



STALEXPORT
Autostrady

**CONSOLIDATED FINANCIAL STATEMENTS
OF THE CAPITAL GROUP**

as at the day and for the year ended
31 December 2019

Mysłowice, 27 February 2020

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**Consolidated statement of comprehensive income
for the year ended 31 December**

<i>In thousands of PLN, unless stated otherwise</i>	<i>Note</i>	2019	2018*
Revenue	7, 9	351 487	336 529
Cost of sales	7, 10	(89 097)	(53 112)
Gross profit		262 390	283 417
Other income	11	6 313	10 396
Administrative expenses	7, 10	(139 033)	(45 075)
Other expenses	12	(514)	(3 282)
Impairment losses on trade and other receivables	35.1	(3)	(57)
Operating profit		129 153	245 399
Finance income		11 360	13 661
Finance expenses		(15 878)	(24 303)
Net finance expense	13	(4 518)	(10 642)
Share of profit of equity accounted investees (net of income tax)		137	207
Profit before income tax		124 772	234 964
Income tax expense	14	(44 376)	(48 701)
Profit for the period		80 396	186 263
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss for the period</i>			
Change in fair value of equity instruments	19	(219)	493
Remeasurement of employee benefits	28	(236)	(49)
Income tax on other comprehensive income	14.3	148	(78)
		(307)	366
<i>Items that are or may be reclassified subsequently to profit or loss for the period</i>			
Foreign currency translation differences for foreign operations		82	(24)
Effective portion of changes in fair value of cash flow hedges	24.2	(46)	(487)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	24.2	3 020	2 998
Income tax on other comprehensive income	14.3	(565)	(477)
		2 491	2 010
Other comprehensive income for the period, net of income tax		2 184	2 376
Total comprehensive income for the period		82 580	188 639
Profit attributable to:			
owners of the Company		75 526	180 971
non-controlling interest		4 870	5 292
Profit for the period		80 396	186 263
Total comprehensive income attributable to:			
owners of the Company		77 753	183 368
non-controlling interest		4 827	5 271
Total comprehensive income for the period		82 580	188 639
Earnings per share	25		
Basic earnings per share (PLN)		0.31	0.73
Diluted earnings per share (PLN)		0.31	0.73

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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

STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP
CONSOLIDATED FINANCIAL STATEMENTS AS AT THE DAY AND FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated statement of financial position
as at

<i>In thousands of PLN</i>	<i>Note</i>	31 December 2019	31 December 2018*	1 January 2018*
ASSETS				
Non-current assets				
Property, plant and equipment	15	31 813	33 663	36 666
Intangible assets	16	438 177	449 922	473 548
Investment property	17	6 455	3 765	3 870
Investments in associates	18	973	1 070	1 034
Other non-current investments	19	417 794	419 343	434 147
Deferred tax assets	20	23 033	28 582	71 019
Total non-current assets		918 245	936 345	1 020 284
Current assets				
Inventories		3 064	2 724	2 630
Current investments	19	1 574	1 823	1 403
Income tax receivables	21	-	18 908	2 560
Trade and other receivables	22	26 301	37 360	25 452
Cash and cash equivalents	23	372 868	333 741	396 900
Total current assets		403 807	394 556	428 945
Total assets		1 322 052	1 330 901	1 449 229
EQUITY AND LIABILITIES				
Equity				
Share capital	24.1	185 447	185 447	185 447
Share premium reserve		7 430	7 430	7 430
Fair value reserve		291	407	-
Hedging reserve	24.2	-	(2 409)	(4 443)
Other reserve capitals and supplementary capital		511 248	429 324	281 675
Foreign currency translation reserve		143	132	184
Retained earnings and uncovered losses		81 776	179 738	218 114
Total equity attributable to owners of the Company		786 335	800 069	688 407
Non-controlling interest	24.6	9 429	4 602	4 694
Total equity		795 764	804 671	693 101
Liabilities				
Non-current liabilities				
Loans and borrowings	26	-	33 229	76 295
Lease liabilities	27	3 112	-	-
Employee benefits	28	4 452	2 897	4 602
Deferred income	30	5 191	6 022	6 854
Other non-current liabilities	29	17 567	18 385	19 160
Provisions	32	314 374	297 363	362 244
Total non-current liabilities		344 696	357 896	469 155
Current liabilities				
Loans and borrowings	26	-	44 176	40 943
Lease liabilities	27	125	-	-
Derivative financial instruments	35.2	-	3 749	6 456
Income tax liabilities	21	20 555	204	337
Trade and other payables	33	90 307	30 287	188 104
Employee benefits	28	857	4 090	381
Deferred income	30	832	832	832
Contract liabilities	31	6 570	6 102	4 962
Provisions	32	62 346	78 894	44 958
Total current liabilities		181 592	168 334	286 973
Total liabilities		526 288	526 230	756 128
Total equity and liabilities		1 322 052	1 330 901	1 449 229

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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

<i>In thousands of PLN</i>	<i>Note</i>	2019	2018*
Cash flows from operating activities			
Profit before income tax		124 772	234 964
Adjustments for			
Depreciation and amortisation	10	57 005	52 099
Foreign currency translation differences for foreign operations		82	(24)
Gain on disposal of intangible assets and property, plant and equipment	11	(173)	(47)
Tangible asset donations		-	14
Interest and dividends		(5 158)	(4 396)
Share of profit of equity accounted investees		(137)	(207)
Change in receivables		11 059	(11 908)
Change in inventories		(173)	(94)
Change in trade and other payables		49 782	8 513
Change in provisions		(10 083)	(25 410)
Change in deferred income		(831)	(5 794)
Change in contract liabilities		468	6 102
Cash generated from operating activities		226 613	253 812
Income tax paid		15	(23 300)
Net cash from operating activities		226 628	230 512
Cash flows from investing activities			
Investment proceeds		13 121	27 975
Sale of intangible assets and property, plant and equipment		222	201
Proceeds from non-current deposits held for investment expenditures		328	15 228
Dividends received		7	3
Dividends from equity accounted investees		234	171
Interest received		12 330	12 372
Investment expenditures		(25 001)	(32 879)
Acquisition of intangible assets and property, plant and equipment		(25 001)	(32 879)
Net cash used in investing activities		(11 880)	(4 904)
Cash flows from financing activities			
Financial expenditures		(175 621)	(288 767)
Dividends paid, including attributable to:			
owners of the Company	24.5	(91 487)	(77 069)
non-controlling interest		(91 487)	(71 706)
Repayment of loans and borrowings	26	-	(5 363)
Interest paid		(77 723)	(40 889)
Payment of lease liabilities	27	(6 285)	(7 477)
Concession Payments	33	(126)	-
		-	(163 332)
Net cash used in financing activities		(175 621)	(288 767)
Total net cash flows		39 127	(63 159)
Change in cash and cash equivalents		39 127	(63 159)
Cash and cash equivalents at 1 January		333 741	396 900
Cash and cash equivalents at 31 December		372 868	333 741

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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

STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP
CONSOLIDATED FINANCIAL STATEMENTS AS AT THE DAY AND FOR THE YEAR ENDED 31 DECEMBER 2019
Consolidated statement of changes in equity
In thousands of PLN

	Note	Share capital	Share premium reserve	Fair value reserve	Hedging reserve	Other reserve capitals and supplementary capital	Foreign currency translation reserve	Retained earnings and uncovered losses	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
As at 1 January 2019		185 447	7 430	407	(2 409)	429 324	132	184 975	805 306	4 602	809 908
Impact of change of treatment*		-	-	-	-	-	-	(5 237)	(5 237)	-	(5 237)
As at 1 January 2019*		185 447	7 430	407	(2 409)	429 324	132	179 738	800 069	4 602	804 671
Profit for the period		-	-	-	-	-	-	75 526	75 526	4 870	80 396
Other comprehensive income:		-	-	(116)	2 409	(8)	11	(69)	2 227	(43)	2 184
Effective portion of changes in fair value of cash flow hedges	24.2	-	-	-	(46)	-	-	-	(46)	-	(46)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	24.2	-	-	-	3 020	-	-	-	3 020	-	3 020
Remeasurement of employee benefits	28	-	-	-	-	-	-	(183)	(183)	(53)	(236)
Change in fair value of equity instruments		-	-	(219)	-	-	-	-	(219)	-	(219)
Foreign currency translation differences for foreign operations		-	-	-	-	(8)	11	79	82	-	82
Income tax on other comprehensive income	14.3	-	-	103	(565)	-	-	35	(427)	10	(417)
Total comprehensive income for the period		-	-	(116)	2 409	(8)	11	75 457	77 753	4 827	82 580
Dividends paid	24.5	-	-	-	-	(91 487)	-	-	(91 487)	-	(91 487)
Allocation of profit to other reserve capitals and supplementary capital		-	-	-	-	173 419	-	(173 419)	-	-	-
As at 31 December 2019		185 447	7 430	291	-	511 248	143	81 776	786 335	9 429	795 764

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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

STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT THE DAY AND FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated statement of changes in equity (continued)

In thousands of PLN

	Note	Share capital	Share premium reserve	Fair value reserve	Hedging reserve	Other reserve capitals and supplementary capital	Foreign currency translation reserve	Retained earnings and uncovered losses	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
As at 1 January 2018		185 447	7 430	-	(4 443)	281 675	184	223 186	693 479	4 694	698 173
Impact of change of treatment*		-	-	-	-	-	-	(5 072)	(5 072)	-	(5 072)
As at 1 January 2018*		185 447	7 430	-	(4 443)	281 675	184	218 114	688 407	4 694	693 101
Profit for the period*		-	-	-	-	-	-	180 971	180 971	5 292	186 263
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		-	-	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)	180 954	183 368	5 271	188 639
Sale of equity instruments measured at fair value through other comprehensive income		-	-	1	-	-	-	(1)	-	-	-
Dividends paid	24.5	-	-	-	-	-	-	(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	179 738	800 069	4 602	804 671

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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

STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP
CONSOLIDATED FINANCIAL STATEMENTS AS AT THE DAY AND FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the consolidated financial statements

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

1. Group overview

Stalexport Autostrady S.A. (“the Company”) with its seat in 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 2019, 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 2019.

The consolidated financial statements as at the day and for the year ended 31 December 2019 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).

STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP
CONSOLIDATED FINANCIAL STATEMENTS AS AT THE DAY AND FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the consolidated financial statements

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

Information on planned cross-border merger

On 30 September 2019 the Management Board of the Company, acting jointly with the sole member of the Management Board of Stalexport Autoroute S.a r.l. with its registered office in Luxembourg, adopted the plan for the cross-border merger of both these companies. The merger is aimed at the reduction of Group's operation costs by terminating the business activity of Stalexport Autoroute S.à r.l and its legal status. The legal existence of Stalexport Autoroute S.a r.l. will be terminated through a cross-border merger of the Company and Stalexport Autoroute S.a r.l., without increasing the share capital of the Company, using a simplified merger procedure in accordance with the Commercial Companies Code and pursuant to the relevant provisions of Luxembourg law.

On 20 January 2020 the District Court of Katowice-Wschód in Katowice, 8th Commercial Department of the National Court Register, issued a certificate of compliance with the Polish law of the merger described above. On 28 January 2020, the Company applied to the aforementioned court for the registration of the cross-border merger in the register of entrepreneurs on 28 February 2020.

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 2020.

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 2019, have not been applied in preparation of these consolidated financial statements. Neither of the new standards nor amendments to the already existing standards, are expected to have a significant impact on the consolidated financial statements of the Group for the period for which they will become effective.

2.5. Use of estimates and judgments

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

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

Judgments and estimates made by the Management Board, which had significant impact on the consolidated financial statements, have been discussed in notes 14, 16, 17, 19, 20, 21, 24, 27, 28, 32, 34 and 35.

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 had no impact on the 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, during its term, 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.

Notes to the consolidated financial statements

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

The Group recognises the liabilities due to Payments to the State Treasury only at the calculation date, i.e. on 31 March and 30 September respectively, after all the underlying conditions for the obligation to make payments, as foreseen in the Concession Agreement and Project Loan Agreement (during its term), are met (see also note 6.3).

In 2019 the Group recognised liabilities due to Payments to the State Treasury amounting to TPLN 109,225 gross (2018: TPLN 7,272 gross), out of which TPLN 54,558 was settled during the reporting period.

Moreover the Concession Holder estimates that out of the cash and cash equivalents amount being in his possession as at 31 December 2019, the amount of TPLN 20,115 will be attributed to Payments to the State Treasury as determined at the next calculation date, i.e. 31 March 2020.

5. Changes in significant accounting policies

Consolidated financial statements as at the day and for the year ended 31 December 2019 are the first annual financial statements of the Group in which IFRS 16 *Leases*, effective for reporting periods beginning on 1 January 2019 or later, has been applied. The effect of application of this standard on Group's accounting policies has been presented within note 5.1.

Other new standards and interpretations, as well as amendments to existing standards, effective for reporting periods beginning on 1 January 2019 or later, had no significant impact on the consolidated financial statements of the Group.

Additionally, as of 1 January 2019 the Group changed the approach taken so far with regard to the recognition of Concession fees, as the result of which the comparative data has been restated (see note 5.2).

5.1. 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, however 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.

i) Accounting policies applied

Considering the extent to which IFRS 16 has affected the existing accounting policies of the Group, the accounting policies that follow apply only to cases where the Group is the lessee.

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

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

The Group subsequently measures the lease liabilities by:

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

At the lease commencement date the Group measures the right-of-use asset at cost. Subsequently these assets are measured at cost less any accumulated depreciation and impairment losses, taking into account adjustments resulting from aforementioned revaluation of lease liabilities.

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If a right-of-use asset meets the definition of investment property, it is presented as such within consolidated statement of financial position.

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

ii) Impact of initial application

The Group applied 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 has not been 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 recognised a lease liability amounting to the present value of payments for perpetual usufruct that are not yet paid (the perpetual usufruct expires in December 2089), discounted using the Company's incremental borrowing rate (3.67%) as of initial application date. Lease liability related to payments for perpetual usufruct of land amounted to TPLN 3,247 at the date of initial application of IFRS 16. The Group recognised a right-of-use asset measured at the amount equal to the aforementioned liability, as the consequence of which Group's equity were not subject to any changes as at 1 January 2019. Considering that this right-of-use asset meets the definition of investment property, it has been presented as such within the consolidated statement of financial position (see note 17).

5.2. Change of treatment with regard to Concession fees

According to the Concession Agreement, the Concession Holder periodically pays to the National Road Fund concession fees ("Concession fees"), which include (i) rent for the use (right to use and receive profits) of a road strip of the A-4 Katowice-Kraków section of the motorway subject to the concession, and (ii) refund of GDDKiA's costs of supervision and control.

So far the Concession fees were recognised by the Group in profit or loss for the period when incurred.

From 1 January 2019 the Group, with the intention of reflecting better the purpose and unconditional nature of Concession fees, thereby increasing transparency and the usefulness of the information contained in the consolidated financial statements for its users, altered the approach with regard to the recognition of aforementioned fees.

In line with the new treatment, considering that:

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

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

The Group applied the new treatment with regard to Concession fees using the retrospective approach – financial data for the comparative periods has been restated in accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors*.

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

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

For the concession intangible assets the Group applies 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.

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The impact of change of treatment with regard to Concession fees on the consolidated statement of financial position and consolidated statement of comprehensive income for comparative periods included within these consolidated financial statements has been presented below.

Consolidated statement of financial position as at 31 December 2018

<i>In thousands of PLN</i>	31 December 2018	impact of change of treatment	31 December 2018
	<i>published</i>		<i>restated</i>
ASSETS			
Intangible assets	441 154	8 768 (1)	449 922
Deferred tax assets	27 353	1 229 (2)	28 582
Others	457 841	-	457 841
Non-current assets	926 348	9 997	936 345
Current assets	394 556	-	394 556
Total assets	1 320 904	9 997	1 330 901
EQUITY AND LIABILITIES			
Equity			
Retained earnings and uncovered losses	184 975	(5 237) (3)	179 738
Others	620 331	-	620 331
Total equity attributable to owners of the Company	805 306	(5 237)	800 069
Non-controlling interest	4 602	-	4 602
Total equity	809 908	(5 237)	804 671
Liabilities			
Other non-current liabilities	6 318	12 067 (4)	18 385
Others	339 511	-	339 511
Non-current liabilities	345 829	12 067	357 896
Trade and other payables	27 120	3 167 (4)	30 287
Others	138 047	-	138 047
Current liabilities	165 167	3 167	168 334
Total liabilities	510 996	15 234	526 230
Total equity and liabilities	1 320 904	9 997	1 330 901

- (1) Recognition of the concession intangible assets in respect of Concession fees;
- (2) Cumulative impact of change of treatment on deferred tax assets;
- (3) Cumulative impact of change of treatment on retained earnings and uncovered losses, including profit for the period;
- (4) Recognition of liabilities due to Concession fees.

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Consolidated statement of financial position as at 1 January 2018

<i>In thousands of PLN</i>	1 January 2018	impact of change	1 January 2018
	<i>published</i>	<i>of treatment</i>	<i>restated</i>
ASSETS			
Intangible assets	463 855	9 693 (1)	473 548
Deferred tax assets	69 829	1 190 (2)	71 019
Others	475 717	-	475 717
Non-current assets	1 009 401	10 883	1 020 284
Current assets	428 945	-	428 945
Total assets	1 438 346	10 883	1 449 229
EQUITY AND LIABILITIES			
Equity			
Retained earnings and uncovered losses	223 186	(5 072) (3)	218 114
Others	470 293	-	470 293
Total equity attributable to owners of the Company	693 479	(5 072)	688 407
Non-controlling interest	4 694	-	4 694
Total equity	698 173	(5 072)	693 101
Liabilities			
Other non-current liabilities	6 374	12 786 (4)	19 160
Others	449 995	-	449 995
Non-current liabilities	456 369	12 786	469 155
Trade and other payables	184 935	3 169 (4)	188 104
Others	98 869	-	98 869
Current liabilities	283 804	3 169	286 973
Total liabilities	740 173	15 955	756 128
Total equity and liabilities	1 438 346	10 883	1 449 229

- (1) Recognition of the concession intangible assets in respect of Concession fees;
- (2) Cumulative impact of change of treatment on deferred tax assets;
- (3) Cumulative impact of change of treatment on retained earnings and uncovered losses, including profit for the period;
- (4) Recognition of liabilities due to Concession fees.

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Consolidated statement of comprehensive income for year ended 31 December 2018

In thousands of PLN, unless stated otherwise

	2018	impact of change of treatment	2018
	<i>published</i>		<i>restated</i>
Revenue	336 529	-	336 529
Cost of sales	(52 198)	(914) (1)	(53 112)
Gross profit	284 331	(914)	283 417
Other income	10 396	-	10 396
Administrative expenses	(48 687)	3 612 (2)	(45 075)
Other expenses	(3 282)	-	(3 282)
Impairment losses on trade and other receivables	(57)	-	(57)
Operating profit	242 701	2 698	245 399
Finance income	13 661	-	13 661
Finance expenses	(21 401)	(2 902) (3)	(24 303)
Net finance expense	(7 740)	(2 902)	(10 642)
Share of profit of equity accounted investees (net of income tax)	207	-	207
Profit before income tax	235 168	(204)	234 964
Income tax expense	(48 740)	39 (4)	(48 701)
Profit for the period	186 428	(165)	186 263
Total comprehensive income for the period	188 804	(165)	188 639
Earnings per share			
Basic earnings per share (PLN)	0.73	-	0.73
Diluted earnings per share (PLN)	0.73	-	0.73

(1) Amortisation of the concession intangible assets recognised in respect of Concession fees;

(2) Withdrawal of Concession fees incurred in I semester 2018;

(3) Recognition of interest expense on liability due to Concession fees (unwinding of discount);

(4) Cumulative impact of change of treatment on deferred tax for the reporting period.

6. Significant accounting policies

Except for the changes resulting from the introduction of new standards and interpretations, as well as amendments to existing standards, effective for reporting periods beginning on 1 January 2019 or later (see note 5), the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

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 6.18.1) for a specified period of time.

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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.

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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

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/IFRS 16.

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, during its term, 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.

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6.4. Other intangible assets

Other intangible assets are measured at cost less accumulated depreciation and impairment losses (see note 6.12.2).

Subsequent expenditures

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

Amortisation

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

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

If the estimated useful life of intangible assets attributable to the Concession Agreement other than the ones described in 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 6.12.2).

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

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

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

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

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

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

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.

Investment property held by the Group as right-of-use assets is recognised and measured according to policies described in note 6.7.1, i.e. at cost less any accumulated depreciation and impairment losses, taking into account adjustments resulting from remeasurement of lease liabilities, with which these assets were initially recognised.

6.7. Leases

6.7.1. Accounting policy applicable from 1 January 2019 (IFRS 16)

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

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

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

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

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

Group as a lessor

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

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

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

Group as a lessee

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

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

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

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

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

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

The Group subsequently measures the lease liabilities by:

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

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

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

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

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

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

Perpetual usufruct of land

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

6.7.2. Accounting policy applicable before 1 January 2019 (IAS 17)

Group as a lessor

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

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

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

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Group as a lessee

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 6.12.2). 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.

Perpetual usufruct of land

The Group classifies perpetual usufruct of land as operating lease. Payments made to acquire perpetual usufruct of land are recognized as prepayments for perpetual usufruct of land and expensed to profit or loss for the period, during the period of use of land.

6.8. Inventories

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

6.9. Non-current assets held for sale

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

6.10. Non-derivative financial instruments

6.10.1. Recognition and initial measurement

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

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

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

6.10.2. Classification and subsequent measurement

Financial assets

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

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

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

- (i) the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

- (i) they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (ii) their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

In line with an option foreseen in IFRS 9 *Financial Instruments*, the Group measures investments in equity instruments, that are not held for trading, at fair value (however in limited circumstances cost may be an appropriate estimate of fair value), which subsequent changes are recognised in other comprehensive income

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(without possibility of subsequent transfer to profit or loss). Dividends on such investments are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

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

Financial liabilities

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

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

6.10.3. Derecognition

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

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

The Group removes a financial liability (or a part of a financial liability) when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires. Substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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

6.10.4. Offsetting of financial assets and financial liabilities

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

6.11. Derivative financial instruments, including hedge accounting

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

The Group measures derivatives at fair value.

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

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

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

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

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

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

6.12. Impairment

6.12.1. Financial assets

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

The Group recognises loss allowances for expected credit losses on:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.12.2. Non-financial assets

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

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

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

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

6.12.3. Non-current assets held for sale

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

6.13. Equity

Ordinary shares

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

Repurchase of treasury shares

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

Fair value reserve

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

Hedging reserve

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

6.14. Employee benefits

6.14.1. Retirement and disability benefits

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

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

6.14.2. Jubilee bonuses

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

The Group's obligation resulting from jubilee bonuses is measured by estimation of future salary of a given employee for the period in which an employee will become entitled to a particular jubilee bonus and by estimation of future jubilee bonus. Jubilee bonuses are discounted using market State Treasury bond return

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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.

6.14.3. Current employee benefits

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

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

6.15. Provisions

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

Provision for motorway resurfacing

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

Provision for capital expenditures related to replacement and upgrade of infrastructure

Accounting policies applied to provision for capital expenditures of Phase II are described in note 6.3.

6.16. Deferred income

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

6.17. Contract liabilities

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

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6.18. Revenue

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

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

Revenue from motorway operation

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

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

6.18.2. Other revenue

Rental income

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

6.19. Finance income and expenses

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

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

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

6.20. Income tax

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

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

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

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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.

6.21. Discontinued operations

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

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

6.22. Earnings per share (EPS)

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

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

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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 2019

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

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

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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)	(49 068)	(53 112)
Total cost of sales	(4 044)	(49 068)	(53 112)
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)	(40 538)	(45 075)
Operating profit	(5 325)	250 724	245 399
Net finance income/(expense)*	4 787	(15 429)	(10 642)
Share of profit of equity accounted investees (net of income tax)	207	-	207
Income tax expense*	(675)	(48 026)	(48 701)
Profit/(Loss) for the period	(1 006)	187 269	186 263
Other comprehensive income, net of income tax			2 376
Total comprehensive income for the period			188 639

Major non-cash items

Depreciation and amortisation	(548)	(51 551)	(52 099)
Impairment losses on trade and other receivables	(10)	(47)	(57)
Unwinding of discount (including lease interest expens	-	(15 159)	(15 159)

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

** Expenses related to "Management, advisory and rental services" comprise all administrative expenses of the Company - expenses related to "Management and operation of motorways" include Payments to the State Treasury in amount of TPLN 5,912 (net).

Financial position according to business segments as at

	31 December 2019	31 December 2018*	1 January 2018*
Management, advisory and rental services			
Assets of the segment	205 941	285 128	347 902
Liabilities of the segment	5 851	4 789	3 256
Management and operation of motorways			
Assets of the segment	1 116 111	1 045 773	1 101 327
Liabilities of the segment	520 437	521 441	752 872
Total assets	1 322 052	1 330 901	1 449 229
Total liabilities	526 288	526 230	756 128

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

Major customer

In the year ended 31 December 2019 and 31 December 2018 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 2019 and 31 December 2018 the Group wasn't in possession of any assets or liabilities classified as held for sale.

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9. Revenue

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

	2019			2018		
	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:	-	347 424	347 424	-	332 377	332 377
Manual toll collection (cash, bank cards)	-	216 628	216 628	-	221 046	221 046
Fleet cards	-	70 840	70 840	-	65 862	65 862
Electronic toll collection	-	55 770	55 770	-	39 296	39 296
KartA4	-	4 186	4 186	-	6 173	6 173
Revenue due to other services rendered	-	6	6	-	14	14
	-	347 430	347 430	-	332 391	332 391
Other revenue						
Revenue from rental of investment property	3 358	-	3 358	3 244	-	3 244
Revenue due to other services rendered	2	-	2	6	-	6
Other revenue	-	697	697	-	888	888
	3 360	697	4 057	3 250	888	4 138
Total	3 360	348 127	351 487	3 250	333 279	336 529

10. Expenses by nature

	2019	2018*
Depreciation and amortisation*	(57 005)	(52 099)
Energy and materials consumption	(5 054)	(4 482)
(Accrual)/Reversal of provision for motorway resurfacing disclosed within cost of sales (external services)**	(8 087)	23 004
Other external services, including:*	(32 527)	(21 479)
- renovation and maintenance services	(20 571)	(10 503)
- advisory services	(5 494)	(4 435)
Payments to the State Treasury (net amount)	(88 800)	(5 912)
Taxes and charges	(3 476)	(5 420)
Employee benefit expenses	(30 840)	(29 581)
Other costs	(2 341)	(2 218)
Total expenses by nature	(228 130)	(98 187)
Cost of sales and administrative expenses	(228 130)	(98 187)

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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

10.1. Employee benefit expenses

	2019	2018
Wages and salaries	(24 245)	(21 947)
Social security contributions and other benefits	(5 824)	(5 531)
Movement in employee benefits liabilities included in profit and loss:	(771)	(2 103)
Post-employment benefits	(115)	(407)
Jubilee bonuses liabilities	(697)	(521)
Other employee benefits	41	(1 175)
Total	(30 840)	(29 581)

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11. Other income

	2019	2018
Rental income from passenger service areas	4 916	6 756
Compensations, contractual penalties and costs of court proceedings received	209	293
Reimbursement of real estate tax paid for previous periods	214	3 005
Interest from receivables	13	19
Net gain on disposal of property, plant and equipment and intangible assets	173	47
Other	788	276
Total	6 313	10 396

12. Other expenses

	2019	2018
Donations granted	(91)	(97)
Repair of damages	(74)	(45)
Penalties, compensations, payments	(62)	(55)
Reversal of rental income from passenger service areas for previous periods due to reimbursement of real estate tax paid	(214)	(3 005)
Unrecoverable input VAT	(21)	(20)
Other	(52)	(60)
Total	(514)	(3 282)

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13. Net finance expense

	2019	2018*
Recognised in profit or loss for the period		
Dividend income:	7	3
- equity instruments - financial instruments measured at fair value through other comprehensive income (held at the reporting date)	7	3
Interest income under the effective interest method on:	11 043	13 432
- cash and cash equivalents	4 836	6 749
- non-current deposits	6 205	6 681
- other	2	2
Net foreign exchange gain	116	226
Other finance income	194	-
Finance income	11 360	13 661
Interest expense on liabilities measured at amortised cost, including:	(6 091)	(13 583)
- loans and borrowings, including:	(3 053)	(5 297)
- nominal	(1 692)	(3 595)
- other	(1 361)	(1 702)
- discount of Concession Payments	-	(4 560)
- discount of Concession fees*	(2 803)	(2 902)
- lease interest expense	(116)	-
- other	(119)	(824)
Discount of provisions	(6 671)	(7 697)
Net change in fair value of cash flow hedges reclassified from other comprehensive income	(3 020)	(2 998)
Ineffective portion of changes in fair value of cash flow hedges	(28)	(19)
Other finance expenses	(68)	(6)
Finance expenses	(15 878)	(24 303)
Net finance expense recognised in profit or loss for the period	(4 518)	(10 642)
Recognised in other comprehensive income		
Foreign currency translation differences for foreign operations	82	(24)
Effective portion of changes in fair value of cash flow hedges**	(46)	(487)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period**	3 020	2 998
Change in fair value of equity instruments	(219)	493
Finance income/(expenses) recognised in other comprehensive income	2 837	2 980

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

** The Group hedged 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).

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14. Income tax

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

	2019	2018*
Current income tax expense	(39 244)	(6 819)
Current income tax on profits for the year	(39 242)	(6 725)
Adjustment in respect of prior years	(2)	(94)
Deferred tax	(5 132)	(41 882)
Recognition and reversal of temporary differences*	(5 132)	(41 882)
Income tax impacting profit for the period	(44 376)	(48 701)

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

The income tax rate which embraced the majority of Group's activities amounted to 19% in 2018-2019. It is assumed that the income tax rate shouldn't change in upcoming years.

14.2. Effective tax rate

	2019		2018*	
	%		%	
Profit before income tax		124 772		234 964
Income tax calculated using domestic tax rate	(19.0%)	(23 707)	(19.0%)	(44 643)
Share of profit of equity accounted investees	0.0%	26	0.0%	39
Valuation adjustment / temporary differences previously adjusted / permanent differences**	(16.6%)	(20 693)	(1.7%)	(4 003)
Current income tax adjustment in respect of prior years	(0.0%)	(2)	(0.0%)	(94)
Total	(35.6%)	(44 376)	(20.7%)	(48 701)

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

** Permanent differences in amount of TPLN 16,720 relate to Payments to the State Treasury, which Group treated as tax non-deductible as at 31 December 2019 (2018: TPLN 1,123). On 23 December 2019 SAM S.A. applied to the Director of the National Revenue Information for an individual interpretation the key element of which is to decide whether the above payments may be classified as tax deductible costs.

14.3. Income tax recognised in other comprehensive income

	2019			2018		
	Before tax	Tax (expense) /benefit	Net	Before tax	Tax (expense) /benefit	Net
Change in fair value of equity instruments	(219)	103	(116)	493	(87)	406
Remeasurement of employee benefits	(236)	45	(191)	(49)	9	(40)
Other comprehensive income that will never be reclassified to profit or loss for the period	(455)	148	(307)	444	(78)	366
Effective portion of changes in fair value of cash flow hedges	(46)	9	(37)	(487)	93	(394)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	3 020	(574)	2 446	2 998	(570)	2 428
Other comprehensive income that are or may be reclassified subsequently to profit or loss for the period	2 974	(565)	2 409	2 511	(477)	2 034
Total	2 519	(417)	2 102	2 955	(555)	2 400

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15. Property, plant and equipment

	Buildings and constructions	Plant and equipment	Vehicles	Other	Under construction	Total
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	(14)	(164)	(1 027)	(26)	-	(1 231)
Cost as at 31 December 2018	20 940	23 826	18 686	8 296	401	72 149
Cost as at 1 January 2019	20 940	23 826	18 686	8 296	401	72 149
Acquisitions	-	1 514	778	59	1 311	3 662
Transfer from property, plant and equipment under construction	185	276	-	195	(656)	-
Transfer from provisions for capital expenditure	-	-	-	-	164	164
Transfer from intangible assets	42	1 143	-	-	-	1 185
Transfer to inventory	-	-	-	-	(160)	(160)
Disposals	-	(68)	(677)	(44)	-	(789)
Cost as at 31 December 2019	21 167	26 691	18 787	8 506	1 060	76 211
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	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)
Depreciation and impairment losses as at 1 January 2019	(14 363)	(10 673)	(9 316)	(4 134)	-	(38 486)
Depreciation for the period	(934)	(3 013)	(1 886)	(828)	-	(6 661)
Disposals	-	65	640	44	-	749
Depreciation and impairment losses as at 31 December 2019	(15 297)	(13 621)	(10 562)	(4 918)	-	(44 398)
Carrying amounts						
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
As at 1 January 2019	6 577	13 153	9 370	4 162	401	33 663
As at 31 December 2019	5 870	13 070	8 225	3 588	1 060	31 813

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Impairment losses

As at 31 December 2019, 31 December 2018 and 1 January 2018 there were no indicators, which would require the Group to test property, plant and equipment for impairment.

Collateral

As at 31 December 2019 property, plant and equipment with a carrying value of TPLN 15,935 (31 December 2018: TPLN 18,776) provided a collateral for Project Loan Agreement (see also note 26).

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 2018*	916 681	12 578	970	26	930 255
Acquisitions	-	53	-	175	228
Transfer from intangible assets not ready for use	-	76	-	(76)	-
Revaluation of concession intangible assets*	21 502	-	-	-	21 502
Disposals	-	(64)	-	-	(64)
Cost as at 31 December 2018*	938 183	12 643	970	125	951 921
Cost as at 1 January 2019*	938 183	12 643	970	125	951 921
Acquisitions	-	59	-	8 104	8 163
Transfer from intangible assets not ready for use	-	-	1 828	(1 828)	-
Transfer to property, plant and equipment	-	-	-	(1 185)	(1 185)
Revaluation of concession intangible assets	31 079	-	-	-	31 079
Transfer to inventory	-	-	-	(7)	(7)
Disposals	-	(55)	-	(8)	(63)
Cost as at 31 December 2019	969 262	12 647	2 798	5 201	989 908
Amortisation and impairment losses as at 1 January 2018*	(452 783)	(2 954)	(970)	-	(456 707)
Amortisation for the period*	(43 935)	(1 421)	-	-	(45 356)
Disposals	-	64	-	-	64
Amortisation and impairment losses as at 31 December 2018*	(496 718)	(4 311)	(970)	-	(501 999)
Amortisation and impairment losses as at 1 January 2019*	(496 718)	(4 311)	(970)	-	(501 999)
Amortisation for the period	(48 333)	(1 454)	-	-	(49 787)
Disposals	-	55	-	-	55
Amortisation and impairment losses as at 31 December 2019	(545 051)	(5 710)	(970)	-	(551 731)
Carrying amounts					
As at 1 January 2018*	463 898	9 624	-	26	473 548
As at 31 December 2018*	441 465	8 332	-	125	449 922
As at 1 January 2019*	441 465	8 332	-	125	449 922
As at 31 December 2019	424 211	6 937	1 828	5 201	438 177

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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

- (i) due to changes of discount rates used for valuation of provision for capital expenditures (see note 32), which resulted in their increase by TPLN 1,269 (2018: increase of TPLN 3,459);
- (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 29,622 (2018: increase of TPLN 18,054);
- (iii) due to remeasurement of Concession fees (indexation), which resulted in their increase by TPLN 188 (2018: decrease of TPLN 11).

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

The annual amortisation rate calculated on the base of estimated traffic increase during the concession period in relation to present net value of intangible asset at the beginning of the period equalled 10.65% in 2019 (2018: 9.43%). 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 2019 will range from 12.66% to 14.85% during the concession period.

Intangible assets not ready for use

As at 31 December 2019 intangible assets not ready for use include expenditure on software related to the new sales system and automation of dedicated lanes for electronic payments.

Impairment losses

As at 31 December 2019, 31 December 2018 and 1 January 2018 there were no indicators, which would require the Group to test concession intangible assets for impairment.

As at 31 December 2019, 31 December 2018 and 1 January 2018 Group's other intangible assets (including intangible assets not ready for use) weren't subject to any impairment.

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17. Investment property

	Right-of-use assets	Other investment property	Total
Cost as at 1 January 2018	-	30 496	30 496
Transfer from property, plant and equipment under construction	-	383	383
Cost as at 31 December 2018	-	30 879	30 879
Cost as at 31 December 2018	-	30 879	30 879
Impact of initial application of IFRS 16*	3 247	-	3 247
Cost as at 1 January 2019	3 247	30 879	34 126
Cost as at 31 December 2019	3 247	30 879	34 126
Depreciation and impairment losses as at 1 January 2018	-	(26 626)	(26 626)
Depreciation for the period	-	(488)	(488)
Depreciation and impairment losses as at 31 December 2018	-	(27 114)	(27 114)
Depreciation and impairment losses as at 31 December 2018	-	(27 114)	(27 114)
Impact of initial application of IFRS 16*	-	-	-
Depreciation and impairment losses as at 1 January 2019	-	(27 114)	(27 114)
Depreciation for the period	(46)	(511)	(557)
Depreciation and impairment losses as at 31 December 2019	(46)	(27 625)	(27 671)
Carrying amounts			
As at 1 January 2018	-	3 870	3 870
As at 31 December 2018	-	3 765	3 765
As at 1 January 2019	3 247	3 765	7 012
As at 31 December 2019	3 201	3 254	6 455

*See note 5.1.

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 2019 amounted to TPLN 3,358 (in 2018: TPLN 3,244) and was presented in the consolidated statement of comprehensive income under "Revenue" - attributable costs amounting to TPLN 3,881 (in 2018: TPLN 4,044) were presented under "Cost of sales".

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18. Investments in associates

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

	<i>Biuro Centrum Sp z o.o.</i>	
	31 December 2019	31 December 2018
% ownership interest	40.63%	40.63%
Total assets*	3 787	4 611
Total liabilities	(1 393)	(1 978)
Net assets	2 394	2 633
Group's share of net assets	973	1 070
	2019	2018
Revenues	9 878	10 427
Profit for the period	337	509
Total comprehensive income for the period	337	509
Group's share of total comprehensive income	137	208
Group's share in net assets at beginning of the period	1 070	1 034
Group's share of total comprehensive income	137	207
Dividends received during the period	(234)	(171)
Carrying amount of interest at the end of the period	973	1 070

(*) Including fair value adjustments;

As at 31 December 2019 as well as at 31 December 2018 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.

19. Other investments

	31 December 2019	31 December 2018
Non-current		
Bank deposits	417 621	419 200
Equity instruments measured at fair value through other comprehensive income	173	143
Total	417 794	419 343
Current		
Equity instruments measured at fair value through other comprehensive income	1 574	1 823
Total	1 574	1 823

As at 31 December 2019 bank deposits comprised cash kept on reserve accounts designated to:

- (i) debt-service – none (31 December 2018: TPLN 49,083),
- (ii) capital expenditures of Phase F2b – TPLN 326,888 (31 December 2018: TPLN 325,756),
- (iii) future maintenance expenditures – TPLN 26,000 (31 December 2018: TPLN 31,963),
- (iv) dividend payments to shareholders of the Concession Holder – TPLN 64,494 (31 December 2018: 10,908).

The abovementioned item included also accrued interests of TPLN 239 (31 December 2018: TPLN 1,490). All reserve accounts were established in accordance with the provisions of Concession Agreement and Project Loan Agreement (during its term).

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As at 31 December 2019 and 31 December 2018 the following investments constituted equity instruments measured at fair value through other comprehensive income:

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

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

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20. Deferred tax

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

	Assets		Liabilities		Net	
	31 December 2019	31 December 2018*	31 December 2019	31 December 2018*	31 December 2019	31 December 2018*
Concession intangible assets*	-	-	(78 879)	(81 918)	(78 879)	(81 918)
Property, plant and equipment and other intangible assets	33 378	38 781	(454)	(350)	32 924	38 431
Investment property	-	99	(503)	-	(503)	99
Other non-current investments	-	-	(72)	(304)	(72)	(304)
Trade and other receivables	271	271	(62)	(693)	209	(422)
Inventories	7	7	-	-	7	7
Current investments	284	239	-	(64)	284	175
Cash and cash equivalents	-	-	(81)	(285)	(81)	(285)
Loans and borrowings	-	319	-	-	-	319
Lease liabilities	615	-	-	-	615	-
Other non-current liabilities*	2 159	2 895	-	-	2 159	2 895
Deferred income	1 144	1 302	-	-	1 144	1 302
Contract liabilities	1 248	1 159	-	-	1 248	1 159
Employee benefits	1 355	1 588	-	-	1 355	1 588
Provisions	71 578	71 489	-	-	71 578	71 489
Trade and other payables*	861	334	-	-	861	334
Derivative financial instruments	-	587	-	-	-	587
Deferred tax assets/liabilities on temporary differences	112 900	119 070	(80 051)	(83 614)	32 849	35 456
Tax loss carry-forwards	1 782	1 923	-	-	1 782	1 923
Deferred tax assets/liabilities	114 682	120 993	(80 051)	(83 614)	34 631	37 379
Set off of tax	(80 051)	(83 614)	80 051	83 614	-	-
Valuation adjustment	(11 598)	(8 797)	-	-	(11 598)	(8 797)
Net deferred tax assets/liabilities as in consolidated statement of financial position	23 033	28 582	-	-	23 033	28 582

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

	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*	(85 904)	3 986	-	(81 918)
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*	2 476	419	-	2 895
Deferred income	1 460	(158)	-	1 302
Contract liabilities	943	216	-	1 159
Employee benefits	1 177	402	9	1 588
Provisions	77 369	(5 880)	-	71 489
Trade and other payables*	31 011	(30 677)	-	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	71 019	(41 882)	(555)	28 582

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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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 2019 the amount of tax losses remaining to be utilized amounted to TPLN 9,380 (31 December 2018: TPLN 10,124).

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 1,362 (31 December 2018: TPLN 1,553).

Year of tax loss	2016	2017	2019	Total
<i>Expected utilization date</i>				
2020	1 107	1 141	-	2 248
2021	373	3 350	600	4 323
2023	-	-	600	600
Total	1 480	4 491	1 200	7 171
<i>Expected expiry date</i>				
2022	-	2 209	-	2 209
Total	-	2 209	-	2 209
Remaining tax loss	1 480	6 700	1 200	9 380
Deferred tax assets recognised	281	853	228	1 362

21. Income tax receivables and liabilities

As at 31 December 2019 the income tax receivables amounted to TPLN 1,341 (31 December 2018: TPLN 20,249). These receivables will be settled with future income tax liabilities. Due to uncertain recovery of these receivables as at 31 December 2019, an allowance of TPLN 1,341 was recognized (31 December 2018: TPLN 1,341).

Income tax liabilities of TPLN 20,555 (31 December 2018: TPLN 204) represent the difference between payments made for the previous and current tax year and the amount of tax payable (including the tax on income from buildings, the so-called "minimum income tax").

22. Trade and other receivables

	31 December 2019	31 December 2018
Trade receivables from related parties	1 103	719
Trade receivables from other parties	14 065	14 492
Receivables from taxes, duties, social and health insurances and other benefits	10 593	20 300
Other receivables from other parties	540	1 849
Total	26 301	37 360

Receivables from contracts with customers included within trade and other receivables amounted to TPLN 11,183 as at 31 December 2019 and TPLN 10,855 as at 31 December 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.

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23. Cash and cash equivalents

	31 December 2019	31 December 2018
Cash in hand	107	114
Bank balances	179 687	63 655
Current bank deposits	192 663	269 620
Cash in transit	411	352
Cash and cash equivalents in the consolidated statement of financial position	372 868	333 741
Cash and cash equivalents in the consolidated statement of cash flows	372 868	333 741

24. Equity

24.1. Share capital

	31 December 2019	31 December 2018
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 -46 in 2019 (2018: TPLN -487). As the consequence of hedged interest payments made in 2019, as well as due to early settlement of hedging transactions as a result of full prepayment of the Project Loan Agreement, the Group reclassified the corresponding net change in fair value of cash flow hedges of TPLN -3,020 (2018: TPLN -2,998) 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 9, out of which TPLN 574 was attributable to portion of changes reclassified to finance expense (2018: TPLN 93 and TPLN 570 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.

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24.5. Dividends

2019

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

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.

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.

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 2019	31 December 2018
Non-controlling interest %	45%	45%
Non-current assets	16 324	9 637
Current assets	24 314	13 525
Non-current liabilities	(11 243)	(5 168)
Current liabilities	(8 441)	(7 767)
Net assets	20 954	10 227
Net assets attributable to non-controlling interest	9 429	4 602
Revenues	49 109	47 575
Profit for the period	10 822	11 760
Other comprehensive income	(95)	(47)
Total comprehensive income for the period	10 727	11 713
Profit for the period attr. to non-controlling interest	4 870	5 292
Total comprehensive income attr. to non-controlling interest	4 827	5 271
Net cash from operating activities	13 771	13 883
Net cash from/(used in) investing activities	47	(86)
Net cash used in financing activities	(3 054)	(14 336)
Net change in cash and cash equivalents	10 764	(539)
Dividends paid during the period attributable to non-controlling interest	-	(5 363)

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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 75,526 (2018: profit of TPLN 180,971) and a weighted average number of ordinary shares at the reporting date of 247,262 thousand (31 December 2018: 247,262 thousand).

Net profit per ordinary share attributable to shareholders of the Company

	2019	2018
Profit for the period attributable to shareholders of the Company (in TPLN)	75 526	180 971
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)	0.31	0.73

As at 31 December 2019 and 31 December 2018 no factors were determined that would result in dilution of profit per one share.

26. Loans and borrowings

	31 December 2019	31 December 2018
Non-current portion of secured bank loans	-	33 229
Non-current loans and borrowings	-	33 229
Current portion of secured bank loans	-	44 176
Current loans and borrowings	-	44 176

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.

On 24 July 2019 the Management Board of SAM S.A. adopted a resolution in accordance with which it decided to make on 30 September 2019 the full prepayment of outstanding debt resulting from the Project Loan Agreement and, after making the prepayment, take any actual or legal actions to remove the debt resulting from the said agreement from the relevant register of securities.

On 30 September 2019 SAM S.A. made aforementioned full prepayment, i.e. TPLN 56,020 for the repayment of principal, TPLN 1,091 for the repayment of interest and TPLN 2,548 for payments resulting from transactions hedging against the risk of interest rates fluctuations (Interest Rate Swaps).

In 2019 SAM S.A. repaid the principal amounting to a total of TPLN 77,723 (in 2018 amount of TPLN 40,889 was repaid).

Collateral established on Group's property

As at 31 December 2019 and 31 December 2018, 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.

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After the end of the reporting period, the security agent confirmed the release of collateral under the Project Loan Agreement. Following the repayment of the debt and obtaining the above mentioned confirmation SAM S.A. will apply for removal of collaterals from relevant court registers.

27. Lease liabilities

As the result of IFRS 16 introduction the Group recognised a lease liability amounting to the present value of payments for perpetual usufruct that are not yet paid (the perpetual usufruct expires in December 2089), discounted using the Company's incremental borrowing rate (3.67%) as of initial application date (see note 5.1).

Lease liabilities as at 31 December 2018	-
Impact of initial application of IFRS 16	3 247
Lease liabilities as at 1 January 2019	3 247
Changes from financing cash flows	(126)
Payment of lease liabilities	(126)
Other changes	116
Interest expense	116
Lease liabilities as at 31 December 2019	3 237
current amount	125
non-current amount	3 112

In 2018 the Group-owned perpetual usufructs of land were classified as operating lease, with the corresponding payments expensed to profit or loss when incurred. In 2018 these payments amounted to TPLN 126.

28. Employee benefits

	31 December 2019	31 December 2018
Non-current		
Retirement benefits	1 113	823
Disability benefits	48	39
Jubilee bonuses liabilities	2 190	2 035
Other employee benefits	1 101	-
Total	4 452	2 897
Current		
Retirement benefits	340	359
Disability benefits	7	6
Jubilee bonuses liabilities	510	205
Other employee benefits	-	3 520
Total	857	4 090

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 constitute Group's expectations for payment of bonuses under 3-year incentive schemes, which embrace members of the Management Boards of companies constituting the Group. In 2019 the incentive schemes for 2016-2018 were settled.

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28.1. Movement in employee benefits

	Post-employment benefits		Jubilee bonuses liabilities		Other employee benefits		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
As at 1 January	1 227	783	2 240	1 855	3 520	2 345	6 987	4 983
Included in profit or loss	115	407	697	521	(41)	1 175	771	2 103
Current service cost	88	72	249	178	1 101	1 175	1 438	1 425
Past service cost	-	322	-	-	-	-	-	322
Gains arising from settlements	-	-	-	-	(1 142)	-	(1 142)	-
Interest cost	27	13	61	38	-	-	88	51
Actuarial (gain)/loss	-	-	387	305	-	-	387	305
Included in other comprehensive income	236	49	-	-	-	-	236	49
Actuarial (gain)/loss arising from:	236	49	-	-	-	-	236	49
- demographic assumptions	-	5	-	-	-	-	-	5
- financial assumptions	121	15	-	-	-	-	121	15
- other assumptions	115	29	-	-	-	-	115	29
Benefits paid	(70)	(12)	(237)	(136)	(2 378)	-	(2 685)	(148)
As at 31 December	1 508	1 227	2 700	2 240	1 101	3 520	5 309	6 987

28.2. Actuarial assumptions

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

	31 December 2019	31 December 2018
Discount rate	2.0%	3.0%
Future remuneration increase	3.0%-3.5%	3.0%-3.5%
Probability of resignation	2.1%-5.4%	2%-5.6%

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

(in years)	31 December 2019	31 December 2018
Post-employment benefits	12.5-16.8	12.1-17.1
Jubilee bonuses liabilities	4.8-14.8	5.8-15.3

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	
	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt
31 December 2019						
Retirement benefits	1 519	1 391	1 391	1 518	1 510	1 388
Disability benefits	56	53	53	56	56	53
Jubilee bonuses liabilities	2 783	2 624	2 624	2 782	2 786	2 618
Total	4 358	4 068	4 068	4 356	4 352	4 059
31 December 2018						
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

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29. Other non-current liabilities

	31 December 2019	31 December 2018*	1 January 2018*
Concession Payments	-	-	252
Liabilities due to Concession fees*	11 363	12 067	12 786
Other payables to related parties	5 752	5 315	5 201
Other payables to other parties	452	1 003	921
Total	17 567	18 385	19 160

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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

Concession fees include (i) rent for the use (right to use and receive profits) of a road strip of the A-4 Katowice-Kraków section of the motorway subject to the concession, and (ii) refund of GDDKiA's costs of supervision and control (for more details see note 5.2).

30. Deferred income

	31 December 2019	31 December 2018
Non-current		
Deferred rental income (mainly passengers service areas)	5 144	5 970
Other	47	52
Total	5 191	6 022
Current		
Deferred rental income (mainly passengers service areas)	825	825
Other	7	7
Total	832	832

31. Contract liabilities

	31 December 2019	31 December 2018
Current		
Prepaid tolls for passage through A-4 Katowice - Kraków motorway	6 570	6 102
Total	6 570	6 102

The prepayments amounting to TPLN 5,451 recognised as contract liabilities at the beginning of the reporting period have been recognised as revenue in 2019 (in 2018: TPLN 4,537).

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32. Provisions

	Provisions for motorway resurfacing	Provisions for capital expenditures (Phase II)	Total
Non-current provisions			
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
Balance at 1 January 2019	2 460	294 903	297 363
Additions, including:	10 771	5 230	16 001
- due to discounting	51	5 230	5 281
Change of estimates	(1 121)	33 841	32 720
Reclassifications	(12 110)	(19 600)	(31 710)
Balance at 31 December 2019	-	314 374	314 374
Current provisions			
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
Balance at 1 January 2019	27 614	51 280	78 894
Additions, including:	442	948	1 390
- due to discounting	442	948	1 390
Change of estimates	(1 512)	(2 950)	(4 462)
Utilisation	(24 653)	(20 697)	(45 350)
Capital expenditures transferred to property, plant and equipment	-	164	164
Reclassifications	12 110	19 600	31 710
Balance at 31 December 2019	14 001	48 345	62 346

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

During the current period the Group changed estimates regarding discount rates used for calculation of the present value of provisions for resurfacing and provision for capital expenditures of Phase II (in both cases as at 31 December 2018 the rates ranged from 1.74% to 2.94%, currently from 1.69% to 1.98%). As result of those changes the provision for resurfacing increased by TPLN 30 (2018: increase of TPLN 337), 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 1,269 (2018: increase of TPLN 3,459), 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 2,663 (2018: decrease of TPLN 36,807), 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 29,622 (2018: increase of TPLN 18,054), which was recognized as an increase of concession intangible assets.

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33. Trade and other payables (current)

	31 December 2019	31 December 2018*	1 January 2018*
Trade payables to related parties	13 774	7 004	5 263
Trade payables to other parties	4 817	4 744	8 714
Amounts due to taxes, duties, social and health insurance and other benefits	2 403	5 328	2 192
Payroll liabilities	2 695	2 278	2 054
Concession Payments	-	-	158 520
Liabilities due to Concession fees*	3 207	3 167	3 169
Payments to the State Treasury	54 667	-	-
Other payables and accruals to related parties	4 417	3 976	5 165
Other payables and accruals to other parties	4 327	3 790	3 027
Total	90 307	30 287	188 104

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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 5,098 as at 31 December 2019 (31 December 2018: TPLN 4,326).

In 2019 the Group recognised liabilities due to Payments to the State Treasury amounting to TPLN 109,225 gross, out of which TPLN 54,558 was settled during the reporting period.

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 SAM S.A. settled the Concession Payments amounting to TPLN 163,332 net.

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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 2019

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

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31 December 2018*

	Carrying amount			Total	Fair value			Total
	Financial instruments measured at fair value through other comprehensive income	Hedge derivatives measured at fair value	Financial instruments measured at amortised cost		Level 1	Level 2	Level 3	
Financial assets measured at fair value								
Equity instruments**	1 966	-	-	1 966	-	-	1 966	1 966
	1 966	-	-	1 966				
Financial assets not measured at fair value								
Trade and other receivables***	-	-	17 060	17 060				
Bank deposits (non-current investments)	-	-	419 200	419 200				
Cash and cash equivalents	-	-	333 741	333 741				
	-	-	770 001	770 001				
Financial liabilities measured at fair value								
Interest rate swaps used for hedging****	-	(3 749)	-	(3 749)	-	(3 749)	-	(3 749)
	-	(3 749)	-	(3 749)				
Financial liabilities not measured at fair value								
Loans and borrowings	-	-	(77 405)	(77 405)				
Liabilities due to Concession fees*	-	-	(15 234)	(15 234)				
Trade and other payables***	-	-	(24 903)	(24 903)				
	-	-	(117 542)	(117 542)				

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1 January 2018*

	Carrying amount			Total	Fair value			Total
	Financial instruments measured at fair value through other comprehensive income	Hedge derivatives measured at fair value	Financial instruments measured at amortised cost		Level 1	Level 2	Level 3	
Financial assets measured at fair value								
Equity instruments**	1 473	-	-	1 473	-	-	1 473	1 473
	1 473	-	-	1 473				
Financial assets not measured at fair value								
Trade and other receivables***	-	-	13 366	13 366				
Bank deposits (non-current investments)	-	-	434 077	434 077				
Cash and cash equivalents	-	-	396 900	396 900				
	-	-	844 343	844 343				
Financial liabilities measured at fair value								
Interest rate swaps used for hedging****	-	(6 456)	-	(6 456)	-	(6 456)	-	(6 456)
	-	(6 456)	-	(6 456)				
Financial liabilities not measured at fair value								
Loans and borrowings	-	-	(117 238)	(117 238)				
Concession Payments	-	-	(158 772)	(158 772)				
Liabilities due to Concession fees*	-	-	(15 955)	(15 955)				
Trade and other payables***	-	-	(27 408)	(27 408)				
	-	-	(319 373)	(319 373)				

* Restated due to change of treatment with regard to Concession fees – see note 5.2.

** 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 2019 or at the end of the last reporting period for which the Group has adequate financial data. In 2019 the Group recorded losses due to valuation of aforementioned equity instruments amounting TPLN 219 (2018: profit of 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, payroll liabilities, liabilities due to Concession fees, Payments to the State Treasury and 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.

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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 hedged 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 was applied. Derivatives i.e. interest rate swaps were used as hedging instruments.

Cash flows subject to hedge were taking place in semi-annual periods between the 31 March 2009 and the 30 September 2019. The date of hedging transaction recognition in profit or loss matched the date of cash flows being hedged (see also notes 35.2 and 6.11).

Due to early settlement of hedging transactions as a result of full prepayment of the Project Loan Agreement, as at 31 December 2019 the Group recognised no liabilities deriving from the valuation of the hedging instruments (as at 31 December 2018 the liabilities amounted to TPLN 3,749). The impact of cash flow hedge accounting identified as effective, was recognized in consolidated statement of comprehensive income and presented as a separate item of other comprehensive income (see also note 24.2). Ineffective portion of changes in fair value of hedging instrument amounted to TPLN 28 and was recognised in finance expenses (2018: TPLN 19).

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

	Financial liabilities		Hedge derivatives	Total
	Loans and borrowings	Lease liabilities	Interest rate swaps used for hedging (liability)	
Balance as at 31 December 2018	77 405	-	3 749	81 154
Impact of initial application of IFRS 16*	-	3 247	-	-
Balance as at 1 January 2019	77 405	3 247	3 749	84 401
Changes from financing cash flows	(77 723)	(126)	-	(77 849)
Repayment of loans and borrowings	(77 723)	-	-	(77 723)
Payment of lease liabilities	-	(126)	-	(126)
Changes in fair value	-	-	(2 946)	(2 946)
Other changes	318	116	(803)	(369)
Interest expense	2 764	116	3 020	5 900
Interest paid	(2 446)	-	(3 823)	(6 269)
Balance as at 31 December 2019	-	3 237	-	3 237

* See note 5.1.

	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	282 466
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	81 154

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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 2019	31 December 2018
Other non-current investments	417 794	419 343
Current investments	1 574	1 823
Income tax receivables	-	18 908
Trade and other receivables	26 301	37 360
Cash and cash equivalents	372 868	333 741
Total	818 537	811 175

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

As at 31 December 2019 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 2019 and 31 December 2018.

31 December 2019	Weighted- average loss rate	Trade receivables (gross)	Secured amount (up to gross receivables)	Trade receivables (gross) exceeding secured amount	Loss allowance
Current (not past due)	0,00%	10 094	4	10 090	-
1-30 days past due	0,09%	159	17	142	-
31-90 days past due	3,70%	43	2	41	2
91-180 days past due	14,00%	12	1	11	2
366-730 days past due	75,69%	8	-	8	6
more than 730 days past due	100,00%	5 055	4 862	193	193
Total		15 371	4 886	10 485	203

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 24 are secured by the guarantee deposits received by the Group.

Other receivables are subject to loss allowance in amount of TPLN 91,354. 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.

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

	2019	2018
Balance as at 1 January	(91 553)	(91 500)
Net remeasurement of loss allowance	(3)	(57)
Amounts written off	-	4
Reclassifications	(1)	-
Balance as at 31 December	(91 557)	(91 553)

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 2019	Nominal amount 31 December 2018
Fixed-rate instruments		
Financial assets	417 621	419 200
Financial liabilities	-	-
	417 621	419 200
Effect of interest rate swaps	-	(62 131)
	417 621	357 069
Floating-rate instruments		
Financial assets	372 868	333 741
Financial liabilities	-	(77 723)
	372 868	256 018
Effect of interest rate swaps	-	62 131
	372 868	318 149

In accordance with provisions of financing agreements concluded, on 27 May 2008, SAM S.A. and three banks: WestLB Bank Polska S.A. (replaced ultimately by BGŻ BNP Paribas S.A.), 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 classified these transactions as cash flow hedges. The maturities of secured interest payments in hedging transactions were aligned to the maturities of interest outflows resulting from the Project Loan Agreement. The Group assessed the effectiveness of cash flow hedges using the hypothetical derivative method.

Due to full prepayment of the Project Loan Agreement on 30 September 2019, the Group also made an early settlement of the aforementioned interest rate swap transactions on that date.

In 2019 the change in value of the hedged item used for calculating hedge ineffectiveness amounted to TPLN 46 (2018: TPLN 487).

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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 2019				
Floating interest rate instruments	3 729	(3 729)	3 729	(3 729)
Hedge derivatives	-	-	-	-
31 December 2018				
Floating interest rate instruments	2 571	(2 571)	2 571	(2 571)
Hedge derivatives	-	-	911	(911)

Foreign currency risk

At the end of 2019 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)

	EUR	USD	GBP
	31 December 2019		
Cash and cash equivalents	142	5	-
Trade and other payables	(92)	-	-
Net consolidated statement of financial position exposure	50	5	-
31 December 2018			
Cash and cash equivalents	499	55	-
Trade and other payables	(81)	-	(92)
Net consolidated statement of financial position exposure	418	55	(92)

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 2019	3	(3)	3	(3)
31 December 2018	19	(19)	19	(19)

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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:

31 December 2019

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

31 December 2018*

	Carrying value	Contracted cash flow value	up to 6 months	6-12 months	1-2 years	2-5 years	over 5 years
Non-derivative financial liabilities							
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)
Liabilities due to Concession fees*	15 234	(30 685)	(1 805)	(1 805)	(3 610)	(10 830)	(12 635)
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	129 826	(148 864)	(53 324)	(26 481)	(42 017)	(13 835)	(13 207)

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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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 2019, 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 2019	31 December 2018*	1 January 2018*
Total liabilities	526 288	526 230	756 128
<i>minus</i>			
Provisions for capital expenditures (Phase II)	362 719	346 183	345 014
Derivatives (net of deferred tax effect)	-	3 162	5 396
Bank deposits (non-current investments)	417 621	419 200	434 077
Cash and cash equivalents	372 868	333 741	396 900
Net debt	(626 920)	(576 056)	(425 259)
Total equity	795 764	804 671	693 101
<i>minus</i>			
Hedge reserve	-	(2 409)	(4 443)
Adjusted equity	795 764	807 080	697 544
Net debt to adjusted equity ratio	(0.79)	(0.71)	(0.61)

* Restated due to change of treatment with regard to Concession fees - see note 5.2.

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

36. Capital expenditure commitments

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 final contract value amounted to TPLN 44,864 (including change orders). As at 31 December 2019 the financial progress of the project (value of works recorded) amounted to TPLN 44,864 (100% of the contract value), out of which TPLN 1,323 was recorded in 2019.

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” ultimately amounting to TPLN 28,812 (including change orders). The contract included reconstruction of drainage for eight catchments in Silesian voivodeship. As at 31 December 2019 the financial progress of the project (value of works recorded) amounted to TPLN 28,812 (100% of the contract value), out of which TPLN 758 was recorded in 2019.

On 4 July 2017 SAM S.A. employed Pavimental Polska Sp. z o.o. for the contract ROM48 “Renovation of M48 bridge supports” currently amounting to TPLN 23,092 (including change orders). As at 31 December 2019 the financial progress of the project (value of works recorded) amounted to TPLN 22,157 (96% of the contract value), out of which TPLN 10,728 was recorded in 2019.

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 amounting ultimately to TPLN 2,059. As at 31 December 2019 the financial progress of the project (value of works recorded) amounted to TPLN 2,059 (100% of the contract value), out of which TPLN 225 was recorded in 2019.

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 currently to TPLN 10,820 (including change orders). 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 2019 the financial progress of the project (value of works recorded) amounted to TPLN 6,857 (63% of the contract value), all of which was recorded in 2019.

On 4 February 2019 SAM S.A. and Pavimental Polska Sp. z o.o. signed the contract HM-4-2019 „Resurfacing 2019-2020” for the resurfacing of motorway sections with a total length of 42.4 km, resurfacing of bridges and the partial reconstruction of linear drainage within the motorway median. The current value of the contract amounts to TPLN 52,114. As at 31 December 2019 the financial progress of the project (value of works recorded) amounted to TPLN 27,392 (53% of the contract value).

On 6 March 2019 SAM S.A. and company KRYMEX signed a contract for complete overhaul of linear drainage at Toll Collection Plaza “Balice” amounting ultimately to TPLN 1,424. As at 31 December 2019 the financial progress of the project (value of works recorded) amounted to TPLN 1,424 (100% of the contract value).

On 9 July 2019 SAM S.A. and Pavimental Polska Sp. z o.o. signed the contract F2b-10-2018 “Reconstruction of A-4 motorway drainage – part III” including reconstruction of drainage for one catchment in Małopolskie voivodeship. The value of the contract amounts to TPLN 15,033. As at 31 December 2019 the financial progress of the project (value of works recorded) amounted to TPLN 729 (5% of the contract value).

On 30 November 2018 SAM S.A., VIA4 S.A. and Autostrade Tech S.p.A signed a Software Service Agreement pursuant to which SAM S.A. is entitled to commission investment projects related to the development of the toll collection system. In 2019, under the said agreement, works were carried out, among others, on the implementation of video-tolling and automation of dedicated lanes. The value of capital expenditures for projects commissioned under the Software Maintenance Agreement amounted to TPLN 7,340 in 2019.

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On 14 August 2019 SAM S.A. and Future Processing Sp. z o.o. signed a software support and development agreement under which a new e-commerce system (New Sales System) will be implemented to replace the existing Internet Customer Service. In 2019 capital expenditures amounting to TPLN 1,814 were incurred under the aforementioned agreement.

37. Contingent liabilities

As at 31 December 2019 the Group had no contingent liabilities.

As at 31 December 2018 the contingent liabilities related to guarantees given to related entities amounting to TPLN 23,668.

38. Related party transactions

38.1. Intragroup receivables and liabilities

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

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

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38.2. Related party transactions amounts

	Revenue	Other income	Cost of acquired goods and services	Capital expenditures and resurfacing works
2019				
Biuro Centrum Sp. z o.o.	220	-	(3 043)	-
Associates	220	-	(3 043)	-
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	(3 921)	(3 693)
Pavimental Polska Sp. z o.o.	177	12	(6 659)	(33 777)
Autogrill Polska Sp. z o.o.	12	-	-	-
Telepass S.p.A.	10 841	-	-	-
Autostrade Tech S.p.A.	-	11	(2 101)	(8 163)
Other related entities	11 030	23	(12 681)	(45 633)
Total	11 250	23	(15 724)	(45 633)
	Revenue	Other income	Cost of acquired goods and services	Capital expenditures and resurfacing works
2018				
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)

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 2019).

38.3. Transactions with key personnel

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

	2019	2018
the Company		
Management Board	812	1 896
Salaries	912	864
Movement in employee benefits liabilities	(100)	1 032
Supervisory Board	70	70
Salaries	70	70
Subsidiaries		
Management Boards	2 103	2 035
Salaries	2 029	1 862
Movement in employee benefits liabilities	74	173
Supervisory Boards	3	2
Salaries	3	2
Total	2 988	4 003

In 2019 and 2018 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.

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39. 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 2019.

40. Subsequent events

Apart from the events described in notes 1 and 26, there were no other subsequent events, which should be disclosed in the consolidated financial statements for the year 2019.

Explanation

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