



**STALEXPORT AUTOSTRADY S.A.
CAPITAL GROUP**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

for the six-month period ended
30 June 2017

STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

These condensed consolidated interim financial statements are unaudited

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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Condensed consolidated interim statement of comprehensive income
for the six-month period ended 30 June

<i>In thousands of PLN, unless stated otherwise</i>	Note	2017	2016
Revenue	6,8	150 466	137 643
Cost of sales	6,9	(31 088)	(23 683)
Gross profit		119 378	113 960
Other income	10	1 782	1 747
Administrative expenses	9	(15 886)	(15 079)
Other expenses	11	(216)	(66)
Results from operating activities		105 058	100 562
Finance income		6 218	6 021
Finance expenses		(15 660)	(16 326)
Net finance expense	12	(9 442)	(10 305)
Share of profit of equity accounted investees (net of income tax)		95	113
Profit before income tax		95 711	90 370
Income tax expense		(18 854)	(17 127)
Profit for the period		76 857	73 243
Other comprehensive income			
Items that will never be reclassified to profit or loss for the period			
Remeasurement of employee benefits		(35)	20
Income tax on other comprehensive income		7	(3)
		(28)	17
Items that are or may be reclassified subsequently to profit or loss for the period			
Foreign currency translation differences for foreign operations		(24)	66
Effective portion of changes in fair value of cash flow hedges		(318)	(670)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period		2 010	2 413
Income tax on other comprehensive income		(321)	(331)
		1 347	1 478
Other comprehensive income for the period, net of income tax		1 319	1 495
Total comprehensive income for the period		78 176	74 738
Profit attributable to:			
owners of the Company		74 056	70 407
non-controlling interest		2 801	2 836
Profit for the period		76 857	73 243
Total comprehensive income attributable to:			
owners of the Company		75 388	71 902
non-controlling interest		2 788	2 836
Total comprehensive income for the period		78 176	74 738
Earnings per share			
Basic earnings per share (PLN)		0.30	0.28
Diluted earnings per share (PLN)		0.30	0.28

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

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Condensed consolidated interim statement of financial position
as at

<i>In thousands of PLN</i>	<i>Note</i>	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	13	40 721	32 080
Intangible assets	14	469 215	484 829
Investment property		4 128	4 401
Investments in associates		951	1 021
Other non-current investments		451 038	447 422
Deferred tax assets	15	86 378	89 983
Total non-current assets		1 052 431	1 059 736
Current assets			
Inventories		2 050	2 147
Current investments		1 478	1 488
Trade and other receivables	16	14 999	16 316
Cash and cash equivalents		384 120	366 959
Total current assets		402 647	386 910
Total assets		1 455 078	1 446 646
EQUITY AND LIABILITIES			
Equity			
Share capital	18.1	185 447	185 447
Treasury shares		-	(20)
Share premium reserve		7 430	7 430
Hedging reserve	18.2	(5 835)	(7 206)
Other reserve capitals and supplementary capital		281 686	231 486
Foreign currency translation reserve		157	137
Retained earnings and uncovered losses		143 863	164 555
Total equity attributable to owners of the Company		612 748	581 829
Non-controlling interest		3 489	4 999
Total equity		616 237	586 828
Liabilities			
Non-current liabilities			
Loans and borrowings		96 889	116 147
Employee benefits		3 916	3 094
Deferred income		7 270	7 686
Other non-current liabilities		85 579	211 064
Provisions	19	363 852	344 802
Total non-current liabilities		557 506	682 793
Current liabilities			
Loans and borrowings		38 828	37 215
Derivative financial instruments		8 263	10 014
Income tax liabilities		5 451	13 905
Trade and other payables		160 113	22 230
Employee benefits		390	373
Deferred income		6 568	5 431
Provisions	19	61 722	87 857
Total current liabilities		281 335	177 025
Total liabilities		838 841	859 818
Total equity and liabilities		1 455 078	1 446 646

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Condensed consolidated interim statement of cash flows
for the six-month period ended 30 June

<i>In thousands of PLN</i>	<i>Note</i>	2017	2016
Cash flows from operating activities			
Profit before income tax		95 711	90 370
Adjustments for			
Depreciation and amortisation	9	23 066	22 195
Foreign currency translation differences for foreign operations		(24)	66
Loss on investment activity		9	79
(Gain)/Loss on disposal of intangible assets and property, plant and equipment	10,11	59	(49)
Interest and dividends		(556)	795
Share in profit of associates		(95)	(113)
Change in receivables		1 317	1 821
Change in inventories		97	(368)
Change in trade and other payables		12 434	5 676
Change in provisions		(5 598)	(7 980)
Change in deferred income		721	(626)
Cash generated from operating activities		127 141	111 866
Income tax paid		(24 017)	(17 455)
Net cash from operating activities		103 124	94 411
Cash flows from investing activities			
Investment proceeds		6 580	24 979
Sale of intangible assets and property, plant and equipment		-	52
Proceeds from non-current deposits held for investment expenditures		-	18 055
Dividends received from associates		165	-
Interest received		6 415	6 872
Investment expenditures		(23 020)	(14 129)
Acquisition of intangible assets and property, plant and equipment		(19 290)	(14 129)
Non-current deposits held for investment expenditures		(3 729)	-
Acquisition of financial assets		(1)	-
Net cash from/(used in) investing activities		(16 440)	10 850
Cash flows from financing activities			
Financial proceeds		38	-
Sale of treasury shares		38	-
Financial expenditures		(69 561)	(27 426)
Dividends paid, including attributable to: owners of the Company	18.3	(46 082)	(4 272)
non-controlling interest		(44 507)	-
		(1 575)	(4 272)
Repayment of loans and borrowings		(18 498)	(17 078)
Interest paid		(4 981)	(6 076)
Net cash used in financing activities		(69 523)	(27 426)
Total net cash flows		17 161	77 835
Change in cash and cash equivalents		17 161	77 835
Cash and cash equivalents at 1 January		366 959	188 007
Cash and cash equivalents at 30 June		384 120	265 842

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Condensed consolidated interim statement of changes in equity

In thousands of PLN

	Note	Share capital	Treasury shares	Share premium reserve	Hedging reserve	Other reserve capitals and supplementary capital	Foreign currency translation reserve	Retained earnings and uncovered losses	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
As at 1 January 2017		185 447	(20)	7 430	(7 206)	231 486	137	164 555	581 829	4 999	586 828
Profit for the period		-	-	-	-	-	-	74 056	74 056	2 801	76 857
Other comprehensive income:		-	-	-	1 371	(40)	20	(19)	1 332	(13)	1 319
Effective portion of changes in fair value of cash flow hedges	18.2	-	-	-	(318)	-	-	-	(318)	-	(318)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	18.2	-	-	-	2 010	-	-	-	2 010	-	2 010
Remeasurement of employee benefits		-	-	-	-	-	-	(19)	(19)	(16)	(35)
Foreign currency translation differences for foreign operations		-	-	-	-	(40)	20	(4)	(24)	-	(24)
Income tax on other comprehensive income		-	-	-	(321)	-	-	4	(317)	3	(314)
Total comprehensive income for the period		-	-	-	1 371	(40)	20	74 037	75 388	2 788	78 176
Sale of treasury shares		-	20	-	-	-	-	18	38	-	38
Dividends paid	18.3	-	-	-	-	-	-	(44 507)	(44 507)	(4 298)	(48 805)
Allocation of profit to supplementary capital*		-	-	-	-	50 240	-	(50 240)	-	-	-
As at 30 June 2017		185 447	-	7 430	(5 835)	281 686	157	143 863	612 748	3 489	616 237

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

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

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Condensed consolidated interim statement of changes in equity (continued)

In thousands of PLN

	Note	Share capital	Treasury shares	Share premium 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 2016		185 447	(20)	7 430	(11 330)	320 644	134	(84 183)	418 122	4 973	423 095
Profit for the period		-	-	-	-	-	-	70 407	70 407	2 836	73 243
Other comprehensive income:		-	-	-	1 412	32	28	23	1 495	-	1 495
Effective portion of changes in fair value of cash flow hedges	18.2	-	-	-	(670)	-	-	-	(670)	-	(670)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	18.2	-	-	-	2 413	-	-	-	2 413	-	2 413
Remeasurement of employee benefits		-	-	-	-	-	-	20	20	-	20
Foreign currency translation differences for foreign operations		-	-	-	-	32	28	6	66	-	66
Income tax on other comprehensive income		-	-	-	(331)	-	-	(3)	(334)	-	(334)
Total comprehensive income for the period		-	-	-	1 412	32	28	70 430	71 902	2 836	74 738
Coverage of previous years' losses		-	-	-	-	(201 495)	-	201 495	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	(4 272)	(4 272)
Allocation of profit to supplementary capital		-	-	-	-	112 305	-	(112 305)	-	-	-
As at 30 June 2016		185 447	(20)	7 430	(9 918)	231 486	162	75 437	490 024	3 537	493 561

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

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Notes to the condensed consolidated interim 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 30 June 2017, 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.;

** this entity is not subject to consolidation due to existing limitations regarding control exercise;

The condensed consolidated interim financial statements as at the day and for the six-month period ended 30 June 2017 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).

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2. Basis for preparation of condensed consolidated interim financial statements

2.1. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union and other regulations in force.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (the Official Journal of law 2014.133 unified text; changes: the Official Journal of law 2016.860) the Group is required to publish the financial results for the six-month period ended 30 June 2017, which is deemed to be the current interim financial reporting period.

Condensed consolidated interim financial statements do not include all the information required for yearly financial statements and therefore should be analysed together with the Group's consolidated financial statements as at the day and for the year ended 31 December 2016.

The condensed consolidated interim financial statements were approved by the Management Board of the Company on 3 August 2017.

2.2. Basis for valuation

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

- derivative financial instruments measured at fair value;
- available-for-sale financial assets measured at fair value.

2.3. Functional and presentation currency

The condensed consolidated interim financial statements are presented in Polish zloty, being the functional currency and presentation currency of the Group, rounded to full thousands.

2.4. Use of estimates and judgments

The preparation of condensed interim financial statements requires that the Management Board makes judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, equity and liabilities, income and expenses with respect to the Group. The 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 on-going basis. Revisions of accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period 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 have significant impact on condensed consolidated interim financial statements, have been disclosed in notes 14, 15, 16 and 19.

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3. Going concern

The condensed consolidated interim financial statements have been prepared under the assumption that the Group will continue to operate as a going concern for the foreseeable future.

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.

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 project.

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.

As determined by the Concession Agreement, after fulfilment of conditions therein defined, the Concession Holder will be obliged to make concession payments to the National Road Fund constituting so-called subordinate debt (obligation due to loan received 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).

So far completed Phase I included the construction of toll collection system, implementation of maintenance centre in Brzęczkowice and construction of a communication and motorway traffic management system, including an 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 Construction and also of the Project Loan Agreement between SAM S.A. and consortium ("Consortium") of: PEKAO S.A., FMS WERTMANAGEMENT, KfW IPEX-Bank, Raiffeisen Bank Polska S.A. and Portigon AG (London Branch), the possibility of dividend payment by SAM S.A. to its shareholder(s) depends, among others, on completion of specified construction phases, achieving minimum level of debt service ratios, and assuring the sufficient coverage of reserve accounts.

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5. Description of significant accounting principles

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at the day and for the year ended 31 December 2016.

6. Segment reporting

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

The Group operates in one geographical segment – entire revenue is earned in Poland.

Business segments

Business segments include:

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

Business segments results

For the period from 1 January 2017 to 30 June 2017

	Management, advisory and rental services	Management and operation of motorways	Total
Operating revenues			
Revenue from external customers	1 626	148 840	150 466
Total revenue	1 626	148 840	150 466
Operating expenses			
Cost of sales to external customers	(1 931)	(29 157)	(31 088)
Total cost of sales	(1 931)	(29 157)	(31 088)
Other income	13	1 769	1 782
Other expenses	(3)	(213)	(216)
Administrative expenses (*)	(2 084)	(13 802)	(15 886)
Results from operating activities	(2 379)	107 437	105 058
Net finance income/(expense)	2 414	(11 856)	(9 442)
Share of profit of equity accounted investees (net of income tax)	95	-	95
Income tax expense	(136)	(18 718)	(18 854)
Profit for the period	(6)	76 863	76 857
Other comprehensive income, net of income tax	(23)	1 342	1 319
Total comprehensive income for the period	(29)	78 205	78 176
Major non-cash items			
Depreciation and amortisation	(296)	(22 770)	(23 066)
Unwinding of discount	-	(9 728)	(9 728)
Revaluation of investment	(9)	-	(9)

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

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For the period from 1 January 2016 to 30 June 2016

	Management, advisory and rental services	Management and operation of motorways	Total
Operating revenues			
Revenue from external customers	1 706	135 937	137 643
Total revenue	1 706	135 937	137 643
Operating expenses			
Cost of sales to external customers	(1 938)	(21 745)	(23 683)
Total cost of sales	(1 938)	(21 745)	(23 683)
Other income	7	1 740	1 747
Other expenses	(7)	(59)	(66)
Administrative expenses (*)	(1 441)	(13 638)	(15 079)
Results from operating activities	(1 673)	102 235	100 562
Net finance income/(expense)	1 280	(11 585)	(10 305)
Share of profit of equity accounted investees (net of income tax)	113	-	113
Income tax expense	435	(17 562)	(17 127)
Profit for the period	155	73 088	73 243
Other comprehensive income, net of income tax	71	1 424	1 495
Total comprehensive income for the period	226	74 512	74 738

Major non-cash items

Depreciation and amortisation	(260)	(21 935)	(22 195)
Reversal/(recognition) of allowances for receivables	(5)	-	(5)
Unwinding of discount	-	(9 405)	(9 405)
Revaluation of investment	(79)	-	(79)

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

Financial position according to business segments as at

	30 June 2017	31 December 2016
Management, advisory and rental services		
Assets of the segment	343 376	318 359
Liabilities of the segment	2 895	2 148
Management and operation of motorways		
Assets of the segment	1 111 702	1 128 287
Liabilities of the segment	835 946	857 670
Total assets	1 455 078	1 446 646
Total liabilities	838 841	859 818

7. Periodicity and seasonality of the business

Activity of the "Management and operation of motorways" business segment is influenced by seasonality, due to fluctuations of traffic levels on the A4 motorway section subject to concession between the individual quarterly periods. The highest level of traffic is recorded in third quarter and the lowest in first quarter of each calendar year.

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8. Revenue

	<i>I semester 2017</i>	<i>I semester 2016</i>
Toll revenue	148 407	135 383
Revenue from rental of investment property	1 600	1 675
Revenue due to other services provided	148	226
Other revenue	311	359
Total	150 466	137 643

9. Expenses by nature

	<i>I semester 2017</i>	<i>I semester 2016</i>
Depreciation and amortisation	(23 066)	(22 195)
Energy and materials consumption	(2 369)	(2 391)
Accrual of provision for motorway resurfacing disclosed within cost of sales (external services)	1 989	7 388
Other external services	(8 472)	(8 785)
Taxes and charges	(1 002)	(902)
Employee benefit expenses	(13 112)	(10 818)
Other costs	(941)	(1 059)
Cost of goods and materials sold	(1)	-
Total expenses by nature	(46 974)	(38 762)
Cost of sales and administrative expenses	(46 974)	(38 762)

9.1. Employee benefit expenses

	<i>I semester 2017</i>	<i>I semester 2016</i>
Wages and salaries	(10 015)	(8 557)
Social security contributions and other benefits	(2 267)	(2 124)
Movement in employee benefits liabilities included in profit or loss:	(830)	(137)
Post-employment benefits	(48)	(41)
Jubilee bonuses liabilities	(194)	(148)
Other employee benefits	(588)	52
Total	(13 112)	(10 818)

10. Other income

	<i>I semester 2017</i>	<i>I semester 2016</i>
Rental income from passenger service sites	1 503	1 451
Compensations, contractual penalties, taxes and costs of court proceedings received	127	43
Interest from receivables	22	4
Recorded surpluses	7	13
Net gain on disposal of property, plant and equipment and intangible assets	-	49
Other	123	187
Total	1 782	1 747

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11. Other expenses

	<i>I semester 2017</i>	<i>I semester 2016</i>
Allowances for receivables	-	(5)
Donations granted	(17)	(15)
Repair of damages	(28)	(21)
Penalties, compensations, payments	(12)	(18)
Net loss on disposal of property, plant and equipment and intangible assets	(59)	-
Unrecoverable input VAT	(7)	(2)
Other	(93)	(5)
Total	(216)	(66)

12. Net finance expense

	<i>I semester 2017</i>	<i>I semester 2016</i>
Recognised in profit or loss for the period		
Interest income, including:	6 163	5 933
- from bank accounts and deposits	6 162	5 933
- other	1	-
Net foreign exchange gain	55	88
Finance income	6 218	6 021
Interest expense on liabilities measured at amortised cost, including:	(9 605)	(9 867)
- loans and borrowings, including:	(3 856)	(4 425)
- nominal	(2 681)	(3 252)
- other	(1 175)	(1 173)
- discount of concession payments	(5 749)	(5 442)
Discount of provisions	(3 979)	(3 963)
Revaluation of investments	(9)	(79)
Net change in fair value of cash flow hedges reclassified from other comprehensive income	(2 010)	(2 413)
Ineffective portion of changes in fair value of cash flow hedges	(54)	-
Other finance expenses	(3)	(4)
Finance expenses	(15 660)	(16 326)
Net finance expense recognised in profit or loss for the period	(9 442)	(10 305)
Recognised in other comprehensive income		
Foreign currency translation differences for foreign operations	(24)	66
Effective portion of changes in fair value of cash flow hedges (*)	(318)	(670)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period (*)	2 010	2 413
Finance income/(expenses) recognised in other comprehensive income	1 668	1 809

(*) The Group hedges cash flows resulting from payments of interest related to Project Loan Agreement between SAM S.A. and Consortium. For cash flow being hedged a cash flow hedge accounting is applied. Derivatives are used as hedging instruments (interest rate swap). For further information see Group's consolidated financial statements for the year 2016 - notes 32.2 and 33.3.

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13. Property, plant and equipment

	Buildings and constructions	Plant and equipment	Vehicles	Other	Under construction	Total
Cost as at 1 January 2016	20 377	14 814	15 360	5 221	4 404	60 176
Acquisitions	-	86	395	257	934	1 672
Transfer from property, plant and equipment under construction	-	1 590	-	855	(2 445)	-
Recognition as utilization of provisions for capital expenditure	-	-	-	-	(818)	(818)
Transfer to intangible assets	-	-	-	-	(1 261)	(1 261)
Transfer to operating expenses	-	-	-	-	(63)	(63)
Transfer of prepayments for property, plant and equipment	-	-	-	-	(28)	(28)
Disposals	-	(107)	(134)	(9)	-	(250)
Cost as at 30 June 2016	20 377	16 383	15 621	6 324	723	59 428
Cost as at 1 January 2017	20 525	16 559	15 862	6 433	1 154	60 533
Acquisitions	-	546	77	40	10 451	11 114
Transfer from provisions for capital expenditure	-	74	-	37	-	111
Disposals	-	(5)	(93)	(4)	-	(102)
Cost as at 30 June 2017	20 525	17 174	15 846	6 506	11 605	71 656
Depreciation and impairment losses as at 1 January 2016	(11 471)	(4 405)	(6 533)	(2 118)	-	(24 527)
Depreciation for the period	(553)	(880)	(768)	(294)	-	(2 495)
Disposals	-	107	98	9	-	214
Reversal/utilization of impairment loss	-	-	33	-	-	33
Depreciation and impairment losses as at 30 June 2016	(12 024)	(5 178)	(7 170)	(2 403)	-	(26 775)
Depreciation and impairment losses as at 1 January 2017	(12 582)	(6 112)	(7 064)	(2 695)	-	(28 453)
Depreciation for the period	(450)	(936)	(782)	(357)	-	(2 525)
Disposals	-	5	34	4	-	43
Depreciation and impairment losses as at 30 June 2017	(13 032)	(7 043)	(7 812)	(3 048)	-	(30 935)
Carrying amounts						
As at 1 January 2016	8 906	10 409	8 827	3 103	4 404	35 649
As at 30 June 2016	8 353	11 205	8 451	3 921	723	32 653
As at 1 January 2017	7 943	10 447	8 798	3 738	1 154	32 080
As at 30 June 2017	7 493	10 131	8 034	3 458	11 605	40 721

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Impairment losses

As at 30 June 2017, 31 December 2016 and 30 June 2016 there were no indicators, which would require the Group to test property, plant and equipment for impairment.

14. 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 2016	883 370	5 154	970	117	889 611
Transfer from intangible assets not ready for use	-	117	-	(117)	-
Revaluation of concession intangible assets	6 614	-	-	-	6 614
Transfer from property, plant and equipment under construction	-	1 261	-	-	1 261
Cost as at 30 June 2016	889 984	6 532	970	-	897 486
Cost as at 1 January 2017	883 326	6 559	970	23	890 878
Acquisitions	-	10	-	25	35
Transfer from intangible assets not ready for use	-	23	-	(23)	-
Revaluation of concession intangible assets	4 619	-	-	-	4 619
Cost as at 30 June 2017	887 945	6 592	970	25	895 532
Amortisation and impairment losses as at 1 January 2016	(364 656)	(1 304)	(970)	-	(366 930)
Amortisation for the period	(19 068)	(373)	-	-	(19 441)
Amortisation and impairment losses as at 30 June 2016	(383 724)	(1 677)	(970)	-	(386 371)
Amortisation and impairment losses as at 1 January 2017	(402 977)	(2 102)	(970)	-	(406 049)
Amortisation for the period	(19 847)	(421)	-	-	(20 268)
Amortisation and impairment losses as at 30 June 2017	(422 824)	(2 523)	(970)	-	(426 317)
Carrying amounts					
As at 1 January 2016	518 714	3 850	-	117	522 681
As at 30 June 2016	506 260	4 855	-	-	511 115
As at 1 January 2017	480 349	4 457	-	23	484 829
As at 30 June 2017	465 121	4 069	-	25	469 215

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

- (i) due to changes of discount rates used for valuation of provision for capital expenditures (see note 19), which resulted in their increase by TPLN 952 (I semester 2016: increase of TPLN 1,780); and
- (ii) due to changes of estimates regarding construction works schedule and capital expenditures, which according to the Concession Agreement are to be executed by the Group before the end of the concession period (see note 19), resulting in an increase of concession intangible assets by TPLN 3,667 (I semester 2016: increase of TPLN 4,834).

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

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The annual amortization rate calculated based on estimated traffic increase during the concession period in relation to present net value of intangible asset at the beginning of the period equalled 8.24% in I semester 2017 (I semester 2016: 7.37%). According to current amortization schedule, based on updated estimates of traffic increase, the proportion of annual amortization costs to the carrying value of intangible asset as at 30 June 2017 will range from 8.69% to 11.38% during the concession period.

As at 30 June 2017, 31 December 2016 and 30 June 2016 there were no indicators, which would require the Group to test intangible assets for impairment.

15. Deferred tax

Deferred tax assets have not been identified in full amount of excess of negative temporary differences over positive temporary differences, due to uncertainty regarding the utilization of some of the temporary differences.

Change in temporary differences during the period

	1 January 2017	Change of deferred tax on temporary differences recognised in		30 June 2017
		profit or loss for the period	other comprehensive income	
Property, plant and equipment	54 155	(5 861)	-	48 294
Intangible assets	(88 847)	2 777	-	(86 070)
Investment property	180	(64)	-	116
Other non-current investments	(308)	21	-	(287)
Trade and other receivables	218	(1)	-	217
Inventories	7	-	-	7
Current investments	1 937	2	-	1 939
Cash and cash equivalents	(115)	27	-	(88)
Loans and borrowings	(360)	140	-	(220)
Other non-current liabilities	39 273	(24 090)	-	15 183
Deferred income	2 492	137	-	2 629
Employee benefits	848	212	7	1 067
Provisions	82 205	(1 346)	-	80 859
Trade and other payables	333	25 217	-	25 550
Derivative financial instruments	1 700	9	(321)	1 388
Tax loss carry-forwards	1 148	(204)	-	944
Valuation adjustment	(4 883)	(267)	-	(5 150)
Total	89 983	(3 291)	(314)	86 378

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16. Allowances for current receivables

Trade and other receivables are presented net of allowances for doubtful debts amounting to TPLN 91,560 (31 December 2016: TPLN 91,565).

Change in allowances for bad debt was as follows:

	<i>1 semester 2017</i>	<i>1 semester 2016</i>
Allowances for bad debts as at 1 January	(91 565)	(91 518)
Allowances recognised	(2)	(17)
Allowances reversed	2	12
Allowances utilised	5	8
Other reclassifications	-	(4)
Allowances for bad debts as at 30 June	(91 560)	(91 519)

The allowances for doubtful debts within trade receivables were recognized due to expected difficulties in collection of amounts due from some customers. The allowances for other receivables concern mainly receivables deriving from activities discontinued in previous periods, resulting from loan guarantees granted to entities which were not able to settle their liabilities.

According to the Group, the collection of receivables which have not been subject to allowances is not considered doubtful.

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17. Financial instruments

17.1. 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 on 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.

30 June 2017

	Carrying amount				Fair value				
	Loans and receivables	Available-for-sale financial assets	Derivatives	Financial liabilities valued at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value									
Equity instruments*	-	1 548	-	-	1 548				
Trade and other receivables**	14 999	-	-	-	14 999				
Non-current deposits	450 968	-	-	-	450 968				
Cash and cash equivalents	384 120	-	-	-	384 120				
	850 087	1 548	-	-	851 635				
Financial liabilities measured at fair value									
Hedge derivatives***	-	-	(8 263)	-	(8 263)	-	(8 263)	-	(8 263)
	-	-	(8 263)	-	(8 263)				
Financial liabilities not measured at fair value									
Loans and borrowings	-	-	-	(135 717)	(135 717)				
Concession payments****	-	-	-	(212 449)	(212 449)				
Trade and other payables**	-	-	-	(27 258)	(27 258)				
	-	-	-	(375 424)	(375 424)				

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31 December 2016

	Carrying amount				Fair value				
	Loans and receivables	Available-for-sale financial assets	Derivatives	Financial liabilities valued at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value									
Equity instruments*	-	1 557	-	-	1 557				
Trade and other receivables**	16 033	-	-	-	16 033				
Non-current deposits	447 353	-	-	-	447 353				
Cash and cash equivalents	366 959	-	-	-	366 959				
	830 345	1 557	-	-	831 902				
Financial liabilities measured at fair value									
Hedge derivatives***	-	-	(10 014)	-	(10 014)	-	(10 014)	-	(10 014)
	-	-	(10 014)	-	(10 014)				
Financial liabilities not measured at fair value									
Loans and borrowings	-	-	-	(153 362)	(153 362)				
Concession payments****	-	-	-	(206 700)	(206 700)				
Trade and other payables**	-	-	-	(23 076)	(23 076)				
	-	-	-	(383 138)	(383 138)				

* Shares of companies which are not listed on financial markets, and for which there are no alternative measures to define their fair value, are disclosed at cost net of any impairment losses.

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

*** Fair value of hedge derivatives (interest rate SWAP) is based on discounted future cash flows for undersigned transactions, constituting a difference between cash flows based on floating interest rate (6M WIBOR) and cash flows based on fixed interest rate.

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

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17.2. 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).

18. Equity

18.1. Share capital

	30 June 2017	31 December 2016
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

18.2. 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 -318 in I semester 2017 (I semester 2016: TPLN -670). As the consequence of hedged interest payments made in I semester 2017, the Group reclassified the corresponding net change in fair value of cash flow hedges of TPLN -2,010 (I semester 2016: TPLN -2,413) 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 61, out of which TPLN 382 was attributable to portion of changes reclassified to finance expense (I semester 2016: TPLN 127 and TPLN 458 respectively).

18.3. Dividends

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

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

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19. Provisions

	Provisions for motorway resurfacing	Provisions for capital expenditures (Phase II)	Total
Non-current provisions			
Balance at 1 January 2016	64 607	338 978	403 585
Additions, including:	11 014	2 684	13 698
- due to discounting	536	2 684	3 220
Change of estimates	18 587	27 228	45 815
Reclassifications	(10 419)	(38 927)	(49 346)
Balance at 30 June 2016	83 789	329 963	413 752
Balance at 1 January 2017	43 884	300 918	344 802
Additions, including:	8 245	2 789	11 034
- due to discounting	388	2 789	3 177
Change of estimates	(6 686)	31 051	24 365
Reclassifications	-	(16 349)	(16 349)
Balance at 30 June 2017	45 443	318 409	363 852
Current provisions			
Balance at 1 January 2016	52 751	40 452	93 203
Additions, including:	367	376	743
- due to discounting	367	376	743
Change of estimates	(36 453)	(20 614)	(57 067)
Utilisation	(4 555)	(6 738)	(11 293)
Capital expenditures transferred from property, plant and equipment under construction	-	(818)	(818)
Reclassifications	10 419	38 927	49 346
Balance at 30 June 2016	22 529	51 585	74 114
Balance at 1 January 2017	36 221	51 636	87 857
Additions, including:	326	476	802
- due to discounting	326	476	802
Change of estimates	(3 160)	(26 432)	(29 592)
Utilisation	(7 674)	(6 131)	(13 805)
Capital expenditures transferred to property, plant and equipment	-	111	111
Reclassifications	-	16 349	16 349
Balance at 30 June 2017	25 713	36 009	61 722

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

As at 30 June 2017 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 2016 the rates ranged from 1.90% to 3.84%, currently from 1.86% to 3.47%). As the result of these changes the provision for resurfacing increased by TPLN 196 (I semester 2016: increase of TPLN 318), 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 952 (I semester 2016: increase of TPLN 1,780), which was recognized as an increase of concession intangible assets.

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As at 30 June 2017 the Group revalued also the provision for resurfacing and the provision for capital expenditures of Phase II following the change of estimates regarding expected expenditures and future works schedule. As the result of these changes the provision for resurfacing decreased by TPLN 10,042 (I semester 2016: decrease of TPLN 18,184), which in line with IAS 37 was recognised as a decrease of operating expenses for the period. At the same time the provision for capital expenditures (Phase II) increased by TPLN 3,667 (I semester 2016: increase of TPLN 4,834), which was recognized as an increase of concession intangible assets.

20. Capital expenditure commitments

On 14 September 2012 SAM S.A. and Autostrade Tech S.p.A. signed the contract WUPO 2012 "Tolling Equipment Replacement". The current contract net value, including so called temporary prices set for part of the works, amounts to TPLN 36,057. As at 30 June 2017 the financial progress of the project amounted to TPLN 34,337 (95% of the contract value), out of which TPLN 10,843 was recorded in 2017.

On 15 June 2015 SAM S.A. and consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. signed the contract F2b-8-2014 "Reconstruction of Mysłowice Junction and construction of Rudno Junction" currently amounting to TPLN 22,391 (including change orders). As at 30 June 2017 the financial progress of the project (value of works invoiced) amounted to TPLN 21,333 (95% of the contract value), out of which TPLN 1,100 was recorded in 2017.

On 5 February 2016 SAM and consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. signed the contract HM-3-2016 „Resurfacing 2016-2017” for the resurfacing of motorway sections with a total length of 59.9 km, resurfacing of bridges and the partial reconstruction of linear drainage within the motorway median. The current contract value amounts to TPLN 40,114 (including change orders). As at 30 June 2017 the financial progress of the project (value of works recorded) amounted to TPLN 23,321 (58% of the contract value), out of which TPLN 7,060 was recorded in 2017.

On 1 April 2016 SAM S.A. and consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. signed the contract F2b-6-2014 "Reconstruction of A-4 motorway drainage for Silesian voivodeship section – part II" currently amounting to TPLN 28,079 (including change orders). The contract includes reconstruction of drainage for eight catchments in Silesian voivodeship. As at 30 June 2017 the financial progress of the project (value of works recorded) amounted to TPLN 11,299 (40% of the contract value), out of which TPLN 3,851 was recorded in 2017.

On 17 October 2016 SAM S.A. signed a contract with WASKO S.A. for the construction of traffic management system amounting to TPLN 2,267. As at 30 June 2017 the financial progress of the project (value of works recorded) amounted to TPLN 610 (27% of the contract value), out of which TPLN 160 was recorded in 2017.

On 15 March 2017 SAM S.A. and Berger Bau Polska Sp. z o.o. signed the contract HM-2-2015 „Resurfacing of S1 expressway section within the Brzęczkowice Junction” amounting to TPLN 2,906. As at 30 June 2017 the financial progress of the project (value of works recorded) amounted to TPLN 132 (5% of the contract value).

On 22 June 2017 SAM S.A. and RE-Bau Sp. z o.o. signed the contract F2b-11-2017 "Construction of noise screens 2, 10, 12 and 28a" amounting to TPLN 3,400. The works are expected to commence on 20 July 2017.

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21. Collateral established on Group's property

As at 30 June 2017 property, plant and equipment with a carrying value of TPLN 18,304 (31 December 2016: TPLN 19,811) provided a collateral for the Project Loan Agreement.

Apart from the aforementioned securities established on property, plant and equipment, the most significant collateral established in relation to the bank loan included:

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

22. Contingent liabilities

Contingent liabilities relate to guarantees granted to related entities amounting to TPLN 20,735 (31 December 2016: TPLN 21,540).

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23. Related party transactions

23.1. Intragroup receivables and liabilities

30 June 2017	Receivables	Trade payables	Guarantees and suspended amounts
Atlantia S.p.A.	-	17	-
Parent entities	-	17	-
Biuro Centrum Sp. z o.o.	6	7	-
Associates	6	7	-
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	4 246
Pavimental Polska Sp. z o.o.	10	5 373	2 817
Telepass S.p.A.	493	-	-
Autogrill Polska Sp. z o.o.	-	-	10
Autostrade Tech S.p.A.	966	1 146	1 586
Other related entities	1 469	6 519	8 659
Total	1 475	6 543	8 659

31 December 2016	Receivables	Trade payables	Guarantees and suspended amounts
Atlantia S.p.A.	-	18	-
Parent entities	-	18	-
Biuro Centrum Sp. z o.o.	8	62	-
Associates	8	62	-
Pavimental S.p.A. S.A. Oddział w Polsce	-	1 804	4 405
Pavimental Polska Sp. z o.o.	14	-	1 961
Telepass S.p.A.	721	-	-
Autogrill Polska Sp. z o.o.	-	-	10
Autostrade Tech S.p.A.	985	362	806
Other related entities	1 720	2 166	7 182
Total	1 728	2 246	7 182

23.2. Related party transactions amounts

I semester 2017	Revenue	Other income	Cost of acquired goods and services	Capital expenditures and resurfacing works
Biuro Centrum Sp. z o.o.	132	-	(1 450)	-
Associates	132	-	(1 450)	-
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	-	(4 951)
Pavimental Polska Sp. z o.o.	42	10	(164)	(7 060)
Telepass S.p.A.	1 920	16	-	-
Autogrill Polska Sp. z o.o.	28	-	-	-
Autostrade Tech S.p.A.	118	4	(745)	(10 574)
Other related entities	2 108	30	(909)	(22 585)
Total	2 240	30	(2 359)	(22 585)

I semester 2016	Revenue	Other income	Cost of acquired goods and services	Capital expenditures and resurfacing works
Biuro Centrum Sp. z o.o.	139	-	(1 480)	-
Associates	139	-	(1 480)	-
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	-	(4 702)
Pavimental Polska Sp. z o.o.	61	7	-	(4 254)
Autogrill Polska Sp. z o.o.	28	-	-	-
Autostrade Tech S.p.A.	131	26	(462)	(111)
Other related entities	220	33	(462)	(9 067)
Total	359	33	(1 942)	(9 067)

STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

These condensed consolidated interim financial statements are unaudited

Notes to the condensed consolidated interim financial statements

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

23.3. Transactions with key personnel

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

	<i>I semester 2017</i>	<i>I semester 2016</i>
the Company		
Management Board	946	349
Salaries	430	407
Movement in employee benefits liabilities	516	(58)
Supervisory Board	35	32
Salaries	35	32
Subsidiaries		
Management Boards	1 136	982
Salaries	1 047	952
Movement in employee benefits liabilities	89	30
Supervisory Boards	1	1
Salaries	1	1
Total	2 118	1 364

In the I semester of 2017 and 2016 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 also did not grant any advance payments or guarantees to the above-mentioned individuals.

24. Subsequent events

There were no significant subsequent events, which should be disclosed in the condensed consolidated interim financial statements for the 6-month period ended 30 June 2017.

Explanation

This document constitutes a translation of the condensed consolidated interim 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.