# STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP

## CONSOLIDATED FINANCIAL STATEMENTS

as at the day and for the year ended 31 December 2017

Mysłowice, 28 February 2018

# Contents

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

| *In thousands of PLN, unless stated otherwise* | *Note* | *2017* | *2016* |
|---|---|---|---|
| Revenue | 6, 8 | 318 831 | 292 853 |
| Cost of sales | 6, 9 | (70 507) | (40 854) |
| **Gross profit** | | **248 324** | **251 999** |
| Other income | 10 | 4 272 | 4 917 |
| Administrative expenses | 6, 9 | (35 845) | (33 843) |
| Other expenses | 11 | (342) | (312) |
| **Results from operating activities** | | **216 409** | **222 761** |
| Finance income | | 12 985 | 12 331 |
| Finance expenses | | (31 181) | (33 489) |
| **Net finance expense** | 12 | **(18 196)** | **(21 158)** |
| **Share of profit of equity accounted investees (net of income tax)** | 17 | **179** | **188** |
| **Profit before income tax** | | **198 392** | **201 791** |
| Income tax expense | 13 | (39 612) | (36 497) |
| **Profit for the period** | | **158 780** | **165 294** |
| **Other comprehensive income** | | | |
| ***Items that will never be reclassified to profit or loss for the period*** | | | |
| Remeasurement of employee benefits | 27 | (35) | (45) |
| Income tax on other comprehensive income | 13.3 | 7 | 9 |
| | | **(28)** | **(36)** |
| ***Items that are or may be reclassified subsequently to profit or loss for the period*** | | | |
| Foreign currency translation differences for foreign operations | | (9) | 40 |
| Effective portion of changes in fair value of cash flow hedges | 23.2 | (431) | 426 |
| Net change in fair value of cash flow hedges reclassified to profit or loss for the period | 23.2 | 3 842 | 4 665 |
| Income tax on other comprehensive income | 13.3 | (648) | (967) |
| | | **2 754** | **4 164** |
| **Other comprehensive income for the period, net of income tax** | | **2 726** | **4 128** |
| **Total comprehensive income for the period** | | **161 506** | **169 422** |
| **Profit attributable to:** | | | |
| owners of the Company | | 153 382 | 159 563 |
| non-controlling interest | | 5 398 | 5 731 |
| **Profit for the period** | | **158 780** | **165 294** |
| **Total comprehensive income attributable to:** | | | |
| owners of the Company | | 156 119 | 163 707 |
| non-controlling interest | | 5 387 | 5 715 |
| **Total comprehensive income for the period** | | **161 506** | **169 422** |
| **Earnings per share** | 24 | | |
| Basic earnings per share (PLN) | | 0.62 | 0.65 |
| Diluted earnings per share (PLN) | | 0.62 | 0.65 |

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

## Consolidated statement of financial position
### as at

| *In thousands of PLN* | **Note** | ***31 December 2017*** | ***31 December 2016*** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | 36 666 | 32 080 |
| Intangible assets | 15 | 463 855 | 484 829 |
| Investment property | 16 | 3 870 | 4 401 |
| Investments in associates | 17 | 1 034 | 1 021 |
| Other non-current investments | 18 | 434 147 | 447 422 |
| Deferred tax assets | 19 | 69 829 | 89 983 |
| **Total non-current assets** | | **1 009 401** | **1 059 736** |
| | | | |
| **Current assets** | | | |
| Inventories | | 2 630 | 2 147 |
| Current investments | 18 | 1 403 | 1 488 |
| Income tax receivables | 20 | 2 560 | - |
| Trade and other receivables | 21 | 25 452 | 16 316 |
| Cash and cash equivalents | 22 | 396 900 | 366 959 |
| **Total current assets** | | **428 945** | **386 910** |
| | | | |
| **Total assets** | | **1 438 346** | **1 446 646** |

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

## Consolidated statement of financial position (continued)

### as at

| *In thousands of PLN* | ***Note*** | ***31 December 2017*** | ***31 December 2016*** |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 23 | | |
| Share capital | 23.1 | 185 447 | 185 447 |
| Treasury shares | | - | (20) |
| Share premium reserve | | 7 430 | 7 430 |
| Hedging reserve | 23.2 | (4 443) | (7 206) |
| Other reserve capitals and supplementary capital | | 281 675 | 231 486 |
| Foreign currency translation reserve | | 184 | 137 |
| Retained earnings and uncovered losses | | 223 186 | 164 555 |
| **Total equity attributable to owners of the Company** | | **693 479** | **581 829** |
| Non-controlling interest | 23.4 | 4 694 | 4 999 |
| **Total equity** | | **698 173** | **586 828** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 25 | 76 295 | 116 147 |
| Employee benefits | 27 | 4 602 | 3 094 |
| Deferred income | 29 | 6 854 | 7 686 |
| Other non-current liabilities | 28 | 6 374 | 211 064 |
| Provisions | 30 | 362 244 | 344 802 |
| **Total non-current liabilities** | | **456 369** | **682 793** |
| **Current liabilities** | | | |
| Loans and borrowings | 25 | 40 943 | 37 215 |
| Derivative financial instruments | 32.2, 33.3 | 6 456 | 10 014 |
| Income tax liabilities | 20 | 337 | 13 905 |
| Trade and other payables | 31 | 184 935 | 22 230 |
| Employee benefits | 27 | 381 | 373 |
| Deferred income | 29 | 5 794 | 5 431 |
| Provisions | 30 | 44 958 | 87 857 |
| **Total current liabilities** | | **283 804** | **177 025** |
| **Total liabilities** | | **740 173** | **859 818** |
| **Total equity and liabilities** | | **1 438 346** | **1 446 646** |

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

## Consolidated statement of cash flows
### for the year ended 31 December

| *In thousands of PLN* | *Note* | *2017* | *2016* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit before income tax** | | **198 392** | **201 791** |
| **Adjustments for** | | | |
| Depreciation and amortisation | 9 | 46 701 | 44 800 |
| Foreign currency translation differences for foreign operations | | (9) | 40 |
| Loss on investment activity | 12 | 80 | 93 |
| (Gain)/Loss on disposal of intangible assets and property, plant and equipment | 10, 11 | 45 | (106) |
| Tangible asset donations | | - | 12 |
| Recognition due to physical inventory | | (5) | - |
| Interest and dividends | | (1 791) | 1 544 |
| Share of profit of equity accounted investees | | (179) | (188) |
| Change in receivables | | (9 980) | (2 050) |
| Change in inventories | | 246 | (109) |
| Change in trade and other payables | | 14 438 | 12 243 |
| Change in provisions | | (11 198) | (30 953) |
| Change in deferred income | | (469) | (1 376) |
| **Cash generated from operating activities** | | **236 271** | **225 741** |
| Income tax paid | | (36 227) | (25 144) |
| **Net cash from operating activities** | | **200 044** | **200 597** |
| **Cash flows from investing activities** | | | |
| **Investment proceeds** | | **26 465** | **71 361** |
| Sale of intangible assets and property, plant and equipment | | 52 | 248 |
| Proceeds from non-current deposits held for investment expenditures | | 12 762 | 58 556 |
| Dividends received | | 81 | 5 |
| Dividends from equity accounted investees | | 166 | - |
| Interest received | | 13 399 | 12 552 |
| Sale of financial assets | | 5 | - |
| **Investment expenditures** | | **(39 369)** | **(39 093)** |
| Acquisition of intangible assets and property, plant and equipment | | (39 368) | (39 093) |
| Acquisition of financial assets | | (1) | - |
| **Net cash from/(used in) investing activities** | | **(12 904)** | **32 268** |
| **Cash flows from financing activities** | | | |
| **Financial proceeds** | | **38** | **-** |
| Sale of treasury shares | | 38 | - |
| **Financial expenditures** | | **(157 237)** | **(53 913)** |
| Dividends paid, including attributable to: | | (50 199) | (5 689) |
| owners of the Company | | (44 507) | - |
| non-controlling interest | | (5 692) | (5 689) |
| Repayment of loans and borrowings | 25 | (37 749) | (34 851) |
| Interest paid | | (9 704) | (13 373) |
| Concession Payments | | (59 585) | - |
| **Net cash used in financing activities** | | **(157 199)** | **(53 913)** |
| **Total net cash flows** | | **29 941** | **178 952** |
| **Change in cash and cash equivalents** | | **29 941** | **178 952** |
| **Cash and cash equivalents at 1 January** | | **366 959** | **188 007** |
| **Cash and cash equivalents at 31 December** | 22 | **396 900** | **366 959** |

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

## Consolidated statement of changes in equity

*In thousands of PLN*

| | *Note* | Share capital | Treasury shares | Share premium reserve | Hedging reserve | Other reserve capitals and supplementary capital | Foreign currency translation reserve | Retained earnings and uncovered losses | Total equity attributable to owners of the Company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2017** | | **185 447** | **(20)** | **7 430** | **(7 206)** | **231 486** | **137** | **164 555** | **581 829** | **4 999** | **586 828** |
| ***Profit for the period*** | | - | - | - | - | - | - | ***153 382*** | ***153 382*** | ***5 398*** | ***158 780*** |
| ***Other comprehensive income:*** | | - | - | - | ***2 763*** | ***(51)*** | ***47*** | ***(22)*** | ***2 737*** | ***(11)*** | ***2 726*** |
| Effective portion of changes in fair value of cash flow hedges | 23.2 | - | - | - | (431) | - | - | - | **(431)** | - | **(431)** |
| Net change in fair value of cash flow hedges reclassified to profit or loss for the period | 23.2 | - | - | - | 3 842 | - | - | - | **3 842** | - | **3 842** |
| Remeasurement of employee benefits | 27 | - | - | - | - | - | - | (21) | **(21)** | (14) | **(35)** |
| Foreign currency translation differences for foreign operations | | - | - | - | - | (51) | 47 | (5) | **(9)** | - | **(9)** |
| Income tax on other comprehensive income | 13.3 | - | - | - | (648) | - | - | 4 | **(644)** | 3 | **(641)** |
| ***Total comprehensive income for the period*** | | - | - | - | ***2 763*** | ***(51)*** | ***47*** | ***153 360*** | ***156 119*** | ***5 387*** | ***161 506*** |
| Sale of treasury shares | | - | 20 | - | - | - | - | 18 | **38** | - | **38** |
| Dividends paid | | - | - | - | - | - | - | (44 507) | **(44 507)** | (5 692) | **(50 199)** |
| Allocation of profit to supplementary capital* | | - | - | - | - | 50 240 | - | (50 240) | - | - | - |
| **As at 31 December 2017** | | **185 447** | **-** | **7 430** | **(4 443)** | **281 675** | **184** | **223 186** | **693 479** | **4 694** | **698 173** |

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

## Consolidated 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*** | | - | - | - | - | - | - | ***159 563*** | ***159 563*** | ***5 731*** | ***165 294*** |
| ***Other comprehensive income:*** | | - | - | - | ***4 124*** | ***33*** | ***3*** | ***(16)*** | ***4 144*** | ***(16)*** | ***4 128*** |
| Effective portion of changes in fair value of cash flow hedges | 23.2 | - | - | - | 426 | - | - | - | **426** | - | **426** |
| Net change in fair value of cash flow hedges reclassified to profit or loss for the period | 23.2 | - | - | - | 4 665 | - | - | - | **4 665** | - | **4 665** |
| Remeasurement of employee benefits | 27 | - | - | - | - | - | - | (26) | **(26)** | (19) | **(45)** |
| Foreign currency translation differences for foreign operations | | - | - | - | - | 33 | 3 | 4 | **40** | - | **40** |
| Income tax on other comprehensive income | 13.3 | - | - | - | (967) | - | - | 6 | **(961)** | 3 | **(958)** |
| ***Total comprehensive income for the period*** | | - | - | - | ***4 124*** | ***33*** | ***3*** | ***159 547*** | ***163 707*** | ***5 715*** | ***169 422*** |
| Coverage of previous years' losses | | - | - | - | - | (201 496) | - | 201 496 | - | - | - |
| Dividends paid | | - | - | - | - | - | - | - | - | (5 689) | **(5 689)** |
| Allocation of profit to other reserve capitals and supplementary capital | | - | - | - | - | 112 305 | - | (112 305) | - | - | - |
| **As at 31 December 2016** | | **185 447** | **(20)** | **7 430** | **(7 206)** | **231 486** | **137** | **164 555** | **581 829** | **4 999** | **586 828** |

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

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

## 1. Group overview

Stalexport Autostrady S.A. ("the Company") with its seat in 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 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 consolidated financial statements as at the day and for the year ended 31 December 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).

## 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 28 February 2018.

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

## 2.3. Functional and presentation currency

These consolidated financial statements are presented in Polish zloty, being the functional currency and presentation currency of the Group, 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 2017, have not been applied in preparation of these consolidated financial statements. Apart from IFRS 16 *Leases,* which has already been endorsed by EU and will be effective for reporting periods beginning on 1 January 2019 or later, neither of the new standards nor amendments to the already existing standards, are expected to have a significant impact on the consolidated financial statements of the Group for the period for which they will become effective, however it needs to be underlined that aforementioned impact, apart from IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* described below, couldn't have been reasonably estimated at the end of reporting period.

### IFRS 15 *Revenue from Contracts with Customers*

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

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

The Group intends to apply this IFRS 15 retrospectively with the cumulative effect of the implementation recognised at the date of initial application, i.e. 1 January 2018, as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. However it should be underlined, that according to Group's up-to-date estimates, which take in to consideration the nature of its business, categories of revenue (see notes 5.17, 8) as well as the provisions of contracts with customers, the aforementioned effect is expected to be zero.

The Group also does not expect the application of the new standard to have significant impact on the scope of disclosures within its future consolidated financial statements.

### IFRS 9 *Financial Instruments*

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

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

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

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

Analysis of IFRS 9 impact on the consolidated financial statements included the appraisal of business model and cash flow characteristics for financial assets owned, i.e. equity instruments, trade and other receivables, non-current deposits, as well as cash and cash equivalents. Subsequently, it was established that apart from equity instruments described below, the introduction of IFRS 9 will not result in a change of the current measurement model of Group's financial assets, i.e. after initial recognition they will continue to be measured at amortised cost.

Group's available-for-sale financial assets for which there are no reliable ways to determine their fair value, were up till now measured at costs less any impairment loss. According to new standard such assets will be measured at fair value (however in limited circumstances cost may be an appropriate estimate of fair value), which subsequent changes, as per option foreseen in the standard (which the Group intends to elect), will be recognised in other comprehensive income (without possibility of subsequent transfer to profit or loss for the period). As at 31 December 2017 the carrying amount of these assets equalled TPLN 1,403 and will not change as the result of valuation model update at the date of initial application of IFRS 9.

The Group does not envisage as well that the introduction of the expected-loss impairment model in relation to its receivables, will change the amount of allowances recognised, at the date of initial application of the new standard, in comparison to the level resulting from the current policy in this respect.

In line with IFRS 9 provisions the Group may continue to apply the hedge accounting requirements of IAS 39 instead of introducing the hedge requirements defined in the new standard. The Group will choose the accounting policy in this respect during the first quarter of 2018, that is the first reporting period including 1 January 2018.

The Group will apply the chosen policy to all of its hedging relationships. Nonetheless, according to the Group a potential change of hedge accounting model will have no bearing on qualification of hedging relationships.

In conclusion, according to Group's estimates, the implementation of the standard will have no impact on Group's equity at the date of its initial application, i.e. 1 January 2018.

### MSSF 16 *Leases*

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

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

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

The Group is still analysing the expected impact of IFRS 16 application on its future financial statements, therefore the aforementioned impact couldn't have been reliably estimated at the date of approval of these consolidated financial statements. The Group decided against earlier application of the standard.

### 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 13, 15, 18, 19, 20, 21, 27, 28, 30, 32, 33 and 36.

## 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.

## 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 ("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).

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

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

According to provisions of the Concession Agreement between SAM S.A. and the Minister of Infrastructure and also of the 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.

## 5. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all Group entities.

The application of amendments to standards, which became effective for annual periods beginning on 1 January 2017, had no significant impact on Group accounting policies and as a result on these consolidated financial statements.

Additional disclosures resulting from changes to IAS 7 *Statement of Cash Flows*, have been included within note 32.3 of these consolidated financial statements.

### 5.1. Basis of consolidation

#### 5.1.1. Subsidiaries

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

#### 5.1.2. Non-controlling interest

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

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

#### 5.1.3. Associates and joint arrangements

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

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

#### 5.1.4. Consolidation adjustments

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

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

### 5.2. Foreign currency

#### 5.2.1. Foreign currency transactions

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

#### 5.2.2. Conversion of foreign subsidiaries

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

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

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

#### 5.2.3. Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount within equity is transferred to profit or loss as part of the profit or loss on disposal.

### 5.3. Service concession arrangements

The Group recognizes as service concession arrangements the public-to-private service concession arrangements if:

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

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

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

Under the terms of service concession arrangements the Group acts as a service provider. The Group constructs or upgrades infrastructure (construction or upgrade services – the revenue is recognised in accordance with accounting policies applied for construction contracts) used to provide a public service and operates and maintains that infrastructure (operation services – the revenue is recognized in accordance with policy described in note 5.17.3) for a specified period of time.

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

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

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

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

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

### Concession Agreement – A-4 Katowice-Kraków motorway

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

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

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

All changes in provision's estimates due to:

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

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

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

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

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

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

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

## 5.4. Other intangible assets

Other intangible assets are measured at cost less accumulated depreciation and impairment losses (see note 5.12).

### Subsequent expenditures

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

### Amortisation

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

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

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

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

## 5.5. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see note 5.12).

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

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

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

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

### Reclassification to investment property

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

### Subsequent expenditures

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

### Depreciation

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

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

- buildings and constructions 5-40 years
- plant and equipment 3-15 years
- vehicles 3-10 years
- other 1-10 years

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

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

## 5.6. Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost less accumulated depreciation and impairment losses (see note 5.12).

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.

## 5.7. Property, plant and equipment under lease

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

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and then are subject to depreciation and impairment losses (see note 5.12). 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 is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

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

## 5.8. Perpetual usufruct of land

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

## 5.9. Inventories

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

## 5.10. Non-current assets held for sale

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

## 5.11. Financial instruments

### 5.11.1. Non-derivative financial instruments

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

*Held-to-maturity financial assets*

If the Group has the positive intent and ability to hold debt securities (State Treasury bonds and others) to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

*Financial assets at fair value through profit or loss*

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

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise loans trade and other receivables.

Cash and cash equivalents comprise cash in hand and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

*Available-for-sale financial assets*

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

Available-for-sale financial assets are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in consolidated statement of comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

*Non-derivative financial liabilities*

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

#### 5.11.2. Derivative financial instruments, including hedge accounting

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

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

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

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

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

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

### 5.12. Impairment

#### 5.12.1. Financial assets (including receivables)

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

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

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

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

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

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

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

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

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

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

#### 5.12.2. Non-financial assets

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

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

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

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

### 5.12.3. Non-current assets held for sale

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

## 5.13. Equity

### Ordinary shares

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

### Repurchase of treasury shares

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

### Fair value reserve

All profits and losses from valuation of available-for-sale financial assets (apart from impairment losses and exchange rate changes), for which it is possible to declare their fair value based on regulatory market, or in any other reliable way, are attributed to this item of the equity.

### Hedging reserve

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

## 5.14. Employee benefits

### 5.14.1. Retirement and disability benefits

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

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

#### 5.14.2. Jubilee bonuses

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

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

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

#### 5.14.3. Current employee benefits

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

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

### 5.15. Provisions

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

#### Provision for motorway resurfacing

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

#### Provision for capital expenditures related to replacement and upgrade of infrastructure

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

### 5.16. Deferred income

Deferred income constitutes mainly (i) prepayments received due to rental agreements (mainly passengers service areas), and also (ii) prepayments received for the passage through A4 Katowice - Kraków motorway (due to sale of subscription coupons, KartA4 cards and A4Go devices).

After initial recognition according to fair value, the deferred income recorded in reference to (i) is recognized as other income within profit or loss on the straight-line basis over a rental agreement period, (ii) is recognized as revenue in profit or loss for the period, in which the subscription coupon or KartA4/A4Go top-up is utilized.

## 5.17. Revenue

### 5.17.1. Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or continuing Group involvement with the goods.

### 5.17.2. Rental income

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

### 5.17.3. Revenue from motorway management and operation

Revenue from motorway operation is identified in respective periods when motorway lane is used, that is according to accrual principle.

## 5.18. Finance income and expenses

Finance income comprises interest income on funds invested by the Group, dividend income, gains on the disposal of available-for-sale financial assets, 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, losses on disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

## 5.19. Income tax

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

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

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

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

### 5.20. Discontinued operations

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

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

### 5.21. Earnings per share (EPS)

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

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

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

## 6. Segment reporting

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

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

### Business segments

Business segments include:

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

### Business segments results

*For the year ended 31 December 2017*

| | Management, advisory and rental services | Management and operation of motorways | Total |
|---|---|---|---|
| **Operating revenues** | | | |
| Revenue from external customers | 3 235 | 315 596 | **318 831** |
| Total revenue | **3 235** | **315 596** | **318 831** |
| **Operating expenses** | | | |
| Cost of sales to external customers | (4 018) | (66 489) | **(70 507)** |
| Total cost of sales | **(4 018)** | **(66 489)** | **(70 507)** |
| Other income | 76 | 4 207 | **4 283** |
| Other expenses | (6) | (347) | **(353)** |
| Administrative expenses (*) | (4 249) | (31 596) | **(35 845)** |
| **Results from operating activities** | **(4 962)** | **221 371** | **216 409** |
| Net finance income/(expense) | 5 087 | (23 283) | **(18 196)** |
| Share of profit of equity accounted investees (net of income tax) | 179 | - | **179** |
| Income tax expense | (341) | (39 271) | **(39 612)** |
| **Profit for the period** | **(37)** | **158 817** | **158 780** |
| Other comprehensive income, net of income tax | (7) | 2 733 | **2 726** |
| **Total comprehensive income for the period** | **(44)** | **161 550** | **161 506** |
| | | | |
| **Major non-cash items** | | | |
| Depreciation and amortisation | (583) | (46 118) | **(46 701)** |
| Reversal/(recognition) of allowances for receivables | 51 | - | **51** |
| Unwinding of discount | - | (19 668) | **(19 668)** |
| Revaluation of investment | (85) | - | **(85)** |

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

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

*For the year ended 31 December 2016*

| | Management, advisory and rental services | Management and operation of motorways | Total |
|---|---|---|---|
| **Operating revenues** | | | |
| Revenue from external customers | 3 364 | 289 489 | **292 853** |
| Total revenue | **3 364** | **289 489** | **292 853** |
| **Operating expenses** | | | |
| Cost of sales to external customers | (4 035) | (36 819) | **(40 854)** |
| Total cost of sales | **(4 035)** | **(36 819)** | **(40 854)** |
| Other income | 46 | 4 881 | **4 927** |
| Other expenses | (33) | (289) | **(322)** |
| Administrative expenses (*) | (3 413) | (30 430) | **(33 843)** |
| **Results from operating activities** | **(4 071)** | **226 832** | **222 761** |
| Net finance income/(expense) | 3 319 | (24 477) | **(21 158)** |
| Share of profit of equity accounted investees (net of income tax) | 188 | - | **188** |
| Income tax expense | 3 077 | (39 574) | **(36 497)** |
| **Profit for the period** | **2 513** | **162 781** | **165 294** |
| Other comprehensive income, net of income tax | 42 | 4 086 | **4 128** |
| **Total comprehensive income for the period** | **2 555** | **166 867** | **169 422** |
| | | | |
| **Major non-cash items** | | | |
| Depreciation and amortisation | (546) | (44 254) | **(44 800)** |
| Reversal/(recognition) of allowances for receivables | (27) | 1 | **(26)** |
| Unwinding of discount | - | (19 153) | **(19 153)** |
| Revaluation of investment | (93) | - | **(93)** |

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

## Financial position according to business segments as at

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **Management, advisory and rental services** | | |
| Assets of the segment | 347 902 | 318 359 |
| Liabilities of the segment | 3 256 | 2 148 |
| **Management and operation of motorways** | | |
| Assets of the segment | 1 090 444 | 1 128 287 |
| Liabilities of the segment | 736 917 | 857 670 |
| **Total assets** | **1 438 346** | **1 446 646** |
| **Total liabilities** | **740 173** | **859 818** |

### Major customer

In the year ended 31 December 2017 and 31 December 2016 sales to neither of Group's customers generated the revenue of more than 10% of total revenue for the period.

## 7. Disposal group classified as held for sale

As at 31 December 2017 and 31 December 2016 the Group wasn't in possession of any assets or liabilities classified as held for sale.

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

## 8. Revenue

| | 2017 | 2016 |
|---|---|---|
| Toll revenue | 314 776 | 288 394 |
| Revenue from rental of investment property | 3 184 | 3 304 |
| Revenue due to other services provided | 153 | 389 |
| Other revenue | 718 | 766 |
| **Total** | **318 831** | **292 853** |

## 9. Expenses by nature

| | 2017 | 2016 |
|---|---|---|
| Depreciation and amortisation (notes 14, 15, 16) | (46 701) | (44 800) |
| Energy and materials consumption | (4 612) | (4 625) |
| Accrual of provision for motorway resurfacing disclosed within cost of sales (external services) | (2 643) | 22 194 |
| Other external services | (21 240) | (20 223) |
| Taxes and charges | (2 419) | (2 515) |
| Employee benefit expenses | (26 800) | (22 513) |
| Other costs | (1 936) | (2 215) |
| Cost of goods and materials sold | (1) | - |
| **Total expenses by nature** | **(106 352)** | **(74 697)** |
| **Cost of sales and administrative expenses** | **(106 352)** | **(74 697)** |

### 9.1. Employee benefit expenses

| | 2017 | 2016 |
|---|---|---|
| Wages and salaries | (20 299) | (17 514) |
| Social security contributions and other benefits | (4 895) | (4 311) |
| Movement in employee benefits liabilities included in profit and loss: | (1 606) | (688) |
| Post-employment benefits | (96) | (79) |
| Jubilee bonuses liabilities | (337) | (104) |
| Other employee benefits | (1 173) | (505) |
| **Total** | **(26 800)** | **(22 513)** |

## 10. Other income

| | 2017 | 2016 |
|---|---|---|
| Rental income from passenger service areas | 2 004 | 3 685 |
| Reversal of allowances for receivables | 51 | - |
| Compensations, contractual penalties and costs of court proceedings received | 178 | 624 |
| Reimbursement of real estate tax paid for previous periods | 1 705 | 212 |
| Interest from receivables | 31 | 7 |
| Net gain on disposal of property, plant and equipment and intangible assets | - | 106 |
| Other | 303 | 283 |
| **Total** | **4 272** | **4 917** |

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

## 11. Other expenses

| | 2017 | 2016 |
|---|---|---|
| Allowances for receivables | - | (26) |
| Donations granted | (75) | (91) |
| Repair of damages | (49) | (121) |
| Penalties, compensations, payments | (24) | (31) |
| Net loss on disposal of property, plant and equipment and intangible assets | (45) | - |
| Unrecoverable input VAT | (18) | (12) |
| Other | (131) | (31) |
| **Total** | **(342)** | **(312)** |

## 12. Net finance expense

| | 2017 | 2016 |
|---|---|---|
| ***Recognised in profit or loss for the period*** | | |
| Dividends | 81 | 5 |
| Interest income, including: | 12 759 | 12 098 |
| - from bank accounts and deposits | 12 757 | 12 097 |
| - other | 2 | 1 |
| Gain on sale of investment | 5 | - |
| Net foreign exchange gain | 140 | 228 |
| Other finance income | - | 4 |
| **Finance income** | **12 985** | **12 331** |
| Interest expense on liabilities measured at amortised cost, including: | (19 189) | (20 561) |
| - loans and borrowings, including: | (7 307) | (8 764) |
| - nominal | (5 062) | (7 823) |
| - other | (2 245) | (941) |
| - discount of concession payments | (11 657) | (11 036) |
| - other | (225) | (761) |
| Discount of provisions | (8 011) | (8 117) |
| Revaluation of investments | (85) | (93) |
| Net change in fair value of cash flow hedges reclassified from other comprehensive income | (3 842) | (4 665) |
| Ineffective portion of changes in fair value of cash flow hedges | (50) | (48) |
| Other finance expenses | (4) | (5) |
| **Finance expenses** | **(31 181)** | **(33 489)** |
| **Net finance expense recognised in profit or loss for the period** | **(18 196)** | **(21 158)** |
| ***Recognised in other comprehensive income*** | | |
| Foreign currency translation differences for foreign operations | (9) | 40 |
| Effective portion of changes in fair value of cash flow hedges (*) | (431) | 426 |
| Net change in fair value of cash flow hedges reclassified to profit or loss for the period (*) | 3 842 | 4 665 |
| **Finance income/(expenses) recognised in other comprehensive income** | **3 402** | **5 131** |

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

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

## 13. Income tax

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

| | 2017 | 2016 |
|---|---|---|
| **Current income tax expense** | **(20 099)** | **(27 967)** |
| Current income tax on profits for the year | (20 168) | (27 907) |
| Adjustment in respect of prior years | 69 | (60) |
| **Deferred tax** | **(19 513)** | **(8 530)** |
| Recognition and reversal of temporary differences | (19 513) | (8 530) |
| **Income tax impacting profit for the period** | **(39 612)** | **(36 497)** |

The income tax rate which embraced the majority of Group's activities amounted to 19% in 2016-2017. It is assumed that the income tax rate shouldn't change in upcoming years.

### 13.2. Effective tax rate

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | % | | % | |
| **Profit before income tax** | | **198 392** | | **201 791** |
| Income tax calculated using domestic tax rate | (19.0%) | (37 694) | (19.0%) | (38 340) |
| Share of profit of equity accounted investees | 0.0% | 34 | 0.0% | 36 |
| Valuation adjustment / temporary differences previously adjusted / permanent differences | (1.0%) | (2 021) | 0.9% | 1 867 |
| Current income tax adjustment in respect of prior years | 0.0% | 69 | 0.0% | (60) |
| **Total** | **(20.0%)** | **(39 612)** | **(18.1%)** | **(36 497)** |

### 13.3. Income tax recognised in other comprehensive income

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Before tax** | **Tax (expense) /benefit** | **Before tax** | **Tax (expense) /benefit** |
| Remeasurement of employee benefits | (35) | 7 | (45) | 9 |
| Changes in fair value of cash flow hedges(*) | 3 411 | (648) | 5 091 | (967) |
| **Total** | **3 376** | **(641)** | **5 046** | **(958)** |

(*) Cash flow hedges are further described in notes 32.2 and 33.3

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

## 14. Property, plant and equipment

| | Buildings and constructions | Plant and equipment | Vehicles | Other | Under construction | Total |
|---|---|---|---|---|---|---|
| **Cost as at 1 January 2016** | **20 377** | **14 814** | **15 360** | **5 221** | **4 404** | **60 176** |
| Acquisitions | 148 | 291 | 1 699 | 406 | 2 116 | **4 660** |
| Transfer from property, plant and equipment under construction | - | 1 590 | - | 855 | (2 445) | - |
| Recognition as utliziation of provisions for capital expenditure | - | - | - | - | (817) | **(817)** |
| Transfer to intangible assets | - | - | - | - | (1 260) | **(1 260)** |
| Reclassification to investment property | - | - | - | - | (752) | **(752)** |
| Transfer to operating expenses | - | - | - | - | (64) | **(64)** |
| Transfer of prepayments for property, plant and equipment | - | - | - | - | (28) | **(28)** |
| Disposals/donations | - | (136) | (1 197) | (49) | - | **(1 382)** |
| **Cost as at 31 December 2016** | **20 525** | **16 559** | **15 862** | **6 433** | **1 154** | **60 533** |
| | | | | | | |
| **Cost as at 1 January 2017** | **20 525** | **16 559** | **15 862** | **6 433** | **1 154** | **60 533** |
| Acquisitions | 262 | 1 552 | 2 401 | 147 | 12 511 | **16 873** |
| Transfer from property, plant and equipment under construction | 123 | 4 783 | 190 | 1 326 | (6 422) | - |
| Recognition as utliziation of provisions for capital expenditure | - | - | - | - | (1 355) | **(1 355)** |
| Transfer from provisions for capital expenditure | - | 74 | - | 37 | - | **111** |
| Transfer to intangible assets | - | - | - | - | (5 818) | **(5 818)** |
| Transfer to inventory | - | - | - | - | (729) | **(729)** |
| Transfer of prepayments for property, plant and equipment | - | - | - | - | 844 | **844** |
| Recognition due to physical inventory | - | 5 | - | - | - | **5** |
| Disposals | (82) | (131) | (261) | (13) | - | **(487)** |
| Reclassification to investment property | (16) | - | - | - | - | **(16)** |
| **Cost as at 31 December 2017** | **20 812** | **22 842** | **18 192** | **7 930** | **185** | **69 961** |

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

| | Buildings and constructions | Plant and equipment | Vehicles | Other | Under construction | Total |
|---|---|---|---|---|---|---|
| **Depreciation and impairment losses as at 1 January 2016** | **(11 471)** | **(4 405)** | **(6 533)** | **(2 118)** | **-** | **(24 527)** |
| Depreciation for the period | (1 111) | (1 841) | (1 576) | (626) | - | **(5 154)** |
| Disposals/donations | - | 134 | 1 012 | 49 | - | **1 195** |
| Reversal/utilization of impairment loss | - | - | 33 | - | - | **33** |
| **Depreciation and impairment losses as at 31 December 2016** | **(12 582)** | **(6 112)** | **(7 064)** | **(2 695)** | **-** | **(28 453)** |
| **Depreciation and impairment losses as at 1 January 2017** | **(12 582)** | **(6 112)** | **(7 064)** | **(2 695)** | **-** | **(28 453)** |
| Depreciation for the period | (906) | (2 090) | (1 562) | (685) | - | **(5 243)** |
| Disposals | 48 | 129 | 201 | 13 | - | **391** |
| Reclassification to investment property | 10 | - | - | - | | **10** |
| **Depreciation and impairment losses as at 31 December 2017** | **(13 430)** | **(8 073)** | **(8 425)** | **(3 367)** | **-** | **(33 295)** |
| **Carrying amounts** | | | | | | |
| As at 1 January 2016 | 8 906 | 10 409 | 8 827 | 3 103 | 4 404 | **35 649** |
| As at 31 December 2016 | 7 943 | 10 447 | 8 798 | 3 738 | 1 154 | **32 080** |
| As at 1 January 2017 | 7 943 | 10 447 | 8 798 | 3 738 | 1 154 | **32 080** |
| As at 31 December 2017 | 7 382 | 14 769 | 9 767 | 4 563 | 185 | **36 666** |

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

### Impairment losses

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

### Collateral

As at 31 December 2017 property, plant and equipment with a carrying value of TPLN 24,838 (31 December 2016: TPLN 19,811) provided a collateral for bank loans.

## 15. Intangible assets

| | Concession intangible assets | Other concessions, licences, software and other | Other intangible assets | Intangible assets not ready for use | Total |
|---|---|---|---|---|---|
| **Cost as at 1 January 2016** | **883 370** | **5 154** | **970** | **117** | **889 611** |
| Acquisitions | - | 28 | - | 23 | **51** |
| Transfer from intangible assets not ready for use | - | 117 | - | (117) | - |
| Transfer from property, plant and equipment under construction | - | 1 260 | - | - | **1 260** |
| Revaluation of concession intangible assets | (44) | - | - | - | **(44)** |
| **Cost as at 31 December 2016** | **883 326** | **6 559** | **970** | **23** | **890 878** |
| | | | | | |
| **Cost as at 1 January 2017** | **883 326** | **6 559** | **970** | **23** | **890 878** |
| Acquisitions | - | 169 | - | 35 | **204** |
| Transfer from intangible assets not ready for use | - | 32 | | (32) | - |
| Transfer from property, plant and equipment under construction | - | 5 818 | - | - | **5 818** |
| Revaluation of concession intangible assets | 13 925 | - | - | - | **13 925** |
| **Cost as at 31 December 2017** | **897 251** | **12 578** | **970** | **26** | **910 825** |
| | | | | | |
| **Amortisation and impairment losses as at 1 January 2016** | **(364 656)** | **(1 304)** | **(970)** | **-** | **(366 930)** |
| Amortisation for the period | (38 321) | (798) | - | - | **(39 119)** |
| **Amortisation and impairment losses as at 31 December 2016** | **(402 977)** | **(2 102)** | **(970)** | **-** | **(406 049)** |
| | | | | | |
| **Amortisation and impairment losses as at 1 January 2017** | **(402 977)** | **(2 102)** | **(970)** | **-** | **(406 049)** |
| Amortisation for the period | (40 069) | (852) | - | - | **(40 921)** |
| **Amortisation and impairment losses as at 31 December 2017** | **(443 046)** | **(2 954)** | **(970)** | **-** | **(446 970)** |
| | | | | | |
| **Carrying amounts** | | | | | |
| As at 1 January 2016 | 518 714 | 3 850 | - | 117 | **522 681** |
| As at 31 December 2016 | 480 349 | 4 457 | - | 23 | **484 829** |
| As at 1 January 2017 | 480 349 | 4 457 | - | 23 | **484 829** |
| As at 31 December 2017 | 454 205 | 9 624 | - | 26 | **463 855** |

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

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

(i) due to changes of discount rates used for valuation of provision for capital expenditures of Phase II (see note 30), which resulted in their increase by TPLN 606 (2016: decrease by TPLN 1,981), 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 30), resulting in the increase of concession intangible assets by TPLN 13,319 (2016: increase by TPLN 1,937).

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 8.29% in 2017 (2016: 7.39%). 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 2017 will range from 9.41% to 11.93% during the concession period.

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

As at 31 December 2017 and 31 December 2016 Group's other intangible assets weren't subject to any impairment.

## 16. Investment property

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **Cost at the beginning of the period** | **30 480** | **29 728** |
| Transfer from property, plant and equipment under construction | - | 752 |
| Reclassification from property, plant and equipment | 16 | - |
| **Cost at the end of the period** | **30 496** | **30 480** |
| **Depreciation and impairment losses at the beginning of the period** | **(26 079)** | **(25 552)** |
| Depreciation for the period | (537) | (527) |
| Reclassification from property, plant and equipment | (10) | - |
| **Depreciation and impairment losses at the end of the period** | **(26 626)** | **(26 079)** |
| **Carrying amounts at the beginning of the period** | **4 401** | **4 176** |
| **Carrying amounts at the end of the period** | **3 870** | **4 401** |

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

Investment property comprises a designated for rental part of office building situated at Mickiewicza St. as well as adjacent parking lots (including parking lot at Sokolska St.).

Based on property expert's valuation conducted in June 2016, the fair value of the Group-owned part of the building at Mickiewicza St., and the fair value of perpetual usufruct of land on which aforementioned building is situated, were estimated at PLN 15.2 million – the fair value of the investment property situated at Sokolska St. was estimated at PLN 4.4 million. The property was appraised using income-based approach, investment method, simple capitalization technique.

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

As at 31 December 2017 the Group classified 100% of the owned part of the building at Mickiewicza St. and 100% of the parking lot at Sokolska St. as the investment property (these indicators are subject to revision on semi-annual basis).

Consolidated rental income (office and parking space) in 2017 amounted to TPLN 3,184 (in 2016: TPLN 3,304) and was presented in the consolidated statement of comprehensive income under “Revenue” - attributable costs were presented under “Cost of sales”.

## 17. Investments in associates

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

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **% ownership interest** | **40.63%** | **40.63%** |
| Total assets* | 3 730 | 3 527 |
| Total liabilities | (1 185) | (1 015) |
| **Net assets** | **2 545** | **2 512** |
| Group's share of net assets | 1 034 | 1 021 |
| | ***2017*** | ***2016*** |
| Revenues | 10 070 | 10 249 |
| Profit for the period | 439 | 463 |
| **Total comprehensive income for the period** | **439** | **463** |
| Group's share of total comprehensive income | 179 | 188 |
| | | |
| Group's share in net assets at beginning of the period | 1 021 | 833 |
| Group's share of total comprehensive income | 179 | 188 |
| Dividends received during the period | (166) | - |
| **Carrying amount of interest at the end of the period** | **1 034** | **1 021** |

(*) Including fair value adjustments;

As at 31 December 2017 the Group had only interest in one associate i.e. Biuro Centrum Sp. z o.o., which main business activity concerns management and maintenance of office building jointly owned by the Group.

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

## 18. Other investments

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **Non-current** | | |
| Non-current deposits | 434 077 | 447 353 |
| Other | 70 | 69 |
| **Total** | **434 147** | **447 422** |
| | | |
| **Current** | | |
| Equity instruments available for sale (shares of non-related entities) | 1 403 | 1 488 |
| **Total** | **1 403** | **1 488** |

As at 31 December 2017 non-current bank deposits comprised cash kept on reserve accounts designated to:

(i) debt-service – TPLN 48,137 (31 December 2016: TPLN 47,181),
(ii) capital expenditures of Phase F2b – TPLN 333,637 (31 December 2016: TPLN 334,854),
(iii) future maintenance expenditures – TPLN 51,164 (31 December 2016: TPLN 63,665).

The abovementioned item included also accrued interests of TPLN 1,139 (31 December 2016: TPLN 1,653). All reserve accounts were established in accordance with the provisions of Concession Agreement and Project Loan Agreement.

As at 31 December 2017 the financial instruments available for sale comprise investment in Dom Maklerski BDM S.A., which was subject to an impairment of TPLN 1,236 (31 December 2016: TPLN 1,151).

In 2017 the Group sold 9,043 thousand shares of Ideon S.A. for the amount of TPLN 5. These shares were subject to full impairment both at the sale date and 31 December 2016.

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

## 19. Deferred tax

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

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | *31 December 2017* | *31 December 2016* | *31 December 2017* | *31 December 2016* | *31 December 2017* | *31 December 2016* |
| Concession intangible assets | - | - | (84 063) | (88 832) | **(84 063)** | **(88 832)** |
| Property, plant and equipment and other intangible assets | 45 632 | 54 222 | (146) | (82) | **45 486** | **54 140** |
| Investment property | 80 | 180 | - | - | **80** | **180** |
| Other non-current investments | 6 | 6 | (216) | (314) | **(210)** | **(308)** |
| Trade and other receivables | 270 | 280 | (94) | (62) | **176** | **218** |
| Inventories | 7 | 7 | - | - | **7** | **7** |
| Current investments | 235 | 1 937 | - | - | **235** | **1 937** |
| Cash and cash equivalents | - | - | (90) | (115) | **(90)** | **(115)** |
| Loans and borrowings | 373 | 478 | (468) | (838) | **(95)** | **(360)** |
| Other non-current liabilities | 47 | 39 273 | - | - | **47** | **39 273** |
| Deferred income | 2 403 | 2 492 | - | - | **2 403** | **2 492** |
| Employee benefits | 1 177 | 848 | - | - | **1 177** | **848** |
| Provisions | 77 369 | 82 205 | - | - | **77 369** | **82 205** |
| Trade and other payables | 30 409 | 364 | - | (31) | **30 409** | **333** |
| Derivative financial instruments | 1 060 | 1 700 | - | - | **1 060** | **1 700** |
| **Deferred tax assets/liabilities on temporary differences** | **159 068** | **183 992** | **(85 077)** | **(90 274)** | **73 991** | **93 718** |
| Tax loss carry-forwards | 2 436 | 1 148 | - | - | **2 436** | **1 148** |
| **Deferred tax assets/liabilities** | **161 504** | **185 140** | **(85 077)** | **(90 274)** | **76 427** | **94 866** |
| Set off of tax | (85 077) | (90 274) | 85 077 | 90 274 | **-** | **-** |
| Valuation adjustment | (6 598) | (4 883) | - | - | **(6 598)** | **(4 883)** |
| **Net deferred tax assets/liabilities as in consolidated statement of financial position** | **69 829** | **89 983** | **-** | **-** | **69 829** | **89 983** |

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

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

## Changes of deferred tax during the period

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

| | 1 January 2016 | Change of deferred tax on temporary differences recognised in | | 31 December 2016 |
|---|---|---|---|---|
| | | profit or loss for the period | other comprehensive income | |
| Concession intangible assets | **(95 884)** | 7 052 | - | **(88 832)** |
| Property, plant and equipment and other intangible assets | **61 339** | (7 199) | - | **54 140** |
| Investment property | **277** | (97) | - | **180** |
| Other non-current investments | **(431)** | 123 | - | **(308)** |
| Trade and other receivables | **226** | (8) | - | **218** |
| Inventories | **7** | - | - | **7** |
| Current investments | **1 919** | 18 | - | **1 937** |
| Cash and cash equivalents | **(78)** | (37) | - | **(115)** |
| Loans and borrowings | **(374)** | 14 | - | **(360)** |
| Other non-current liabilities | **37 176** | 2 097 | - | **39 273** |
| Deferred income | **2 754** | (262) | - | **2 492** |
| Employee benefits | **1 270** | (431) | 9 | **848** |
| Provisions | **94 389** | (12 184) | - | **82 205** |
| Trade and other payables | **228** | 105 | - | **333** |
| Derivative financial instruments | **2 657** | 10 | (967) | **1 700** |
| Tax loss carry-forwards | **739** | 409 | - | **1 148** |
| Valuation adjustment | **(6 743)** | 1 860 | - | **(4 883)** |
| **Total** | **99 471** | **(8 530)** | **(958)** | **89 983** |

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

### Tax losses

According to the tax regulations, tax loss incurred in a given tax year can reduce taxable income over the next five consecutive tax years, however the decrease in any of those years cannot exceed 50% of the loss for a given year. As at 31 December 2017 the amount of tax losses remaining to be utilized amounted to TPLN 12,819 (31 December 2016: TPLN 6,041).

| *Amount of loss* | *Expiry date* |
|---|---|
| 1 943 | 2018 |
| 1 943 | 2019 |
| 1 107 | 2020 |
| 4 466 | 2021 |
| 3 360 | 2022 |
| **12 819** | |

## 20. Income tax receivables and liabilities

As at 31 December 2017 the income tax receivables amounted to TPLN 3,901 (31 December 2016: TPLN 1,341). These receivables will be settled with future income tax liabilities. Due to uncertain recovery of these receivables as at 31 December 2017, an allowance of TPLN 1,341 was recognized (31 December 2016: TPLN 1,341).

Income tax liabilities of TPLN 337 (31 December 2016: TPLN 13,905) represent the difference between payments made for the previous and current tax year and the amount of tax payable.

## 21. Trade and other receivables

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Trade receivables from related parties | 490 | 884 |
| Trade receivables from other parties | 11 049 | 11 736 |
| Receivables from taxes, duties, social and health insurances and other benefits | 12 086 | 283 |
| Other receivables from related parties | - | 844 |
| Other receivables from other parties | 1 827 | 2 569 |
| **Total** | **25 452** | **16 316** |

Trade and other receivables are presented net of allowances for doubtful debts amounting to TPLN 91,500 (31 December 2016: TPLN 91,565).

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

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **Gross overdue receivables** | | |
| up to 1 month | 83 | 61 |
| 1 - 6 months | 19 | 30 |
| 6 months - 1 year | - | 36 |
| over 1 year | 96 273 | 96 492 |
| **Total gross overdue receivables** | **96 375** | **96 619** |
| allowances for overdue and doubtful debts | (91 287) | (91 352) |
| **Net overdue receivables** | **5 088** | **5 267** |

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

Movements of allowances for all doubtful debts were as follows:

| | *2017* | *2016* |
|---|---|---|
| **Allowances for bad debts as at 1 January** | **(91 565)** | **(91 518)** |
| Allowances recognised | (2) | (66) |
| Allowances reversed | 53 | 40 |
| Allowances utilised | 14 | 10 |
| Other reclassifications | - | (31) |
| **Allowances for bad debts as at 31 December** | **(91 500)** | **(91 565)** |

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 doubtful. Overdue net receivables in amount of TPLN 4,986 are secured on the customer's property, which value exceeds the value of these receivables.

In 2017, in line with received payments and based on analysis of probability of post reporting date retrieval, the Group reversed some allowances for overdue receivables concerning the activity discontinued in previous years and current activity. Allowances amounting to TPLN 53 (2016: TPLN 40) were reversed.

## 22. Cash and cash equivalents

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Cash in hand | 111 | 98 |
| Bank balances | 66 846 | 22 982 |
| Current bank deposits | 327 386 | 342 104 |
| Cash in transit | 2 557 | 1 775 |
| **Cash and cash equivalents in the consolidated statement of financial position** | **396 900** | **366 959** |
| **Cash and cash equivalents in the consolidated statement of cash flows** | **396 900** | **366 959** |

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

# 23. Equity

## 23.1. Share capital

| | *31 December 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** |

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

## 23.2. 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 -431 in 2017 (2016: TPLN 426). As the consequence of hedged interest payments made in 2017, the Group reclassified the corresponding net change in fair value of cash flow hedges of TPLN -3,842 (2016: TPLN -4,665) 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 82, out of which TPLN 730 was attributable to portion of changes reclassified to finance expense (2016: TPLN -81 and TPLN 886 respectively).

## 23.3. Other reserve capitals and supplementary capital

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

### 23.4. 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 2017* | *31 December 2016* |
|---|---|---|
| **Non-controlling interest %** | **45%** | **45%** |
| Non-current assets | 9 945 | 8 944 |
| Current assets | 13 649 | 14 308 |
| Non-current liabilities | (5 259) | (4 971) |
| Current liabilities | (7 904) | (7 172) |
| **Net assets** | **10 431** | **11 109** |
| Net assets attributable to non-controlling interest | 4 694 | 4 999 |
| | | |
| Revenues | 44 374 | 42 351 |
| Profit for the period | 11 996 | 12 736 |
| Other comprehensive income | (27) | (35) |
| **Total comprehensive income for the period** | **11 969** | **12 701** |
| Profit for the period attr. to non-controlling interest | 5 398 | 5 731 |
| Total comprehensive income attr. to non-controlling interest | 5 387 | 5 715 |
| | | |
| Net cash from operating activities | 14 380 | 14 628 |
| Net cash from/(used in) investing activities | (270) | 9 |
| Net cash used in financing activities | (15 007) | (14 777) |
| **Net change in cash and cash equivalents** | **(897)** | **(140)** |
| | | |
| Dividends paid during the period attributable to non-controlling interest | (5 692) | (5 689) |

## 24. Earnings per share

The calculation of basic earnings per share was performed based on the net profit attributable to shareholders of the Company of TPLN 153,382 (2016: profit of TPLN 159,563 ) and a weighted average number of ordinary shares at the reporting date of 247,262 thousand (31 December 2016: 247,262 thousand).

### Net profit per ordinary share attributable to shareholders of the Company

| | *2017* | *2016* |
|---|---|---|
| Profit for the period attributable to shareholders of the Company (in TPLN) | 153 382 | 159 563 |
| 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)** | **0.62** | **0.65** |

As at 31 December 2017 and 31 December 2016 no factors were determined that would result in dilution of profit per one share.

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

## 25. Loans and borrowings

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Non-current portion of secured bank loans | 76 295 | 116 147 |
| **Non-current loans and borrowings** | **76 295** | **116 147** |
| | | |
| Current portion of secured bank loans | 40 943 | 37 215 |
| **Current loans and borrowings** | **40 943** | **37 215** |

On 28 December 2005, the Project Loan Agreement was signed by and between Stalexport Autostrada Małopolska S.A. and commercial banks. The credit availability period expired on 30 September 2010. The nominal value of the loan amounted to PLN 360 million. In 2017 the company repaid the total amount of TPLN 37,749 (2016: TPLN 34,851) of the abovementioned loan.

### Terms and conditions of loans and borrowings repayment

| | Currency | Nominal interest rate | Year of maturity | Liabilities at 31 December 2017 | Liabilities at 31 December 2016 |
|---|---|---|---|---|---|
| **Bank loans** | | | | | |
| Banking Consortium | PLN | WIBOR 6M + margin | 2020* | 117 238 | 153 362 |
| **Total loans and borrowings** | | | | **117 238** | **153 362** |

(*) Payments up to year 2020;

### Collateral established on Group's property

Apart from securities established on property, plant and equipment described in note 14, the most significant collateral established in relation to bank loans includes:

- 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.

## 26. Finance lease liabilities

As at 31 December 2017 and 31 December 2016 the Group had no outstanding finance lease liabilities.

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

## 27. Employee benefits

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **Non-current** | | |
| Retirement benefits | 519 | 399 |
| Disability benefits | 25 | 22 |
| Jubilee bonuses liabilities | 1 713 | 1 501 |
| Other employee benefits | 2 345 | 1 172 |
| **Total** | **4 602** | **3 094** |
| | | |
| **Non-current** | | |
| Retirement benefits | 235 | 244 |
| Disability benefits | 4 | 3 |
| Jubilee bonuses liabilities | 142 | 126 |
| **Total** | **381** | **373** |

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

Other employee benefits as at 31 December 2017 constituted a forecasted bonus payment for which Management Boards of companies constituting Group are eligible based on 3-year incentive schemes endorsed by their respective Supervisory Boards in 2016.

### 27.1. Movement in employee benefits

| | **Post-employment benefits** | | **Jubilee bonuses liabilities** | | **Other employee benefits** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | *2017* | *2016* | *2017* | *2016* | *2017* | *2016* | *2017* | *2016* |
| **As at 1 January** | **668** | **544** | **1 627** | **1 656** | **1 172** | **3 324** | **3 467** | **5 524** |
| **Included in profit or loss** | **96** | **79** | **337** | **104** | **1 173** | **505** | **1 606** | **688** |
| Current service cost | 81 | 70 | 228 | 207 | 1 173 | 1 171 | **1 482** | **1 448** |
| Gains arising from settlements | - | - | - | - | - | (666) | **-** | **(666)** |
| Interest cost | 15 | 9 | 52 | 44 | - | - | **67** | **53** |
| Actuarial (gain)/loss | - | - | 57 | (147) | - | - | **57** | **(147)** |
| **Included in other comprehensive income** | **35** | **45** | **-** | **-** | **-** | **-** | **35** | **45** |
| Actuarial (gain)/loss arising from: | 35 | 45 | - | - | - | - | **35** | **45** |
| - demographic assumptions | 4 | 79 | - | - | - | - | **4** | **79** |
| - financial assumptions | 18 | (23) | - | - | - | - | **18** | **(23)** |
| - other assumptions | 13 | (11) | - | - | - | - | **13** | **(11)** |
| **Benefits paid** | **(16)** | **-** | **(109)** | **(133)** | **-** | **(2 657)** | **(125)** | **(2 790)** |
| **As at 31 December** | **783** | **668** | **1 855** | **1 627** | **2 345** | **1 172** | **4 983** | **3 467** |

### 27.2. Actuarial assumptions

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

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Discount rate | 3.2%-3.3% | 2.8%-3.5% |
| Future remuneration increase | 3.0%-6.0% | 3.0%-5.0% |
| Probability of resignation | 2.2%-6.1% | 2.0%-6.1% |

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

| *(in years)* | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Post-employment benefits | 12.2-18.0 | 11.6-18.0 |
| Jubilee bonuses liabilities | 6.8-15.6 | 7.8-15.0 |

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

### 27.3. Sensitivity analysis

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

| | Discount rate change | | Remuneration increase change | | Probability of resignation change | |
|---|---|---|---|---|---|---|
| ***31 December 2017*** | - 0.5 ppt | + 0.5 ppt | - 0.5 ppt | + 0.5 ppt | - 0.5 ppt | + 0.5 ppt |
| Retirement benefits | 784 | 725 | 725 | 784 | 1 241 | 752 |
| Disability benefits | 30 | 29 | 29 | 30 | 30 | 29 |
| Jubilee bonuses liabilities | 1 915 | 1 799 | 1 799 | 1 914 | 1 918 | 1 795 |
| **Total** | **2 729** | **2 553** | **2 553** | **2 728** | **3 189** | **2 576** |
| ***31 December 2016*** | - 0.5 ppt | + 0.5 ppt | - 0.5 ppt | + 0.5 ppt | - 0.5 ppt | + 0.5 ppt |
| Retirement benefits | 669 | 622 | 622 | 669 | 666 | 620 |
| Disability benefits | 26 | 24 | 24 | 26 | 26 | 24 |
| Jubilee bonuses liabilities | 1 679 | 1 575 | 1 575 | 1 679 | 1 682 | 1 571 |
| **Total** | **2 374** | **2 221** | **2 221** | **2 374** | **2 374** | **2 215** |

## 28. Other non-current liabilities

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Concession Payments | 252 | 206 700 |
| Other payables to related parties | 5 201 | 3 245 |
| Other payables to other parties | 921 | 1 119 |
| **Total** | **6 374** | **211 064** |

According to the Concession Agreement SAM S.A. is 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 amounts to TPLN 222,918. A discount rate of 5.64% was used to discount the liability (2016: 5.64%). In 2017 the Concession Payments with the carrying amount of TPLN 218,106 were reclassified to current liabilities (see note 31).

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.

## 29. Deferred income

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **Non-current** | | |
| Deferred rental income (mainly passengers service areas) | 6 795 | 7 621 |
| Other | 59 | 65 |
| **Total** | **6 854** | **7 686** |
| **Current** | | |
| Deferred rental income (mainly passengers service areas) | 825 | 825 |
| Prepaid tolls for passage through A-4 Katowice - Kraków motorway | 4 962 | 4 599 |
| Other | 7 | 7 |
| **Total** | **5 794** | **5 431** |

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

## 30. Provisions

| Non-current provisions | Provisions for motorway resurfacing | Provisions for capital expenditures (Phase II) | Total |
|---|---|---|---|
| **Balance at 1 January 2016** | **64 607** | **338 978** | **403 585** |
| Additions, including: | 21 460 | 5 527 | **26 987** |
| *- due to discounting* | *1 213* | *5 527* | ***6 740*** |
| Change of estimates | 4 444 | 29 240 | **33 684** |
| Reclassifications | (46 627) | (72 827) | **(119 454)** |
| **Balance at 31 December 2016** | **43 884** | **300 918** | **344 802** |
| | | | |
| **Balance at 1 January 2017** | **43 884** | **300 918** | **344 802** |
| Additions, including: | 16 278 | 5 801 | **22 079** |
| *- due to discounting* | *838* | *5 801* | ***6 639*** |
| Change of estimates | (9 662) | 17 588 | **7 926** |
| Reclassifications | (932) | (11 631) | **(12 563)** |
| **Balance at 31 December 2017** | **49 568** | **312 676** | **362 244** |
| | | | |
| **Current provisions** | | | |
| | | | |
| **Balance at 1 January 2016** | **52 751** | **40 452** | **93 203** |
| Additions, including: | 605 | 772 | **1 377** |
| *- due to discounting* | *605* | *772* | ***1 377*** |
| Change of estimates | (46 885) | (29 284) | **(76 169)** |
| Utilisation | (16 877) | (32 315) | **(49 192)** |
| Capital expenditures transferred from property, plant and equipment under construction | - | (817) | **(817)** |
| Reclassifications | 46 627 | 72 828 | **119 455** |
| **Balance at 31 December 2016** | **36 221** | **51 636** | **87 857** |
| | | | |
| **Balance at 1 January 2017** | **36 221** | **51 636** | **87 857** |
| Additions, including: | 539 | 833 | **1 372** |
| *- due to discounting* | *539* | *833* | ***1 372*** |
| Change of estimates | (3 135) | (3 663) | **(6 798)** |
| Utilisation | (21 937) | (26 855) | **(48 792)** |
| Capital expenditures transferred to property, plant and equipment | - | 111 | **111** |
| Capital expenditures transferred from property, plant and equipment under construction | - | (1 355) | **(1 355)** |
| Reclassifications | 932 | 11 631 | **12 563** |
| **Balance at 31 December 2017** | **12 620** | **32 338** | **44 958** |

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 2016 the rates ranged from 1.90% to 3.84%, currently from 2% to 3.62%). As result of those changes the provision for resurfacing increased by TPLN 122 (2016: decrease of TPLN 325), 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 606 (2016: decrease of TPLN 1,981), which was recognized as an increase of concession intangible assets.

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

During the current period the Group also conducted a revaluation of provision for resurfacing and provision for capital expenditures of Phase II following the change of estimates regarding expected expenditures and future construction works schedule. As result of these changes the provision for resurfacing decreased by TPLN 12,919 (2016: decrease of TPLN 42,116), 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 13,319 (2016: increase of TPLN 1,937), which was recognized as an increase of concession intangible assets.

## 31. Trade and other payables (current)

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Trade payables to related parties | 5 263 | 2 257 |
| Trade payables to other parties | 8 714 | 8 759 |
| Amounts due to taxes, duties, social and health insurance and other benefits | 2 192 | 3 518 |
| Payroll liabilities | 2 054 | 1 794 |
| Concession Payments | 158 520 | - |
| Other payables and accruals to related parties | 5 165 | 3 926 |
| Other payables and accruals to other parties | 3 027 | 1 976 |
| **Total** | **184 935** | **22 230** |

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 5,883 as at 31 December 2017 (31 December 2016: TPLN 4,088).

In December 2017 SAM S.A. settled part of the Concession Payments amounting to TPLN 59,585 net (see also note 28).

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

# 32. Financial instruments

## 32.1. 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 2017* | | Carrying amount | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Note* | Loans and receivables | Available-for-sale financial assets | Derivatives | Financial liabilities valued at amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets not measured at fair value** | | | | | | | | | | |
| Equity instruments* | 18 | - | 1 473 | - | - | **1 473** | | | | |
| Trade and other receivables** | 21 | 13 366 | - | - | - | **13 366** | | | | |
| Non-current deposits | 18 | 434 077 | - | - | - | **434 077** | | | | |
| Cash and cash equivalents | 22 | 396 900 | - | - | - | **396 900** | | | | |
| | | **844 343** | **1 473** | **-** | **-** | **845 816** | | | | |
| **Financial liabilities measured at fair value** | | | | | | | | | | |
| Hedge derivatives*** | 32.2 | - | - | (6 456) | - | **(6 456)** | - | (6 456) | - | **(6 456)** |
| | | **-** | **-** | **(6 456)** | **-** | **(6 456)** | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | | |
| Loans and borrowings | 25 | - | - | - | (117 238) | **(117 238)** | | | | |
| Concession Payments**** | 28 | - | - | - | (158 772) | **(158 772)** | | | | |
| Trade and other payables** | 31 | - | - | - | (30 345) | **(30 345)** | | | | |
| | | **-** | **-** | **-** | **(306 355)** | **(306 355)** | | | | |

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

| *31 December 2016* | | Carrying amount | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Note* | Loans and receivables | Available-for-sale financial assets | Derivatives | Financial liabilities valued at amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets not measured at fair value** | | | | | | | | | | |
| Equity instruments* | 18 | - | 1 557 | - | - | **1 557** | | | | |
| Trade and other receivables** | 21 | 16 033 | - | - | - | **16 033** | | | | |
| Non-current deposits | 18 | 447 353 | - | - | - | **447 353** | | | | |
| Cash and cash equivalents | 22 | 366 959 | - | - | - | **366 959** | | | | |
| | | **830 345** | **1 557** | **-** | **-** | **831 902** | | | | |
| **Financial liabilities measured at fair value** | | | | | | | | | | |
| Hedge derivatives*** | 32.2 | - | - | (10 014) | - | **(10 014)** | - | (10 014) | - | **(10 014)** |
| | | **-** | **-** | **(10 014)** | **-** | **(10 014)** | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | | |
| Loans and borrowings | 25 | - | - | - | (153 362) | **(153 362)** | | | | |
| Concession Payments**** | 28 | - | - | - | (206 700) | **(206 700)** | | | | |
| Trade and other payables** | 31 | - | - | - | (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 (see note 33.3 for more details).

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

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

### Hierarchy of financial instruments carried at fair value

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

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

## 32.2. Hedge accounting

### Cash flow hedge accounting

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

The expected cash flows subject to hedge are taking place in semi-annual periods between the 31 March 2009 and the 28 December 2020. The expected date of hedging transaction recognition in profit or loss matches the date of cash flows being hedged (see also notes 23.2 and 5.11.2).

Liability deriving from the valuation of the hedging instruments as at 31 December 2017 amounted to TPLN 6,456 (31 December 2016: TPLN 10,014). The impact of future cash flow hedge accounting identified as effective, was recognized in other comprehensive income.

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

| | Financial liabilities | | Hedge derivatives | Total |
|---|---|---|---|---|
| | Loans and borrowings | Concession Payments | Interest rate swaps used for hedging (liability) | |
| **Balance as at 1 January 2017** | **153 362** | **206 700** | **10 014** | **370 076** |
| ***Changes from financing cash flows*** | **(37 749)** | **(59 585)** | **-** | **(97 334)** |
| Repayment of loans and borrowings | (37 749) | - | - | **(37 749)** |
| Settlement of Concession Payments | - | (59 585) | - | **(59 585)** |
| ***Changes in fair value*** | **-** | **-** | **(3 361)** | **(3 361)** |
| ***Other changes*** | **1 625** | **11 657** | **(197)** | **13 085** |
| Interest expense | 6 906 | 11 657 | 3 842 | **22 405** |
| Interest paid | (5 281) | - | (4 039) | **(9 320)** |
| **Balance as at 31 December 2017** | **117 238** | **158 772** | **6 456** | **282 466** |

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

# 33. Financial risk management

## 33.1. 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 2017* | *31 December 2016* |
|---|---|---|
| Other non-current investments | 434 147 | 447 422 |
| Current investments | 1 403 | 1 488 |
| Income tax receivables | 2 560 | - |
| Trade and other receivables | 25 452 | 16 316 |
| Cash and cash equivalents | 396 900 | 366 959 |
| **Total** | **860 462** | **832 185** |

## 33.2. Stock exchange indexes fluctuations risk

Stock exchange indexes fluctuations risk relates to risk of possible financial losses due to fluctuations of stock exchange quotations. The risk concerned the shares of public listed companies disclosed as available-for-sale financial assets.

As at 31 December 2017 the Group was not in the possession of shares of public listed companies. As at 31 December 2016 the shares of Ideon S.A. held by the Group were subject to impairment loss in full.

## 33.3. 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:

| | Carrying amount *31 December 2017* | Carrying amount *31 December 2016* |
|---|---|---|
| **Fixed interest rate instruments** | | |
| Financial assets | 434 077 | 447 353 |
| **Total** | **434 077** | **447 353** |
| | | |
| **Floating interest rate instruments** | | |
| Financial assets | 396 900 | 366 959 |
| Financial liabilities | (274 919) | (358 647) |
| **Total** | **121 981** | **8 312** |

In accordance with provisions of financing agreements concluded, on 27 May 2008, SAM S.A. and three banks: WestLB Bank Polska S.A. (Raiffeisen Bank Polska S.A. is currently a party in these transactions), PEKAO S.A., DEPFA Bank (replaced by FMS WERTMANAGEMENT), struck interest rate swaps transactions in relation to

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

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.

As at 31 December 2017, SAM S.A. owned interest rate swaps hedging against the risk of future interest rates fluctuations in relation to bank loan amounting to PLN 170 million, constituting up to 50% of maximum amount of bank loan, which might have been drawn in accordance with Project Loan Agreement (during the period from 30 September 2008 to 30 September 2010 the transactions secured interest flows in relation to bank loan of PLN 70 million, during the period from 1 October 2010 to 28 December 2020 the transactions will hedge interest flows in relation to bank loan up to PLN 190 million). The maturities of secured interest payments in hedging transactions are in line with the maturities of interest outflows resulting from the Project Loan Agreement.

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 2017** | | | | |
| Floating interest rate instruments | 1 220 | (1 220) | 1 220 | (1 220) |
| Hedge derivatives | - | - | 1 669 | (1 669) |
| **31 December 2016** | | | | |
| Floating interest rate instruments | 83 | (83) | 83 | (83) |
| Hedge derivatives | - | - | 2 610 | (2 610) |

## Foreign currency risk

At the end of 2017 foreign currency risk concerned cash and cash equivalents and trade and other payables.

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

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

**31 December 2017**

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

**31 December 2016**

| | **EUR** | **USD** | **GBP** |
|---|---|---|---|
| Cash and cash equivalents | 604 | 36 | - |
| Trade and other payables | (288) | - | (122) |
| **Net consolidated statement of financial position exposure** | **316** | **36** | **(122)** |

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

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

| | Profit or loss for the period | | Equity | |
|---|---|---|---|---|
| | increase of exchange rates by 5% | decrease of exchange rates by 5% | increase of exchange rates by 5% | decrease of exchange rates by 5% |
| **31 December 2017** | 21 | (21) | 21 | (21) |
| **31 December 2016** | 12 | (12) | 12 | (12) |

## 33.4. 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 2017***

| **Non-derivative financial liabilities** | **Carrying value** | **Contracted cash flow value** | **up to 6 months** | **6-12 months** | **1-2 years** | **2-5 years** |
|---|---|---|---|---|---|---|
| Concession Payments | **158 772** | **(163 332)** | (78 512) | (84 547) | (273) | - |
| Secured bank loans | **117 238** | **(125 827)** | (22 159) | (22 636) | (46 713) | (34 319) |
| Other non-current liabilities | **6 122** | **(6 122)** | - | - | (1 365) | (4 757) |
| Trade and other payables | **26 415** | **(26 415)** | (26 415) | - | - | - |
| **Derivatives outflows** | | | | | | |
| Interest rate swaps used for hedging | **6 456** | **(6 614)** | (1 751) | (1 506) | (2 124) | (1 233) |
| **Total** | **315 003** | **(328 310)** | **(128 837)** | **(108 689)** | **(50 475)** | **(40 309)** |

***31 December 2016***

| **Non-derivative financial liabilities** | **Carrying value** | **Contracted cash flow value** | **up to 6 months** | **6-12 months** | **1-2 years** | **2-5 years** |
|---|---|---|---|---|---|---|
| Concession Payments | **206 700** | **(222 918)** | - | - | - | (222 918) |
| Secured bank loans | **153 362** | **(168 968)** | (21 356) | (21 772) | (44 859) | (80 981) |
| Other non-current liabilities | **4 364** | **(4 364)** | - | - | (601) | (3 763) |
| Trade and other payables | **22 230** | **(22 230)** | (22 230) | - | - | - |
| **Derivatives outflows** | | | | | | |
| Interest rate swaps used for hedging | **10 014** | **(10 328)** | (2 174) | (1 930) | (3 004) | (3 220) |
| **Total** | **396 670** | **(428 808)** | **(45 760)** | **(23 702)** | **(48 464)** | **(310 882)** |

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

### 33.5. 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.

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

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Total liabilities | 740 173 | 859 818 |
| *minus* | | |
| Provisions for capital expenditures (Phase II) | 345 014 | 352 554 |
| Derivatives (net of deferred tax effect) | 5 396 | 8 314 |
| Non-current deposits | 434 077 | 447 353 |
| Cash and cash equivalents | 396 900 | 366 959 |
| **Net debt** | **(441 214)** | **(315 362)** |
| Total equity | 698 173 | 586 828 |
| *minus* | | |
| Hedge reserve | (4 443) | (7 206) |
| **Adjusted equity** | **702 616** | **594 034** |
| **Net debt to adjusted equity ratio** | **(0.63)** | **(0.53)** |

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

## 34. Operating leases

As at 31 December 2017 and 31 December 2016 neither of companies constituting the Group was bound by operating lease agreements.

## 35. 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 and also costs of support and maintenance during the contract period, amounts to TPLN 37,850. As at 31 December 2017 the financial progress of the project amounted to TPLN 36,790 (97% of the contract value), out of which TPLN 13,296 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" ultimately amounting to TPLN 21,489 (including change orders). As at 31 December 2017 the financial progress of the project (value of works recorded) amounted to TPLN 21,489 (100% of the contract value), out of which TPLN 1,256 was recorded in 2017.

On 5 February 2016 SAM S.A. and consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. signed the contract HM-3-2016 „Resurfacing 2016-2017" for the resurfacing of motorway sections with a total length of 59.9 km, resurfacing of bridges and the partial reconstruction of linear drainage within the motorway median. The current contract value amounts to TPLN 44,783 (including change orders). As at 31 December 2017 the financial progress of the project (value of works recorded) amounted to TPLN 35,115 (78% of the contract value), out of which TPLN 18,854 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 28,172 (including change orders). The contract includes reconstruction of drainage for eight catchments in Silesian voivodeship. As at 31 December 2017 the financial progress of the project (value of works recorded) amounted to TPLN 22,517 (80% of the contract value), out of which TPLN 15,069 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 currently amounting to TPLN 2,314. As at 31 December 2017 the financial progress of the project (value of works recorded) amounted to TPLN 2,314 (100% of the contract value), out of which TPLN 1,864 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" currently amounting to TPLN 2,898. As at 31 December 2017 the financial progress of the project (value of works recorded) amounted to TPLN 2,898 (100% 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. As at 31 December 2017 the financial progress of the project (value of works recorded) amounted to TPLN 235 (7% of the contract value).

On 4 July 2017 SAM S.A. employed Pavimental Polska Sp. z o.o. for the contract ROM48 "Renovation of M48 bridge supports" amounting to TPLN 21,300. As at 31 December 2017 the financial progress of the project (value of works recorded) amounted to TPLN 2,107 (10% of the contract value).

On 5 July 2017 SAM S.A. employed Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. for the contract involving modernization of motorway pipe culverts amounting to TPLN 1,967. The contract included the overhaul of five pipe culverts located within the road strip of the motorway. As at 31 December 2017 the financial progress of the project (value of works recorded) amounted to TPLN 1,967 (100% of the contract value).

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

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 to TPLN 1,802. As at 31 December 2017 the financial progress of the project (value of works recorded) amounted to TPLN 667 (37% of the contract value).

## 36. Contingent liabilities

Contingent liabilities relate to guarantees given to related entities amounting to TPLN 22,758 (31 December 2016: TPLN 21,540).

## 37. Related party transactions

### 37.1. Intragroup receivables and liabilities

| 31 December 2017 | Receivables | Trade payables | Guarantees and suspended amounts* |
|---|---|---|---|
| Atlantia S.p.A. | - | 17 | - |
| ***Parent entities*** | ***-*** | ***17*** | ***-*** |
| Biuro Centrum Sp. z o.o. | 8 | 61 | - |
| ***Associates*** | ***8*** | ***61*** | ***-*** |
| Pavimental S.p.A. S.A. Oddział w Polsce | - | 1 302 | 4 964 |
| Pavimental Polska Sp. z o.o. | 10 | 1 284 | 3 816 |
| Telepass S.p.A. | 472 | - | - |
| Autostrade Tech S.p.A. | - | 2 589 | 1 586 |
| Autogrill Polska Sp. z o.o. | - | - | 10 |
| ***Other related entities*** | ***482*** | ***5 175*** | ***10 376*** |
| **Total** | **490** | **5 253** | **10 376** |

| 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 | - | - |
| Autostrade Tech S.p.A. | 985 | 362 | 806 |
| Autogrill Polska Sp. z o.o. | - | - | 10 |
| ***Other related entities*** | ***1 720*** | ***2 166*** | ***7 182*** |
| **Total** | **1 728** | **2 246** | **7 182** |

(*) See notes 28 and 31;

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

## 37.2. Related party transactions amounts

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

| 2016 | Revenue | Other income | Cost of acquired goods and services | Capital expenditures and resurfacing works |
|---|---|---|---|---|
| Biuro Centrum Sp. z o.o. | 277 | - | (3 107) | - |
| ***Associates*** | ***277*** | ***-*** | ***(3 107)*** | ***-*** |
| Pavimental S.p.A. S.A. Oddział w Polsce | - | - | - | (25 135) |
| Pavimental Polska Sp. z o.o. | 134 | 13 | (355) | (16 261) |
| Autogrill Polska Sp. z o.o. | 57 | - | - | - |
| Telepass S.p.A. | 1 189 | 5 | - | - |
| Autostrade Tech S.p.A. | 273 | 34 | (873) | (111) |
| Spea Ingegneria Europea S.p.A. | - | - | - | (160) |
| ***Other related entities*** | ***1 653*** | ***52*** | ***(1 228)*** | ***(41 667)*** |
| **Total** | **1 930** | **52** | **(4 335)** | **(41 667)** |

## 37.3. Transactions with key personnel

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

| | ***2017*** | ***2016*** |
|---|---|---|
| **the Company** | | |
| ***Management Board*** | ***1 861*** | ***1 268*** |
| Salaries | 830 | 841 |
| Movement in employee benefits liabilities | 1 031 | 427 |
| ***Supervisory Board*** | ***70*** | ***67*** |
| Salaries | 70 | 67 |
| | | |
| **Subsidiaries** | | |
| ***Management Boards*** | ***2 068*** | ***2 010*** |
| Salaries | 1 931 | 1 978 |
| Movement in employee benefits liabilities | 137 | 32 |
| ***Supervisory Boards*** | ***1*** | ***2*** |
| Salaries | 1 | 2 |
| **Total** | **4 000** | **3 347** |

In 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 did not grant to the above-mentioned individuals any advance payments or guarantees.

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

Information regarding the remuneration of entity assigned to audit the consolidated financial statements has been provided within point 5.20 of the Management Board Report on the activities of the Group.

## 39. Subsequent events

There were no significant subsequent events, which should be disclosed in the consolidated financial statements for the year 2017.