**(487)**
Reclassification to investment property	(16)	-	-	-	-	**(16)**
Cost as at 31 December 2017	**20 812**	**22 842**	**18 192**	**7 930**	**185**	**69 961**
Cost as at 1 January 2018	**20 812**	**22 842**	**18 192**	**7 930**	**185**	**69 961**
Acquisitions	142	1 148	1 517	248	747	**3 802**
Transfer from property, plant and equipment under construction	-	-	4	144	(148)	**-**
Transfer to investment property	-	-	-	-	(383)	**(383)**
Disposals/donations	(14)	(164)	(1 027)	(26)	-	**(1 231)**
Cost as at 31 December 2018	**20 940**	**23 826**	**18 686**	**8 296**	**401**	**72 149**

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

	Buildings and constructions	Plant and equipment	Vehicles	Other	Under construction	Total
Depreciation and impairment losses as at 1 January 2017	**(12 582)**	**(6 112)**	**(7 064)**	**(2 695)**	**-**	**(28 453)**
Depreciation for the period	(906)	(2 090)	(1 562)	(685)	-	**(5 243)**
Disposals	48	129	201	13	-	**391**
Reclassification to investment property	10	-	-	-	-	**10**
Depreciation and impairment losses as at 31 December 2017	**(13 430)**	**(8 073)**	**(8 425)**	**(3 367)**	**-**	**(33 295)**
Depreciation and impairment losses as at 1 January 2018	**(13 430)**	**(8 073)**	**(8 425)**	**(3 367)**	**-**	**(33 295)**
Depreciation for the period	(942)	(2 758)	(1 761)	(794)	-	**(6 255)**
Disposals/donations	9	158	870	27	-	**1 064**
Depreciation and impairment losses as at 31 December 2018	**(14 363)**	**(10 673)**	**(9 316)**	**(4 134)**	**-**	**(38 486)**
Carrying amounts						
As at 1 January 2017	7 943	10 447	8 798	3 738	1 154	**32 080**
As at 31 December 2017	7 382	14 769	9 767	4 563	185	**36 666**
As at 1 January 2018	7 382	14 769	9 767	4 563	185	**36 666**
As at 31 December 2018	6 577	13 153	9 370	4 162	401	**33 663**

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

Impairment losses

As at 31 December 2018 and 31 December 2017 there were no indicators, which would require the Group to test property, plant and equipment for impairment.

Collateral

As at 31 December 2018 property, plant and equipment with a carrying value of TPLN 18,776 (31 December 2017: TPLN 24,838) provided a collateral for Project Loan Agreement.

16. 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 2017	**883 326**	**6 559**	**970**	**23**	**890 878**
Acquisitions	-	169	-	35	**204**
Transfer from intangible assets not ready for use	-	32	-	(32)	-
Transfer from property, plant and equipment under construction	-	5 818	-	-	**5 818**
Revaluation of concession intangible assets	13 925	-	-	-	**13 925**
Cost as at 31 December 2017	**897 251**	**12 578**	**970**	**26**	**910 825**
Cost as at 1 January 2018	**897 251**	**12 578**	**970**	**26**	**910 825**
Acquisitions	-	53	-	175	**228**
Transfer from intangible assets not ready for use	-	76	-	(76)	-
Revaluation of concession intangible assets	21 513	-	-	-	**21 513**
Disposals	-	(64)	-	-	**(64)**
Cost as at 31 December 2018	**918 764**	**12 643**	**970**	**125**	**932 502**
Amortisation and impairment losses as at 1 January 2017	**(402 977)**	**(2 102)**	**(970)**	**-**	**(406 049)**
Amortisation for the period	(40 069)	(852)	-	-	**(40 921)**
Amortisation and impairment losses as at 31 December 2017	**(443 046)**	**(2 954)**	**(970)**	**-**	**(446 970)**
Amortisation and impairment losses as at 1 January 2018	**(443 046)**	**(2 954)**	**(970)**	**-**	**(446 970)**
Amortisation for the period	(43 021)	(1 421)	-	-	**(44 442)**
Disposals	-	64	-	-	**64**
Amortisation and impairment losses as at 31 December 2018	**(486 067)**	**(4 311)**	**(970)**	**-**	**(491 348)**
Carrying amounts					
As at 1 January 2017	480 349	4 457	-	23	**484 829**
As at 31 December 2017	454 205	9 624	-	26	**463 855**
As at 1 January 2018	454 205	9 624	-	26	**463 855**
As at 31 December 2018	432 697	8 332	-	125	**441 154**

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

During the current period the Group revalued concession intangible assets recognized in relation to estimated costs of Phase II:

(i) due to changes of discount rates used for valuation of provision for capital expenditures of Phase II (see note 32), which resulted in their increase by TPLN 3,459 (2017: increase by TPLN 606), and
(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 32), resulting in the increase of concession intangible assets by TPLN 18,054 (2017: increase by TPLN 13,319).

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 9.43% in 2018 (2017: 8.29%). According to the current amortisation schedule, based on updated estimates of traffic increase, the proportion of annual amortisation costs to the carrying net value of intangible asset as at 31 December 2018 will range from 10.79% to 13.20% during the concession period.

As at 31 December 2018 and 31 December 2017 there were no indicators, which would require the Group to test concession intangible assets for impairment.

As at 31 December 2018 and 31 December 2017 Group's other intangible assets weren't subject to any impairment.

17. Investment property

	31 December 2018	*31 December 2017*
Cost at the beginning of the period	**30 496**	**30 480**
Transfer from property, plant and equipment under construction	383	-
Reclassification from property, plant and equipment	-	16
Cost at the end of the period	**30 879**	**30 496**
Depreciation and impairment losses at the beginning of the period	**(26 626)**	**(26 079)**
Depreciation for the period	(488)	(537)
Reclassification from property, plant and equipment	-	(10)
Depreciation and impairment losses at the end of the period	**(27 114)**	**(26 626)**
Carrying amounts at the beginning of the period	**3 870**	**4 401**
Carrying amounts at the end of the period	**3 765**	**3 870**

Investment property is measured at cost less accumulated depreciation and impairment losses.

Investment property comprises the Group-owned part of the building property, consisting of land (subject to perpetual usufruct) on which office building and the adjacent parking lot are situated, as well as parking lot property, consisting of land (subject to perpetual usufruct) on which parking lot and garages are situated. Both properties are located in Katowice. According to Group's estimates the fair value aforementioned investment property amounts to approximately PLN 21 million (Level 3 fair value).

Consolidated rental income (office and parking space) in 2018 amounted to TPLN 3,244 (in 2017: TPLN 3,184) and was presented in the consolidated statement of comprehensive income under "Revenue" - attributable costs amounting to TPLN 4,044 (in 2017: TPLN 4,018) were presented under "Cost of sales".

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

18. Investments in associates

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

	Biuro Centrum Sp z o.o.	
	31 December 2018	**31 December 2017**
% ownership interest	**40,63%**	**40,63%**
Total assets*	4 611	3 730
Total liabilities	(1 978)	(1 185)
Net assets	**2 633**	**2 545**
Group's share of net assets	1 070	1 034
	2018	**2017**
Revenues	10 427	10 070
Profit for the period	509	439
Total comprehensive income for the period	**509**	**439**
Group's share of total comprehensive income	207	179
Group's share in net assets at beginning of the period	1 034	1 021
Group's share of total comprehensive income	207	179
Dividends received during the period	(171)	(166)
Carrying amount of interest at the end of the period	**1 070**	**1 034**

(*) Including fair value adjustments;

As at 31 December 2018 as well as at 31 December 2017 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.

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

19. Other investments

	31 December 2018	*31 December 2017*
Non-current		
Bank deposits	419 200	434 077
Equity instruments measured at fair value through other comprehensive income	143	-
Other	-	70
Total	**419 343**	**434 147**
Current		
Equity instruments available for sale (shares of non-related entities)	-	1 403
Equity instruments measured at fair value through other comprehensive income	1 823	-
Total	**1 823**	**1 403**

As at 31 December 2018 bank deposits comprised cash kept on reserve accounts designated to:

(i) debt-service – TPLN 49,083 (31 December 2017: TPLN 48,137),
(ii) capital expenditures of Phase F2b – TPLN 325,756 (31 December 2017: TPLN 333,637),
(iii) future maintenance expenditures – TPLN 31,963 (31 December 2017: TPLN 51,164),
(iv) dividend payments to shareholders of the Concession Holder – TPLN 10,908 (31 December 2017: none).

The abovementioned item included also accrued interests of TPLN 1,490 (31 December 2017: TPLN 1,139). All reserve accounts were established in accordance with the provisions of Concession Agreement and Project Loan Agreement.

As at 31 December 2018 the following investments constitute equity instruments measured at fair value through other comprehensive income:

	Fair value at 31 December 2018	*Dividend income recognised in 2018*
Dom Maklerski BDM S.A.	1 380	-
Konsorcjum Autostrada Śląsk S.A. w likwidacji	443	-
Zakłady Metalowe DEZAMET S.A.	143	3

As at 31 December 2017 the financial instruments available for sale comprised investment in Dom Maklerski BDM S.A.

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

20. Deferred tax

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

	Assets		Liabilities		Net	
	31 December 2018	*31 December 2017*	*31 December 2018*	*31 December 2017*	*31 December 2018*	*31 December 2017*
Concession intangible assets	-	-	(80 252)	(84 063)	**(80 252)**	**(84 063)**
Property, plant and equipment and other intangible assets	38 781	45 632	(350)	(146)	**38 431**	**45 486**
Investment property	99	80	-	-	**99**	**80**
Other non-current investments	-	6	(304)	(216)	**(304)**	**(210)**
Trade and other receivables	271	270	(693)	(94)	**(422)**	**176**
Inventories	7	7	-	-	**7**	**7**
Current investments	239	235	(64)	-	**175**	**235**
Cash and cash equivalents	-	-	(285)	(90)	**(285)**	**(90)**
Loans and borrowings	319	373	-	(468)	**319**	**(95)**
Other non-current liabilities	-	47	-	-	**-**	**47**
Deferred income	1 302	2 403	-	-	**1 302**	**2 403**
Contract liabilities	1 159	-	-	-	**1 159**	**-**
Employee benefits	1 588	1 177	-	-	**1 588**	**1 177**
Provisions	71 489	77 369	-	-	**71 489**	**77 369**
Trade and other payables	334	30 409	-	-	**334**	**30 409**
Derivative financial instruments	587	1 060	-	-	**587**	**1 060**
Deferred tax assets/liabilities on temporary differences	**116 175**	**159 068**	**(81 948)**	**(85 077)**	**34 227**	**73 991**
Tax loss carry-forwards	1 923	2 436	-	-	**1 923**	**2 436**
Deferred tax assets/liabilities	**118 098**	**161 504**	**(81 948)**	**(85 077)**	**36 150**	**76 427**
Set off of tax	(81 948)	(85 077)	81 948	85 077	**-**	**-**
Valuation adjustment	(8 797)	(6 598)	-	-	**(8 797)**	**(6 598)**
Net deferred tax assets/liabilities as in consolidated statement of financial position	**27 353**	**69 829**	**-**	**-**	**27 353**	**69 829**

(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 and estimates regarding tax losses carried forward utilization.

Changes of deferred tax during the period

	1 January 2018	Change of deferred tax on temporary differences recognised in		31 December 2018
		profit or loss for the period	other comprehensive income	
Concession intangible assets	**(84 063)**	3 811	-	**(80 252)**
Property, plant and equipment and other intangible assets	**45 486**	(7 055)	-	**38 431**
Investment property	**80**	19	-	**99**
Other non-current investments	**(210)**	(67)	(27)	**(304)**
Trade and other receivables	**176**	(598)	-	**(422)**
Inventories	**7**	-	-	**7**
Current investments	**235**	-	(60)	**175**
Cash and cash equivalents	**(90)**	(195)	-	**(285)**
Loans and borrowings	**(95)**	414	-	**319**
Other non-current liabilities	**47**	(47)	-	**-**
Deferred income	**2 403**	(1 101)	-	**1 302**
Contract liabilities	**-**	1 159	-	**1 159**
Employee benefits	**1 177**	402	9	**1 588**
Provisions	**77 369**	(5 880)	-	**71 489**
Trade and other payables	**30 409**	(30 075)	-	**334**
Derivative financial instruments	**1 060**	4	(477)	**587**
Tax loss carry-forwards	**2 436**	(513)	-	**1 923**
Valuation adjustment	**(6 598)**	(2 199)	-	**(8 797)**
Total	**69 829**	**(41 921)**	**(555)**	**27 353**

	1 January 2017	Change of deferred tax on temporary differences recognised in		31 December 2017
		profit or loss for the period	other comprehensive income	
Concession intangible assets	**(88 832)**	4 769	-	**(84 063)**
Property, plant and equipment and other intangible assets	**54 140**	(8 654)	-	**45 486**
Investment property	**180**	(100)	-	**80**
Other non-current investments	**(308)**	98	-	**(210)**
Trade and other receivables	**218**	(42)	-	**176**
Inventories	**7**	-	-	**7**
Current investments	**1 937**	(1 702)	-	**235**
Cash and cash equivalents	**(115)**	25	-	**(90)**
Loans and borrowings	**(360)**	265	-	**(95)**
Other non-current liabilities	**39 273**	(39 226)	-	**47**
Deferred income	**2 492**	(89)	-	**2 403**
Employee benefits	**848**	322	7	**1 177**
Provisions	**82 205**	(4 836)	-	**77 369**
Trade and other payables	**333**	30 076	-	**30 409**
Derivative financial instruments	**1 700**	8	(648)	**1 060**
Tax loss carry-forwards	**1 148**	1 288	-	**2 436**
Valuation adjustment	**(4 883)**	(1 715)	-	**(6 598)**
Total	**89 983**	**(19 513)**	**(641)**	**69 829**

(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 2018 the amount of tax losses remaining to be utilized amounted to TPLN 10,124 (31 December 2017: TPLN 12,819).

Due to uncertainty regarding the utilization of some of the tax losses in the foreseeable future, the Group recognised the corresponding deferred tax assets only partially, i.e. the amount of TPLN 1,553 (31 December 2017: TPLN 2,436).

Amount of loss	*Expiry date*
1 944	2019
373	2020
4 457	2021
3 350	2022
10 124	

21. Income tax receivables and liabilities

As at 31 December 2018 the income tax receivables amounted to TPLN 20,249 (31 December 2017: TPLN 3,901). These receivables will be settled with future income tax liabilities. Due to uncertain recovery of these receivables as at 31 December 2018, an allowance of TPLN 1,341 was recognized (31 December 2017: TPLN 1,341).

Income tax liabilities of TPLN 204 (31 December 2017: TPLN 337) represent the difference between payments made for the previous and current tax year and the amount of tax payable.

22. Trade and other receivables

	31 December 2018	*31 December 2017*
Trade receivables from related parties	719	490
Trade receivables from other parties	14 492	11 049
Receivables due to VAT	20 300	12 086
Other receivables from other parties	1 849	1 827
Total	**37 360**	**25 452**

Receivables from contracts with customers included within trade and other receivables amounted to TPLN 10,855 as at 31 December 2018 and TPLN 10,617 as at 1 January 2018.

Information about the Group's exposure to credit and market risks, as well as information on impairment losses are included in note 35.1.

23. Cash and cash equivalents

	31 December 2018	*31 December 2017*
Cash in hand	114	111
Bank balances	63 655	66 846
Current bank deposits	269 620	327 386
Cash in transit	352	2 557
Cash and cash equivalents in the consolidated statement of financial position	**333 741**	**396 900**
Cash and cash equivalents in the consolidated statement of cash flows	**333 741**	**396 900**

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

24. Equity

24.1. Share capital

	31 December 2018	*31 December 2017*
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.

24.2. Hedging reserve

Hedging reserve balance is the result of valuation of derivatives meeting the requirements of cash flow hedge accounting.

Recognized as effective changes to fair value of cash flow hedging instruments, amounted to TPLN -487 in 2018 (2017: TPLN -431). As the consequence of hedged interest payments made in 2018, the Group reclassified the corresponding net change in fair value of cash flow hedges of TPLN -2,998 (2017: TPLN -3,842) to finance expense. The amount of aforementioned effective changes was adjusted by change in deferred tax recognized in other comprehensive income in amount of TPLN 93, out of which TPLN 570 was attributable to portion of changes reclassified to finance expense (2017: TPLN 82 and TPLN 730 respectively).

24.3. 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.

24.4. 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.

24.5. Dividends

2018

On 4 April 2018 the Ordinary General Meeting of the Company decided to pay out the dividend in amount of TPLN 71,706, i.e. PLN 0.29 per share. The dividend date was set for 18 April 2018 and the dividend payment date for 18 May 2018.

On 29 March 2018 the Ordinary General Meeting of VIA4 S.A. decided to pay out the dividend for 2017. Non-controlling interest was attributed with TPLN 5,386, out of which TPLN 1,393 had been paid out in 2017 as an interim dividend.

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

On 8 November 2018 the Supervisory Board of VIA4 S.A. decided to pay out the interim dividend for 2018 in amount of TPLN 3,045, out of which TPLN 1,370 was attributed to non-controlling interest.

2017

On 13 April 2017 the Ordinary General Meeting of the Company decided to pay out the dividend in amount of TPLN 44,507, i.e. PLN 0.18 per share. The dividend date was set for 24 April 2017 and the dividend payment date for 16 May 2017.

On 23 March 2017 the Ordinary General Meeting of VIA4 S.A. decided to pay out the dividend for 2016. Non-controlling interest was attributed with TPLN 5,716, out of which TPLN 1,418 had been paid out in 2016 as an interim dividend.

On 22 December 2017 the Supervisory Board of VIA4 S.A. decided to pay out the interim dividend for 2017 in amount of TPLN 3,097, out of which TPLN 1,394 was attributed to non-controlling interest.

24.6. 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 2018	*31 December 2017*
Non-controlling interest %	**45%**	**45%**
Non-current assets	9 637	9 945
Current assets	13 525	13 649
Non-current liabilities	(5 168)	(5 259)
Current liabilities	(7 767)	(7 904)
Net assets	**10 227**	**10 431**
Net assets attributable to non-controlling interest	4 602	4 694
Revenues	47 575	44 374
Profit for the period	11 760	11 996
Other comprehensive income	(47)	(27)
Total comprehensive income for the period	**11 713**	**11 969**
Profit for the period attr. to non-controlling interest	5 292	5 398
Total comprehensive income attr. to non-controlling interest	5 271	5 387
Net cash from operating activities	13 883	14 380
Net cash from/(used in) investing activities	(86)	(270)
Net cash used in financing activities	(14 336)	(15 007)
Net change in cash and cash equivalents	**(539)**	**(897)**
Dividends paid during the period attributable to non-controlling interest	(5 363)	(5 692)

25. 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 181,136 (2017: profit of TPLN 153,382) and a weighted average number of ordinary shares at the reporting date of 247,262 thousand (31 December 2017: 247,262 thousand).

Net profit per ordinary share attributable to shareholders of the Company

	2018	*2017*
Profit for the period attributable to shareholders of the Company (in TPLN)	181 136	153 382
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)	**0.73**	**0.62**

As at 31 December 2018 and 31 December 2017 no factors were determined that would result in dilution of profit per one share.

26. Loans and borrowings

	31 December 2018	*31 December 2017*
Non-current portion of secured bank loans	33 229	76 295
Non-current loans and borrowings	**33 229**	**76 295**
Current portion of secured bank loans	44 176	40 943
Current loans and borrowings	**44 176**	**40 943**

On 28 December 2005, the Project Loan Agreement was signed by and between Stalexport Autostrada Małopolska S.A. and commercial banks. The credit availability period expired on 30 September 2010. The nominal value of the loan amounted to PLN 360 million. In 2018 the company repaid the total amount of TPLN 40,889 (2016: TPLN 37,749) of the abovementioned loan.

Terms and conditions of loans and borrowings repayment

	Currency	Nominal interest rate	Year of maturity	Liabilities at 31 December 2018		Liabilities at 31 December 2017	
				face value	*carrying amount*	*face value*	*carrying amount*
Bank loans							
Banking Consortium	PLN	WIBOR 6M + margin	2020*	77 723	77 405	118 611	117 238
Total loans and borrowings				**77 723**	**77 405**	**118 611**	**117 238**

(*) Payments up to year 2020;

Collateral established on Group's property

As at 31 December 2018 and 31 December 2017, apart from securities established on property, plant and equipment described in note 15, the most significant collateral established in relation to the Project Loan Agreement included:

- pledge on shares of SAM S.A., VIA4 S.A. and Stalexport Autoroute S.a r.l.,
- transfer of rights deriving from agreements related to the Katowice-Kraków A-4 motorway project,
- transfer of rights to bank accounts of SAM S.A.,
- cession of SAM S.A. claims in relation to the Katowice-Kraków A-4 motorway project.

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

27. Finance lease liabilities

As at 31 December 2018 and 31 December 2017 the Group had no outstanding finance lease liabilities.

28. Employee benefits

	31 December 2018	*31 December 2017*
Non-current		
Retirement benefits	823	519
Disability benefits	39	25
Jubilee bonuses liabilities	2 035	1 713
Other employee benefits	-	2 345
Total	**2 897**	**4 602**
Current		
Retirement benefits	359	235
Disability benefits	6	4
Jubilee bonuses liabilities	205	142
Other employee benefits	3 520	-
Total	**4 090**	**381**

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 2018 constituted a forecasted bonus payment for which Management Boards of companies constituting Group are eligible based on 3-year incentive schemes endorsed by their respective Supervisory Boards in 2016.

28.1. Movement in employee benefits

	Post-employment benefits		**Jubilee bonuses liabilities**		**Other employee benefits**		**Total**	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
As at 1 January	783	668	1 855	1 627	2 345	1 172	4 983	3 467
Included in profit or loss	**407**	**96**	**521**	**337**	**1 175**	**1 173**	**2 103**	**1 606**
Current service cost	72	81	178	228	1 175	1 173	**1 425**	**1 482**
Interest cost	13	15	38	52	-	-	**51**	**67**
Actuarial (gain)/loss	-	-	305	57	-	-	**305**	**57**
Included in other comprehensive income	**49**	**35**	**-**	**-**	**-**	**-**	**49**	**35**
Actuarial (gain)/loss arising from:	49	35	-	-	-	-	**49**	**35**
- demographic assumptions	5	4	-	-	-	-	**5**	**4**
- financial assumptions	15	18	-	-	-	-	**15**	**18**
- other assumptions	29	13	-	-	-	-	**29**	**13**
Benefits paid	**(12)**	**(16)**	**(136)**	**(109)**	**-**	**-**	**(148)**	**(125)**
As at 31 December	**1 227**	**783**	**2 240**	**1 855**	**3 520**	**2 345**	**6 987**	**4 983**

28.2. Actuarial assumptions

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

	31 December 2018	*31 December 2017*
Discount rate	3.0%	3.2%-3.3%
Future remuneration increase	3.0%-3.5%	3.0%-6.0%
Probability of resignation	2%-5.6%	2.2%-6.1%

(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 2018*	*31 December 2017*
Post-employment benefits	12.1-17.1	12.2-18.0
Jubilee bonuses liabilities	5.8-15.3	6.8-15.6

28.3. 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 2018	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt
Retirement benefits	1 230	1 136	1 136	1 229	1 225	1 133
Disability benefits	47	44	44	47	47	44
Jubilee bonuses liabilities	2 307	2 177	2 177	2 307	2 310	2 173
Total	**3 584**	**3 357**	**3 357**	**3 583**	**3 582**	**3 350**
31 December 2017	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt
Retirement benefits	784	725	725	784	1 241	752
Disability benefits	30	29	29	30	30	29
Jubilee bonuses liabilities	1 915	1 799	1 799	1 914	1 918	1 795
Total	**2 729**	**2 553**	**2 553**	**2 728**	**3 189**	**2 576**

29. Other non-current liabilities

	31 December 2018	*31 December 2017*
Concession Payments	-	252
Other payables to related parties	5 315	5 201
Other payables to other parties	1 003	921
Total	**6 318**	**6 374**

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.

30. Deferred income

	31 December 2018	*31 December 2017*
Non-current		
Deferred rental income (mainly passengers service areas)	5 970	6 795
Other	52	59
Total	**6 022**	**6 854**
Current		
Deferred rental income (mainly passengers service areas)	825	825
Prepaid tolls for passage through A-4 Katowice - Kraków motorway	-	4 962
Other	7	7
Total	**832**	**5 794**

In 2018, as the consequence of IFRS 15 implementation, the Group altered the presentation of prepayments received for the passage through A4 Katowice - Kraków motorway by recognising them as contract liabilities (see note 31).

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

31. Contract liabilities

	31 December 2018	*1 January 2018*
Current		
Prepaid tolls for passage through A-4 Katowice - Kraków motorway	6 102	4 962
Total	**6 102**	**4 962**

The prepayments amounting to TPLN 4,537 recognised as contract liabilities at 1 January 2018 have been recognised as revenue in 2018.

32. Provisions

Non-current provisions	**Provisions for motorway resurfacing**	**Provisions for capital expenditures (Phase II)**	**Total**
Balance at 1 January 2017	**43 884**	**300 918**	**344 802**
Additions, including:	16 278	5 801	**22 079**
- due to discounting	*838*	*5 801*	***6 639***
Change of estimates	(9 662)	17 588	**7 926**
Reclassifications	(932)	(11 631)	**(12 563)**
Balance at 31 December 2017	**49 568**	**312 676**	**362 244**
Balance at 1 January 2018	**49 568**	**312 676**	**362 244**
Additions, including:	14 168	5 787	**19 955**
- due to discounting	*702*	*5 787*	***6 489***
Change of estimates	(18 986)	(13 750)	**(32 736)**
Reclassifications	(42 290)	(9 810)	**(52 100)**
Balance at 31 December 2018	**2 460**	**294 903**	**297 363**
Current provisions			
Balance at 1 January 2017	**36 221**	**51 636**	**87 857**
Additions, including:	539	833	**1 372**
- due to discounting	*539*	*833*	***1 372***
Change of estimates	(3 135)	(3 663)	**(6 798)**
Utilisation	(21 937)	(26 855)	**(48 792)**
Capital expenditures transferred to property, plant and equipment	-	111	**111**
Capital expenditures transferred from property, plant and equipment under construction	-	(1 355)	**(1 355)**
Reclassifications	932	11 631	**12 563**
Balance at 31 December 2017	**12 620**	**32 338**	**44 958**
Balance at 1 January 2018	**12 620**	**32 338**	**44 958**
Additions, including:	291	917	**1 208**
- due to discounting	*291*	*917*	***1 208***
Change of estimates	(17 484)	35 263	**17 779**
Utilisation	(10 103)	(27 048)	**(37 151)**
Reclassifications	42 290	9 810	**52 100**
Balance at 31 December 2018	**27 614**	**51 280**	**78 894**

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).

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

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 2017 the rates ranged from 2% to 3.62%, currently from 1.74% to 2.94%). As result of those changes the provision for resurfacing increased by TPLN 337 (2017: increase of TPLN 122), which in line with IAS 37 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 3,459 (2017: increase of TPLN 606), which was recognized as an increase of concession intangible assets.

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 decreased by TPLN 36,807 (2017: decrease of TPLN 12,919), which in line with IAS 37 decreased operating expenses for the period. At the same time the provision for capital expenditures (Phase II) increased by TPLN 18,054 (2017: increase of TPLN 13,319), which was recognized as an increase of concession intangible assets.

33. Trade and other payables (current)

	31 December 2018	*31 December 2017*
Trade payables to related parties	7 004	5 263
Trade payables to other parties	4 744	8 714
Amounts due to taxes, duties, social and health insurance and other benefits	5 328	2 192
Payroll liabilities	2 278	2 054
Concession Payments	-	158 520
Other payables and accruals to related parties	3 976	5 165
Other payables and accruals to other parties	3 790	3 027
Total	**27 120**	**184 935**

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 4,326 as at 31 December 2018 (31 December 2017: TPLN 5,883).

According to the Concession Agreement SAM S.A. was obliged to make Concession Payments to National Road Fund (acquired liability relating to loan drawn by the State Treasury from EBRD). The nominal value of the liability according to appendix 7 of the Concession Agreement amounted to TPLN 222,918. In 2018 and 2017 SAM S.A. settled the Concession Payments amounting to TPLN 163,332 net and TPLN 59,585 net accordingly.

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

34. Financial instruments

34.1. 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 2018		Carrying amount				Fair value			
	Note	Financial instruments measured at fair value through other comprehensive income	Hedge derivatives measured at fair value	Financial instruments measured at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Equity instruments*	19	1 966	-	-	**1 966**	-	-	-	**-**
		1 966	**-**	**-**	**1 966**				
Financial assets not measured at fair value									
Trade and other receivables**	22	-	-	17 060	**17 060**				
Bank deposits (non-current investments)	19	-	-	419 200	**419 200**				
Cash and cash equivalents	23	-	-	333 741	**333 741**				
		-	**-**	**770 001**	**770 001**				
Financial liabilities measured at fair value									
Interest rate swaps used for hedging***	34.2	-	(3 749)	-	**(3 749)**	-	(3 749)	-	**(3 749)**
		-	**(3 749)**	**-**	**(3 749)**				
Financial liabilities not measured at fair value									
Loans and borrowings	26	-	-	(77 405)	**(77 405)**				
Trade and other payables**	33	-	-	(24 903)	**(24 903)**				
		-	**-**	**(102 308)**	**(102 308)**				

* 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 2018 or at the end of the last reporting period for which the Group has adequate financial data. The Group recorded gains due to valuation of aforementioned equity instruments amounting TPLN 493, 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, as well as payroll liabilities.

*** Fair value of hedge derivatives (interest rate SWAP) is based on discounted future cash flows for undersigned transactions, constituting a difference between cash flows based on floating interest rate (6M WIBOR) and cash flows based on fixed interest rate. The fair value estimate includes a credit risk adjustment that reflects the credit risk of the Group and of the counterparty (see also note 35.2).

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

*31 December 2017**		Carrying amount					Fair value			
	Note	Loans and receivables	Available-for-sale financial assets	Derivatives	Financial liabilities valued at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value										
Equity instruments**	19	-	1 473	-	-	**1 473**				
Trade and other receivables***	22	13 366	-	-	-	**13 366**				
Bank deposits (non-current investments)	19	434 077	-	-	-	**434 077**				
Cash and cash equivalents	23	396 900	-	-	-	**396 900**				
		844 343	**1 473**	**-**	**-**	**845 816**				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging****	34.2	-	-	(6 456)	-	**(6 456)**	-	(6 456)	-	**(6 456)**
		-	**-**	**(6 456)**	**-**	**(6 456)**				
Financial liabilities not measured at fair value										
Loans and borrowings	26	-	-	-	(117 238)	**(117 238)**				
Concession Payments****	33	-	-	-	(158 772)	**(158 772)**				
Trade and other payables***	33	-	-	-	(27 408)	**(27 408)**				
		-	**-**	**-**	**(303 418)**	**(303 418)**				

* The Group has initially applied IFRS 9 at 1 January 2018 with the comparative information not restated in line with transition option chosen.

** Prior to 1 January 2018, shares of companies which were not listed on financial markets and for which there were no alternative measures to define their fair value, were disclosed at cost net of any impairment losses and classified as available-for-sale financial assets. From 1 January 2018 these assets are classified as measured at fair value through other comprehensive income.

*** Without consideration of receivables due to VAT/payables due to taxes, duties, social and health insurance and other benefits, as well as payroll liabilities and the current portion of the Concession Payments.

**** Fair value of hedge derivatives (interest rate SWAP) is based on discounted future cash flows for undersigned transactions, constituting a difference between cash flows based on floating interest rate (6M WIBOR) and cash flows based on fixed interest rate. The fair value estimate includes a credit risk adjustment that reflects the credit risk of the Group and of the counterparty (see also note 35.2).

***** For the Concession Payments it is not possible to assess their fair value due to the lack of active market for similar financial instruments.

(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).

34.2. Hedge accounting

Cash flow hedge accounting

The Group hedges cash flows resulting from payments of interest related to Project Loan Agreement between SAM S.A. and Consortium. For cash flow being hedged cash flow hedge accounting is applied. Derivatives i.e. interest rate swaps are used as hedging instruments.

The expected cash flows subject to hedge are taking place in semi-annual periods between the 31 March 2009 and the 28 December 2020. The expected date of hedging transaction recognition in profit or loss matches the date of cash flows being hedged (see also notes 35.2 and 6.12).

Liability deriving from the valuation of the hedging instruments as at 31 December 2018 amounted to TPLN 3,749 (31 December 2017: TPLN 6,456). The impact of future 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 (see also note 24.2). Ineffective portion of changes in fair value of hedging instrument amounted to TPLN 19 and was recognised in finance expenses (2017: TPLN 50).

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

	Financial liabilities		Hedge derivatives	Total
	Loans and borrowings	Concession Payments	Interest rate swaps used for hedging (liability)	
Balance as at 1 January 2018	**117 238**	**158 772**	**6 456**	**282 269**
Changes from financing cash flows	**(40 889)**	**(163 332)**	**-**	**(204 221)**
Repayment of loans and borrowings	(40 889)	-	-	**(40 889)**
Settlement of Concession Payments (net amount)	-	(163 332)	-	**(163 332)**
Changes in fair value	**-**	**-**	**(2 492)**	**(2 492)**
Other changes	**1 056**	**4 560**	**(215)**	**5 401**
Interest expense	4 948	4 560	3 017	**12 525**
Interest paid	(3 892)	-	(3 232)	**(7 124)**
Balance as at 31 December 2018	**77 405**	**-**	**3 749**	**80 957**

	Financial liabilities		Hedge derivatives	Total
	Loans and borrowings	Concession Payments	Interest rate swaps used for hedging (liability)	
Balance as at 1 January 2017	**153 362**	**206 700**	**10 014**	**370 076**
Changes from financing cash flows	**(37 749)**	**(59 585)**	**-**	**(97 334)**
Repayment of loans and borrowings	(37 749)	-	-	**(37 749)**
Settlement of Concession Payments (net amount)	-	(59 585)	-	**(59 585)**
Changes in fair value	**-**	**-**	**(3 361)**	**(3 361)**
Other changes	**1 625**	**11 657**	**(197)**	**12 888**
Interest expense	6 906	11 657	3 892	**22 455**
Interest paid	(5 281)	-	(4 089)	**(9 370)**
Balance as at 31 December 2017	**117 238**	**158 772**	**6 456**	**282 269**

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

35. Financial risk management

35.1. 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 credit ratings.

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

	31 December 2018	*31 December 2017*
Other non-current investments	419 343	434 147
Current investments	1 823	1 403
Income tax receivables	18 908	2 560
Trade and other receivables	37 360	25 452
Cash and cash equivalents	333 741	396 900
Total	**811 175**	**860 462**

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

As at 31 December 2018 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 2018.

31 December 2018	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%	10 211	1	10 210	-
1-30 days past due	0.41%	69	18	51	-
31-90 days past due	5.88%	48	20	28	2
91-180 days past due	19.46%	25	7	18	4
181-365 days past due	64.70%	6	-	6	4
366-730 days past due	85.10%	1	-	1	1
more than 730 days past due	100.00%	5 054	4 862	192	192
Total		**15 414**	**4 908**	**10 506**	**203**

Past due trade receivables amounting to TPLN 4,862 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 46 are secured by the guarantee deposits received by the Group.

Other receivables are subject to loss allowance in amount of TPLN 91,303. 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 (comparative amounts for 2017 represent allowances for doubtful debts under IAS 39):

	2018	*2017*
Balance as at 1 January	**(91 500)**	**(91 565)**
Net remeasurement of loss allowance	(57)	51
Amounts written off	4	14
Balance as at 31 December	**(91 553)**	**(91 500)**

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

Comparative information presented in accordance with IAS 39.

The table below presents past due trade and other receivables together with the amount of the allowances for doubtful debts.

	31 December 2017
Gross past due receivables	
up to 1 month	83
1 - 6 months	19
6 months - 1 year	-
over 1 year	96 273
Total gross past due receivables	**96 375**
allowances for past due and doubtful debts	(91 287)
Net past due receivables	**5 088**

35.2. 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, interest-bearing loans and borrowings and other payables with floating interest rates based on WIBOR + margin.

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 2018*	**Nominal amount** *31 December 2017*
Fixed-rate instruments		
Financial assets	419 200	434 077
Financial liabilities	-	-
	419 200	**434 077**
Effect of interest rate swaps	(62 131)	(83 712)
	357 069	**350 365**
Floating-rate instruments		
Financial assets	333 741	396 900
Financial liabilities	(77 723)	(280 852)
	256 018	**116 048**
Effect of interest rate swaps	62 131	83 712
	318 149	**199 760**

In accordance with provisions of financing agreements concluded, on 27 May 2008, SAM S.A. and three banks: WestLB Bank Polska S.A. (BGŻ BNP Paribas S.A. is currently a party in these transactions), PEKAO S.A., DEPFA Bank (replaced by FMS WERTMANAGEMENT), struck interest rate swaps transactions in relation to Project Loan Agreement. The aim of those transactions was to swap cash flow based on floating interest rate (6M WIBOR) for cash flow based on fixed interest rate. The Group classifies these transactions as cash flow hedges.

As at 31 December 2018, SAM S.A. owned interest rate swaps hedging against the risk of future interest rates fluctuations in relation to bank loan amounting to PLN 170 million, constituting up to 50% of maximum amount of bank loan, which might have been drawn in accordance with Project Loan Agreement (during the period from 30 September 2008 to 30 September 2010 the transactions secured interest flows in relation to bank loan of PLN 70 million, during the period from 1 October 2010 to 28 December 2020 the transactions will hedge interest flows in relation to bank loan up to PLN 190 million). The maturities of secured interest payments in hedging transactions are in line with the maturities of interest outflows resulting from the Project Loan Agreement.

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

The Group assesses the effectiveness of cash flow hedges using the hypothetical derivative method.

As at 31 December 2018 the change value of the hedged item used for calculating hedge ineffectiveness amounted to TPLN 487 (31 December 2017: TPLN 431) – the corresponding hedging reserve (including the deferred tax impact) for that item amounted to TPLN -2,409 (31 December 2017: TPLN -4,443).

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.

	Profit or loss for the period		Equity	
	increase 100 bp	decrease 100 bp	increase 100 bp	decrease 100 bp
31 December 2018				
Floating interest rate instruments	2 571	(2 571)	2 571	(2 571)
Hedge derivatives	-	-	911	(911)
31 December 2017				
Floating interest rate instruments	1 220	(1 220)	1 220	(1 220)
Hedge derivatives	-	-	1 669	(1 669)

Foreign currency risk

At the end of 2018 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 2018	EUR	USD	GBP
Cash and cash equivalents	499	55	-
Trade and other payables	(81)	-	(92)
Net consolidated statement of financial position exposure	**418**	**55**	**(92)**

31 December 2017	EUR	USD	GBP
Cash and cash equivalents	484	104	-
Trade and other payables	(80)	-	(85)
Net consolidated statement of financial position exposure	**404**	**104**	**(85)**

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

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 2018	19	(19)	19	(19)
31 December 2017	21	(21)	21	(21)

35.3. 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:

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**
Secured bank loans	**77 405**	**(80 913)**	(23 093)	(23 606)	(34 214)	-	-
Other non-current liabilities	**6 318**	**(6 318)**	-	-	(2 869)	(2 877)	(572)
Trade and other payables	**27 120**	**(27 120)**	(27 120)	-	-	-	-
Derivatives outflows							
Interest rate swaps used for hedging	**3 749**	**(3 828)**	(1 306)	(1 070)	(1 324)	(128)	-
Total	**114 592**	**(118 179)**	**(51 519)**	**(24 676)**	**(38 407)**	**(3 005)**	**(572)**

31 December 2017

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**
Concession Payments	**158 772**	**(163 332)**	(78 512)	(84 547)	(273)	-	-
Secured bank loans	**117 238**	**(125 827)**	(22 159)	(22 636)	(46 713)	(34 319)	-
Other non-current liabilities	**6 122**	**(6 122)**	-	-	(1 365)	(4 757)	-
Trade and other payables	**26 415**	**(26 415)**	(26 415)	-	-	-	-
Derivatives outflows							
Interest rate swaps used for hedging	**6 456**	**(6 614)**	(1 751)	(1 506)	(2 124)	(1 233)	-
Total	**315 003**	**(328 310)**	**(128 837)**	**(108 689)**	**(50 475)**	**(40 309)**	**-**

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

35.4. 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 2018, 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 2018	*31 December 2017*
Total liabilities	510 996	740 173
minus		
Provisions for capital expenditures (Phase II)	346 183	345 014
Derivatives (net of deferred tax effect)	3 162	5 396
Bank deposits (non-current investments)	419 200	434 077
Cash and cash equivalents	333 741	396 900
Net debt	**(591 290)**	**(441 214)**
Total equity	809 908	698 173
minus		
Hedge reserve	(2 409)	(4 443)
Adjusted equity	**812 317**	**702 616**
Net debt to adjusted equity ratio	**(0.73)**	**(0.63)**

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

36. Operating leases

The perpetual usufructs of land belonging to the Group are classified as operating lease, with the payments for perpetual usufruct expensed to profit or loss when incurred. Both in 2018 and 2017 these payments amounted to TPLN 126. Group's right to perpetual usufructs of land expire in December 2089.

37. Capital expenditure commitments

On 14 September 2012 SAM S.A. and Autostrade Tech S.p.A. signed the contract WUPO 2012 "Tolling Equipment Replacement". The current contract net value, including also costs of support and maintenance during the contract period, amounts to TPLN 37,850. As at 31 December 2018 the financial progress of the project amounted to TPLN 37,850 (100% of the contract value), out of which TPLN 1,060 was recorded in 2018.

On 5 February 2016 SAM S.A. and consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. signed the contract HM-3-2016 „Resurfacing 2016-2017" for the resurfacing of motorway sections with a total length of 59.9 km, resurfacing of bridges and the partial reconstruction of linear drainage within the motorway median. The current contract value amounts to TPLN 46,596 (including change orders). As at 31 December 2018 the financial progress of the project (value of works recorded) amounted to TPLN 43,540 (93% of the contract value), out of which TPLN 8,425 was recorded in 2018.

On 1 April 2016 SAM S.A. and consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. signed the contract F2b-6-2014 "Reconstruction of A-4 motorway drainage for Silesian voivodeship section – part II" currently amounting to TPLN 29,833 (including change orders). The contract includes reconstruction of drainage for eight catchments in Silesian voivodeship. As at 31 December 2018 the financial progress of the project (value of works recorded) amounted to TPLN 28,054 (94% of the contract value), out of which TPLN 5,537 was recorded in 2018.

On 22 June 2017 SAM S.A. and RE-Bau Sp. z o.o. signed the contract F2b-11-2017 "Construction of noise screens 2, 10, 12 and 28a" eventually amounting to TPLN 3,350. As at 31 December 2018 the financial progress of the project (value of works recorded) amounted to TPLN 3,350 (100% of the contract value), out of which TPLN 3,115 was recorded in 2018.

On 4 July 2017 SAM S.A. employed Pavimental Polska Sp. z o.o. for the contract ROM48 "Renovation of M48 bridge supports" amounting to TPLN 21,552 (including change orders). As at 31 December 2018 the financial progress of the project (value of works recorded) amounted to TPLN 11,429 (53% of the contract value), out of which TPLN 9,322 was recorded in 2018.

On 18 September 2017 SAM S.A. and Zakład Budowlano-Instalacyjny „ALFA" signed a contract for the construction of superstructure and extension of the Motorway Management Building currently amounting to TPLN 2,059. As at 31 December 2018 the financial progress of the project (value of works recorded) amounted to TPLN 1,834 (89% of the contract value), out of which TPLN 1,167 was recorded in 2018.

On 7 May 2018 SAM S.A. signed a contract with Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. for a complex modernization of 5 motorway culverts currently amounting to TPLN 2,837. As at 31 December 2018 the financial progress of the project (value of works recorded) amounted to TPLN 2,837 (100% of the contract value).

On 7 August 2018 SAM S.A. and Pavimental Polska Sp. z o.o. signed a contract for the overhaul of the linear drainage situated within the axis of Toll Collection Plaza "Brzęczkowice" amounting to TPLN 1,675. As at 31 December 2018 the financial progress of the project (value of works recorded) amounted to TPLN 1,675 (100% of the contract value).

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 to TPLN 8,694. The scope of the contract covers design and replacement of expansion joints of the bridge M54, as well as repairs of bearings and bridge bearing supporting plinths of M09 structure. As at 31 December 2018 no capital expenditures have yet been incurred in relation to the contract.

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

38. Contingent liabilities

Contingent liabilities relate to guarantees given to related entities amounting to TPLN 23,668 (31 December 2017: TPLN 22,758).

39. Related party transactions

39.1. Intragroup receivables and liabilities

31 December 2018	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	629	-
Associates	***2***	***629***	***-***
Pavimental S.p.A. S.A. Oddział w Polsce	-	2 426	4 445
Pavimental Polska Sp. z o.o.	18	1 689	4 193
Telepass S.p.A.	699	-	-
Autostrade Tech S.p.A.	-	2 710	176
Autogrill Polska Sp. z o.o.	-	-	10
Other related entities	***717***	***6 825***	***8 824***
Total	**719**	**7 471**	**8 824**

31 December 2017	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.	8	61	-
Associates	***8***	***61***	***-***
Pavimental S.p.A. S.A. Oddział w Polsce	-	1 302	4 964
Pavimental Polska Sp. z o.o.	10	1 284	3 816
Telepass S.p.A.	472	-	-
Autostrade Tech S.p.A.	-	2 589	1 586
Autogrill Polska Sp. z o.o.	-	-	10
Other related entities	***482***	***5 175***	***10 376***
Total	**490**	**5 253**	**10 376**

* See notes 28 and 33;

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

39.2. Related party transactions amounts

2018	Revenue	Other income	Cost of acquired goods and services	Capital expenditures and resurfacing works
Biuro Centrum Sp. z o.o.	214	-	(3 140)	(383)
Associates	***214***	***-***	***(3 140)***	***(383)***
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	-	(5 537)
Pavimental Polska Sp. z o.o.	86	24	(826)	(18 596)
Autogrill Polska Sp. z o.o.	30	-	-	-
Telepass S.p.A.	6 686	-	-	-
Autostrade Tech S.p.A.	-	-	(3 603)	(734)
Other related entities	***6 802***	***24***	***(4 429)***	***(24 867)***
Total	**7 016**	**24**	**(7 569)**	**(25 250)**

2017	Revenue	Other income	Cost of acquired goods and services	Capital expenditures and resurfacing works
Biuro Centrum Sp. z o.o.	259	-	(3 081)	-
Associates	***259***	***-***	***(3 081)***	***-***
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	-	(16 325)
Pavimental Polska Sp. z o.o.	101	17	(473)	(20 903)
Autogrill Polska Sp. z o.o.	57	-	-	-
Telepass S.p.A.	4 466	16	-	-
Autostrade Tech S.p.A.	118	9	(1 439)	(13 215)
Other related entities	***4 742***	***42***	***(1 912)***	***(50 443)***
Total	**5 001**	**42**	**(4 993)**	**(50 443)**

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 2018).

39.3. Transactions with key personnel

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

	2018	***2017***
the Company		
Management Board	***1 896***	***1 861***
Salaries	864	830
Movement in employee benefits liabilities	1 032	1 031
Supervisory Board	***70***	***70***
Salaries	70	70
Subsidiaries		
Management Boards	***2 035***	***2 068***
Salaries	1 862	1 931
Movement in employee benefits liabilities	173	137
Supervisory Boards	***2***	***1***
Salaries	2	1
Total	**4 003**	**4 000**

In 2018 and 2017 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.

40. 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 2018.

41. Subsequent events

There were no significant subsequent events, which should be disclosed in the consolidated financial statements for the year 2018.