STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the three-month period ended 31 March 2018

Mysłowice, 10 May 2018

Contents

Condensed consolidated interim statement of comprehensive income
for the three-month period ended

In thousands of PLN, unless stated otherwise	**Note**	***31 March 2018*** *(unaudited)*	***31 March 2017**** *(unaudited)*
Revenue	6, 8	75 915	70 360
Cost of sales	6, 9	(21 601)	(10 522)
Gross profit		**54 314**	**59 838**
Other income	10	3 747	868
Administrative expenses	9	(8 410)	(7 607)
Other expenses	11	(3 051)	(51)
Impairment loss on trade and other receivables		(13)	(1)
Results from operating activities		**46 587**	**53 047**
Finance income		3 296	3 216
Finance expenses		(6 622)	(8 003)
Net finance expense	12	**(3 326)**	**(4 787)**
Share of profit of equity accounted investees (net of income tax)		**55**	**30**
Profit before income tax		**43 316**	**48 290**
Income tax expense		(8 259)	(9 304)
Profit for the period		**35 057**	**38 986**
Other comprehensive income			
Items that will never be reclassified to profit or loss for the period			
Change in fair value of equity instruments		31	-
Income tax on other comprehensive income		(6)	-
		25	-
Items that are or may be reclassified subsequently to profit or loss for the period			
Foreign currency translation differences for foreign operations		7	(93)
Effective portion of changes in fair value of cash flow hedges		(306)	(296)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period		844	1 051
Income tax on other comprehensive income		(102)	(143)
		443	**519**
Other comprehensive income for the period, net of income tax		**468**	**519**
Total comprehensive income for the period		**35 525**	**39 505**
Profit attributable to:			
Owners of the Company		33 557	37 553
Non-controlling interest		1 500	1 433
Profit for the period		**35 057**	**38 986**
Total comprehensive income attributable to:			
Owners of the Company		34 025	38 072
Non-controlling interest		1 500	1 433
Total comprehensive income for the period		**35 525**	**39 505**
Earnings per share			
Basic earnings per share (PLN)		0.14	0.15
Diluted earnings per share (PLN)		0.14	0.15

* Restated - see note 5.

Condensed consolidated interim statement of financial position

as at

In thousands of PLN	*Note*	*31 March 2018 (unaudited)*	*31 December 2017*	*31 March 2017 (unaudited)*
ASSETS				
Non-current assets				
Property, plant and equipment	13	35 323	36 666	41 009
Intangible assets	14	454 071	463 855	477 503
Investment property		3 748	3 870	4 261
Investments in associates		1 089	1 034	1 051
Other non-current investments		452 391	434 147	456 573
Deferred tax assets	15	69 784	69 829	88 246
Total non-current assets		**1 016 406**	**1 009 401**	**1 068 643**
Current assets				
Inventories		2 304	2 630	1 864
Current investments		1 435	1 403	1 474
Income tax receivables		980	2 560	-
Trade and other receivables	16	24 305	25 452	14 584
Cash and cash equivalents		404 539	396 900	366 331
Total current assets		**433 563**	**428 945**	**384 253**
Total assets		**1 449 969**	**1 438 346**	**1 452 896**
EQUITY AND LIABILITIES				
Equity	18			
Share capital	18.1	185 447	185 447	185 447
Treasury shares		-	-	(20)
Share premium reserve		7 430	7 430	7 430
Fair value reserve	18.3	25	-	-
Hedging reserve	18.2	(4 007)	(4 443)	(6 594)
Other reserve capitals and supplementary capital		427 803	281 675	231 445
Foreign currency translation reserve		183	184	89
Retained earnings and uncovered losses		110 623	223 186	202 104
Total equity attributable to owners of the Company		**727 504**	**693 479**	**619 901**
Non-controlling interest		2 201	4 694	2 134
Total equity		**729 705**	**698 173**	**622 035**
Liabilities				
Non-current liabilities				
Loans and borrowings		55 271	76 295	96 536
Employee benefits		4 896	4 602	3 388
Deferred income		6 646	6 854	7 478
Other non-current liabilities		4 892	6 374	213 964
Provisions	19	353 527	362 244	343 922
Total non-current liabilities		**425 232**	**456 369**	**665 288**
Current liabilities				
Loans and borrowings		41 287	40 943	37 465
Derivative financial instruments		5 053	6 456	8 188
Income tax liabilities		389	337	3 702
Trade and other payables		181 669	184 935	22 322
Employee benefits		358	381	355
Deferred income		7 051	5 794	7 340
Provisions	19	59 225	44 958	86 201
Total current liabilities		**295 032**	**283 804**	**165 573**
Total liabilities		**720 264**	**740 173**	**830 861**
Total equity and liabilities		**1 449 969**	**1 438 346**	**1 452 896**

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

Condensed consolidated interim statement of cash flows

for the three-month period ended

In thousands of PLN	*31 March 2018 (unaudited)*	*31 March 2017 (unaudited)*
Cash flows from operating activities		
Profit before income tax	**43 316**	**48 290**
Adjustments for		
Depreciation and amortisation	12 717	11 455
Foreign currency translation differences for foreign operations	7	(93)
Loss on investment activity	-	13
Loss on disposal of property, plant and equipment and intangible assets	2	1
Interest and dividends	(898)	(185)
Share in profit of associated entities	(55)	(30)
Change in receivables	1 147	1 733
Change in inventories	326	283
Change in trade and other payables	(1 818)	6 684
Change in provisions	5 237	(3 798)
Change in deferred income	1 049	1 701
Cash generated from operating activities	**61 030**	**66 054**
Income tax paid	(6 690)	(17 914)
Net cash from operating activities	**54 340**	**48 140**
Cash flows from investing activities		
Investment proceeds	**4 373**	**4 837**
Sale of intangible assets and property, plant and equipment	28	-
Interest received	4 345	4 837
Investment expenditures	**(27 160)**	**(28 551)**
Acquisition of intangible assets and property, plant and equipment	(7 813)	(17 765)
Non-current deposits held for investment expenditures	(19 347)	(10 785)
Acquisition of financial assets	-	(1)
Net cash used in investing activities	**(22 787)**	**(23 714)**
Cash flows from financing activities		
Financial expenditures	**(23 914)**	**(25 054)**
Dividends paid, including attributable to:	-	(1 575)
non-controlling interest	-	(1 575)
Repayment of loans and borrowings	(20 036)	(18 498)
Interest paid	(3 878)	(4 981)
Net cash used in financing activities	**(23 914)**	**(25 054)**
Total net cash flows	**7 639**	**(628)**
Change in cash and cash equivalents	**7 639**	**(628)**
Cash and cash equivalents at the beginning of the period	**396 900**	**366 959**
Cash and cash equivalents at the end of the period	**404 539**	**366 331**

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

Condensed consolidated interim statement of changes in equity

In thousands of PLN

(unaudited)	Share capital	Treasury shares	Share premium reserve	Fair value reserve	Hedging reserve	Other reserve capitals and supplementary capital	Foreign currency translation reserve	Retained earnings and uncovered losses	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
As at 1 January 2017	**185 447**	**(20)**	**7 430**	**-**	**(7 206)**	**231 486**	**137**	**164 555**	**581 829**	**4 999**	**586 828**
Profit for the period	-	-	-	-	-	-	-	*37 553*	*37 553*	*1 433*	*38 986*
Other comprehensive income:	-	-	-	-	*612*	*(41)*	*(48)*	*(4)*	*519*	-	*519*
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(296)	-	-	-	**(296)**	-	**(296)**
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	-	-	-	-	1 051	-	-	-	**1 051**	-	**1 051**
Foreign currency translation differences for foreign operations	-	-	-	-	-	(41)	(48)	(4)	**(93)**	-	**(93)**
Income tax on other comprehensive income	-	-	-	-	(143)	-	-	-	**(143)**	-	**(143)**
Total comprehensive income for the period	-	-	-	-	*612*	*(41)*	*(48)*	*37 549*	*38 072*	*1 433*	*39 505*
Dividends	-	-	-	-	-	-	-	-	-	(4 298)	**(4 298)**
As at 31 March 2017	**185 447**	**(20)**	**7 430**	**-**	**(6 594)**	**231 445**	**89**	**202 104**	**619 901**	**2 134**	**622 035**

	Share capital	Treasury shares	Share premium reserve	Fair value reserve	Hedging reserve	Other reserve capitals and supplementary capital	Foreign currency translation reserve	Retained earnings and uncovered losses	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
As at 1 January 2017	**185 447**	**(20)**	**7 430**	**-**	**(7 206)**	**231 486**	**137**	**164 555**	**581 829**	**4 999**	**586 828**
Profit for the period	-	-	-	-	-	-	-	*153 382*	*153 382*	*5 398*	*158 780*
Other comprehensive income:	-	-	-	-	*2 763*	*(51)*	*47*	*(22)*	*2 737*	*(11)*	*2 726*
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(431)	-	-	-	**(431)**	-	**(431)**
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	-	-	-	-	3 842	-	-	-	**3 842**	-	**3 842**
Remeasurement of employee benefits	-	-	-	-	-	-	-	(21)	**(21)**	(14)	**(35)**
Foreign currency translation differences for foreign operations	-	-	-	-	-	(51)	47	(5)	**(9)**	-	**(9)**
Income tax on other comprehensive income	-	-	-	-	(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	-	-	-	-	-	-	-	(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**

(unaudited)	Share capital	Treasury shares	Share premium reserve	Fair value reserve	Hedging reserve	Other reserve capitals and supplementary capital	Foreign currency translation reserve	Retained earnings and uncovered losses	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
As at 1 January 2018	**185 447**	**-**	**7 430**	**-**	**(4 443)**	**281 675**	**184**	**223 186**	**693 479**	**4 694**	**698 173**
Profit for the period	-	-	-	-	-	-	-	*33 557*	*33 557*	*1 500*	*35 057*
Other comprehensive income:	-	-	-	*25*	*436*	*8*	*(1)*	-	*468*	-	*468*
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(306)	-	-	-	**(306)**	-	**(306)**
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	-	-	-	-	844	-	-	-	**844**	-	**844**
Change in fair value of equity instruments	-	-	-	31	-	-	-	-	**31**	-	**31**
Foreign currency translation differences for foreign operations	-	-	-	-	-	8	(1)	-	**7**	-	**7**
Income tax on other comprehensive income	-	-	-	(6)	(102)	-	-	-	**(108)**	-	**(108)**
Total comprehensive income for the period	-	-	-	*25*	*436*	*8*	*(1)*	*33 557*	*34 025*	*1 500*	*35 525*
Dividends	-	-	-	-	-	-	-	-	-	(3 993)	**(3 993)**
Allocation of profit to supplementary capital	-	-	-	-	-	146 120	-	(146 120)	-	-	-
As at 31 March 2018	**185 447**	**-**	**7 430**	**25**	**(4 007)**	**427 803**	**183**	**110 623**	**727 504**	**2 201**	**729 705**

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

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

1. Group overview

Stalexport Autostrady S.A. ("the Company", "the Parent Entity") 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 March 2018, beside the Company, the Group comprised of the following entities:

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

* through Stalexport Autoroute S.a r.l.;
** this entity is not subject to consolidation due to existing limitations regarding control exercise.

The condensed consolidated interim financial statements as at the day and for the three-month period ended 31 March 2018 comprise financial statements of the Company and its subsidiaries and also Group's share in net assets of associates.

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

2. Basis for preparation of condensed consolidated interim financial statements

2.1. Statement of compliance

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

Condensed consolidated interim financial statements do not include all the information required for yearly financial statements and therefore should be analysed together with the Group's consolidated financial statements as at the day and for the year ended 31 December 2017.

The condensed consolidated interim financial statements were approved by the Management Board of the Company on 10 May 2018.

2.2. Functional and presentation currency

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

2.3. Use of estimates and judgments

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

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

Judgments and estimates made by the Management Board, which have significant impact on condensed consolidated interim financial statements, have been disclosed in notes 14, 15, 16, 19 and 20.

2.4. New standards and interpretations not applied in these condensed consolidated interim financial statements

New standards, amendments to standards and interpretations, which are effective for annual periods beginning after 1 January 2018, have not been applied in preparation of these condensed consolidated interim 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.

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 condensed consolidated interim financial statements.

3. Going concern

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

4. Information concerning the Concession Agreement

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

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

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

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

Throughout the term of this 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, implementation of maintenance centre in Brzęczkowice and construction of a communication and motorway traffic management system, including an emergency communication system. Further investment phases (Phase II) in progress or to be carried out include, among others, renovations of bridges, development of junctions, construction of rest areas and works related to environmental protection measures (constructions of noise screens, motorway drainage system, passes for animals).

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

According to provisions of the Concession Agreement between SAM S.A. and the Minister of Infrastructure and 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. Description of significant accounting principles

Except for the changes described below resulting from the introduction of new standards effective for reporting periods beginning on 1 January 2018 or later, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017.

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.

Considering the nature of Group's business, categories of revenue (note 8) as well as the provisions of contracts with customers, the retrospective application of MSSF 15 had no bearing on Group's equity as of the date of its initial application, i.e. 1 January 2018.

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.

(i) Classification and measurement

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

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

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

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

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

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

(ii) Impairment

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

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

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

In relation to trade receivables the Group, in line with the option foreseen in the standard, measures loss allowances at an amount equal to lifetime expected credit losses.

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

Impairment losses (allowances) related to trade and other receivables have been presented separately in the condensed consolidated interim statement of comprehensive income. Due to the above, the Group reclassified accordingly the impairment losses amounting to TPLN 1 incurred in the 3-month period ended 31 March 2017 from the item other expenses of the condensed consolidated interim statement of comprehensive income for that period.

(iii) Hedge accounting

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

(iv) Transition provisions

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

With respect to classification and measurement of financial instruments (including impairment), the Group has used the exemption foreseen in the standard and has not restated the data for the previous reporting periods.

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

(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 three-month period ended 31 March 2018

	Management, advisory and rental services	Management and operation of motorways	Total
Operating revenues			
Revenue from external customers	814	75 101	**75 915**
Total revenue	**814**	**75 101**	**75 915**
Operating expenses			
Cost of sales to external customers	(954)	(20 647)	**(21 601)**
Total cost of sales	**(954)**	**(20 647)**	**(21 601)**
Other income	4	3 745	**3 749**
Other expenses	(10)	(3 043)	**(3 053)**
Impairment loss on trade and other receivables	-	(13)	**(13)**
Administrative expenses (*)	(1 257)	(7 153)	**(8 410)**
Results from operating activities	**(1 403)**	**47 990**	**46 587**
Net finance income/(expense)	1 344	(4 670)	**(3 326)**
Share of profit of equity accounted investees (net of income tax)	55	-	**55**
Income tax expense	(106)	(8 153)	**(8 259)**
Profit for the period	**(110)**	**35 167**	**35 057**
Other comprehensive income, net of income tax	32	436	**468**
Total comprehensive income for the period	**(78)**	**35 603**	**35 525**
Major non-cash items			
Depreciation and amortisation	(133)	(12 584)	**(12 717)**
Reversal/(recognition) of allowances for receivables	-	(13)	**(13)**
Unwinding of discount	-	(4 204)	**(4 204)**

(*) 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 three-month period ended 31 March 2017**

	Management, advisory and rental services	Management and operation of motorways	Total
Operating revenues			
Revenue from external customers	821	69 539	**70 360**
Total revenue	**821**	**69 539**	**70 360**
Operating expenses			
Cost of sales to external customers	(1 021)	(9 501)	**(10 522)**
Total cost of sales	**(1 021)**	**(9 501)**	**(10 522)**
Other income	5	863	**868**
Other expenses	(1)	(50)	**(51)**
Impairment loss on trade and other receivables	(1)	-	**(1)**
Administrative expenses (**)	(1 052)	(6 555)	**(7 607)**
Results from operating activities	**(1 249)**	**54 296**	**53 047**
Net finance income/(expense)	1 299	(6 086)	**(4 787)**
Share of profit of equity accounted investees (net of income tax)	30	-	**30**
Income tax expense	(50)	(9 254)	**(9 304)**
Profit for the period	**30**	**38 956**	**38 986**
Other comprehensive income, net of income tax	(93)	612	**519**
Total comprehensive income for the period	**(63)**	**39 568**	**39 505**
Major non-cash items			
Depreciation and amortisation	(152)	(11 303)	**(11 455)**
Reversal/(recognition) of allowances for receivables	(1)	-	**(1)**
Unwinding of discount	-	(4 895)	**(4 895)**
Revaluation of investment	(13)	-	**(13)**

(*) Restated - see note 5.

(**) 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 March 2018	*31 December 2017*	*31 March 2017*
Management, advisory and rental services			
Assets of the segment	348 950	347 902	321 420
Liabilities of the segment	3 804	3 256	2 658
Management and operation of motorways			
Assets of the segment	1 101 019	1 090 444	1 131 476
Liabilities of the segment	716 460	736 917	828 203
Total assets	**1 449 969**	**1 438 346**	**1 452 896**
Total liabilities	**720 264**	**740 173**	**830 861**

7. Periodicity and seasonality of the business

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

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

8. Revenue

	I quarter 2018	*I quarter 2017*
Toll revenue, including:	74 921	69 308
Manual toll collection (cash, bank cards)	48 594	46 701
Fleet cards	16 023	14 492
Subscription coupons	-	738
Electronic toll collection	8 540	5 407
KartaA4	1 764	1 970
Revenue from rental of investment property	813	807
Revenue due to other services provided	3	73
Other revenue	178	172
Total	**75 915**	**70 360**

9. Expenses by nature

	I quarter 2018	*I quarter 2017*
Depreciation and amortisation	(12 717)	(11 455)
Energy and materials consumption	(1 335)	(1 425)
Accrual of provision for motorway resurfacing disclosed within cost of sales (external services)	(3 660)	5 682
Other external services	(4 416)	(3 560)
Taxes and charges	(298)	(418)
Employee benefit expenses	(7 111)	(6 485)
Other costs	(474)	(467)
Cost of goods and materials sold	-	(1)
Total expenses by nature	**(30 011)**	**(18 129)**
Cost of sales and administrative expenses	**(30 011)**	**(18 129)**

9.1. Employee benefit expenses

	I quarter 2018	*I quarter 2017*
Wages and salaries	(5 413)	(4 886)
Social security contributions and other benefits	(1 405)	(1 305)
Movement in employee benefits liabilities included in profit and loss:	(293)	(294)
Other employee benefits	(293)	(294)
Total	**(7 111)**	**(6 485)**

10. Other income

	I quarter 2018	*I quarter 2017*
Rental income from passenger service areas	639	750
Compensations, contractual penalties and costs of court proceedings received	22	39
Reimbursement of real estate tax paid for previous periods	3 005	-
Interest from receivables	4	18
Other	77	61
Total	**3 747**	**868**

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

11. Other expenses

	I quarter 2018	*I quarter 2017**
Donations granted	(10)	(17)
Repair of damages	(2)	(16)
Reversal of rental income from passenger service areas for previous periods due to reimbursement of real estate tax paid	(3 005)	-
Penalties, compensations, payments	(7)	(9)
Net loss on disposal of property, plant and equipment and intangible assets	(2)	(1)
Unrecoverable input VAT	(6)	(5)
Other	(19)	(3)
Total	**(3 051)**	**(51)**

* Restated - see note 5.

12. Net finance expense

	I quarter 2018	*I quarter 2017*
Recognised in profit or loss for the period		
Interest income, including:	3 250	3 132
- from bank accounts and deposits	3 249	3 131
- other	1	1
Net foreign exchange gain	46	84
Finance income	**3 296**	**3 216**
Interest expense on liabilities measured at amortised cost, including:	(3 762)	(4 895)
- loans and borrowings, including:	(1 569)	(2 040)
- nominal	(1 074)	(1 414)
- other	(495)	(626)
- discount of Concession Payments	(2 193)	(2 855)
Discount of provisions	(2 011)	(2 040)
Revaluation of investments	-	(13)
Net change in fair value of cash flow hedges reclassified from other comprehensive income	(844)	(1 051)
Other finance expenses	(5)	(4)
Finance expenses	**(6 622)**	**(8 003)**
Net finance expense recognised in profit or loss for the period	**(3 326)**	**(4 787)**
Recognised in other comprehensive income		
Foreign currency translation differences for foreign operations	7	(93)
Effective portion of changes in fair value of cash flow hedges (*)	(306)	(296)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period (*)	844	1 051
Change in fair value of equity instruments	31	-
Finance income/(expenses) recognised in other comprehensive income	**576**	**662**

(*) The Group hedges cash flows resulting from payments of interest related to Project Loan Agreement between SAM S.A. and Consortium. For cash flow being hedged a cash flow hedge accounting is applied. Derivatives are used as hedging instruments (interest rate swap). For further information see Group's consolidated financial statements for the year 2017 - notes 32.2 and 33.3.

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

13. Property, plant and equipment

	Buildings and constructions	Plant and equipment	Vehicles	Other	Under construction	Total
Cost as at 1 January 2017	**20 525**	**16 559**	**15 862**	**6 433**	**1 154**	**60 533**
Acquisitions	-	18	77	6	10 069	**10 170**
Disposals	-	(4)	-	(3)	-	**(7)**
Cost as at 31 March 2017	**20 525**	**16 573**	**15 939**	**6 436**	**11 223**	**70 696**
Cost as at 1 January 2018	**20 812**	**22 842**	**18 192**	**7 930**	**185**	**69 961**
Acquisitions	-	28	-	205	6	**239**
Disposals	-	(1)	(151)	(19)	-	**(171)**
Cost as at 31 March 2018	**20 812**	**22 869**	**18 041**	**8 116**	**191**	**70 029**
Depreciation and impairment losses as at 1 January 2017	**(12 582)**	**(6 112)**	**(7 064)**	**(2 695)**	**-**	**(28 453)**
Depreciation for the period	(224)	(460)	(397)	(159)	-	**(1 240)**
Disposals	-	3	-	3	-	**6**
Depreciation and impairment losses as at 31 March 2017	**(12 806)**	**(6 569)**	**(7 461)**	**(2 851)**	**-**	**(29 687)**
Depreciation and impairment losses as at 1 January 2018	**(13 430)**	**(8 073)**	**(8 425)**	**(3 367)**	**-**	**(33 295)**
Depreciation for the period	(235)	(684)	(434)	(199)	-	**(1 552)**
Disposals	-	1	121	19	-	**141**
Depreciation and impairment losses as at 31 March 2018	**(13 665)**	**(8 756)**	**(8 738)**	**(3 547)**	**-**	**(34 706)**
Carrying amounts						
As at 1 January 2017	7 943	10 447	8 798	3 738	1 154	**32 080**
As at 31 March 2017	7 719	10 004	8 478	3 585	11 223	**41 009**
As at 1 January 2018	7 382	14 769	9 767	4 563	185	**36 666**
As at 31 March 2018	7 147	14 113	9 303	4 569	191	**35 323**

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

Impairment losses

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

14. Intangible assets

	Concession intangible assets	Other concessions, licences, software and other	Other intangible assets	Intangible assets not ready for use	Total
Cost as at 1 January 2017	**883 326**	**6 559**	**970**	**23**	**890 878**
Acquisitions	-	10	-	16	**26**
Transfer from intangible assets not ready for use	-	23	-	(23)	-
Revaluation of concession intangible assets	2 723	-	-	-	**2 723**
Cost as at 31 March 2017	**886 049**	**6 592**	**970**	**16**	**893 627**
Cost as at 1 January 2018	**897 251**	**12 578**	**970**	**26**	**910 825**
Acquisitions	-	6	-	-	**6**
Revaluation of concession intangible assets	1 253	-	-	-	**1 253**
Cost as at 31 March 2018	**898 504**	**12 584**	**970**	**26**	**912 084**
Amortisation and impairment losses as at 1 January 2017	**(402 977)**	**(2 102)**	**(970)**	**-**	**(406 049)**
Amortisation for the period	(9 860)	(215)	-	-	**(10 075)**
Amortisation and impairment losses as at 31 March 2017	**(412 837)**	**(2 317)**	**(970)**	**-**	**(416 124)**
Amortisation and impairment losses as at 1 January 2018	**(443 046)**	**(2 954)**	**(970)**	**-**	**(446 970)**
Amortisation for the period	(10 689)	(354)	-	-	**(11 043)**
Amortisation and impairment losses as at 31 March 2018	**(453 735)**	**(3 308)**	**(970)**	**-**	**(458 013)**
Carrying amounts					
As at 1 January 2017	480 349	4 457	-	23	**484 829**
As at 31 March 2017	473 212	4 275	-	16	**477 503**
As at 1 January 2018	454 205	9 624	-	26	**463 855**
As at 31 March 2018	444 769	9 276	-	26	**454 071**

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 (see note 19), which resulted in their increase by TPLN 1,407; and

(ii) due to changes of estimates regarding construction works schedule and capital expenditures, which according to the Concession Agreement are to be executed by the Group before the end of the concession period (see note 19), resulting in the decrease of concession intangible assets by TPLN 154.

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

The annual amortization rate calculated based on estimated traffic increase during the concession period in relation to present net value of intangible asset at the beginning of the quarterly period equalled 9.41% in I quarter 2018 (I quarter 2017: 8.21%). According to current amortization schedule, based on updated estimates of traffic increase, the proportion of annual amortization costs to the carrying value of intangible asset as at 31 March 2018 will range from 9.67% to 12.21% during the concession period.

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

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

15. Deferred tax

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

	Assets			**Liabilities**			**Net**		
	31 March 2018	***31 December 2017***	***31 March 2017***	***31 March 2018***	***31 December 2017***	***31 March 2017***	***31 March 2018***	***31 December 2017***	***31 March 2017***
Deferred tax assets/liabilities	152 922	154 906	176 795	(83 138)	(85 077)	(88 549)	**69 784**	**69 829**	**88 246**
Set off of tax	(83 138)	(85 077)	(88 549)	83 138	85 077	88 549	-	-	-
Net deferred tax assets/liabilities as in statement of financial position	**69 784**	**69 829**	**88 246**	**-**	**-**	**-**	**69 784**	**69 829**	**88 246**

Changes of deferred tax assets / liabilities for three-month periods ended 31 March 2018 and 31 March 2017 were following:

	Change of deferred tax on temporary differences recognised in	
	profit or loss for the period	**comprehensive income**
I quarter 2018	63	(108)
I quarter 2017	(1 594)	(143)

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

16. Allowances for current receivables

Trade and other receivables are presented net of allowances (impairment losses) for doubtful debts amounting to TPLN 91,513 (31 December 2017: TPLN 91,500, 31 March 2017: TPLN 91,567).

Change in allowances for bad debt was as follows:

	I quarter 2018	***I quarter 2017***
Allowances for bad debts as at 1 January	**(91 500)**	**(91 565)**
Allowances recognised	(15)	(2)
Allowances reversed	2	1
Other reclassifications	-	(1)
Allowances for bad debts as at 31 March	**(91 513)**	**(91 567)**

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.

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

17. Financial instruments

17.1. Classification and fair value of financial instruments

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

31 March 2018	**Carrying amount**					**Fair value**			
	Financial instruments measured at fair value through profit or loss	**Financial instruments measured at fair value through other comprehensive income**	**Hedge derivatives measured at fair value**	**Financial instruments measured at amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value									
Equity instruments**	-	1 504	-	-	**1 504**	-	-	1 504	**1 504**
	-	**1 504**	**-**	**-**	**1 504**				
Financial assets not measured at fair value									
Trade and other receivables***	-	-	-	14 343	**14 343**				
Non-current deposits	-	-	-	452 321	**452 321**				
Cash and cash equivalents	-	-	-	404 539	**404 539**				
	-	**-**	**-**	**871 203**	**871 203**				
Financial liabilities measured at fair value									
Interest rate swaps used for hedging****	-	-	(5 053)	-	**(5 053)**	-	(5 053)	-	**(5 053)**
	-	**-**	**(5 053)**	**-**	**(5 053)**				
Financial liabilities not measured at fair value									
Loans and borrowings	-	-	-	(96 558)	**(96 558)**				
Concession Payments*****	-	-	-	(160 965)	**(160 965)**				
Trade and other payables***	-	-	-	(23 051)	**(23 051)**				
	-	**-**	**-**	**(280 574)**	**(280 574)**				

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

31 December 2017*	Carrying amount					Fair value			
	Loans and receivables	**Available-for-sale financial assets**	**Derivatives**	**Financial liabilities valued at amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value									
Equity instruments**	-	1 473	-	-	**1 473**				
Trade and other receivables***	13 366	-	-	-	**13 366**				
Non-current deposits	434 077	-	-	-	**434 077**				
Cash and cash equivalents	396 900	-	-	-	**396 900**				
	844 343	**1 473**	**-**	**-**	**845 816**				
Financial liabilities measured at fair value									
Interest rate swaps used for hedging****	-	-	(6 456)	-	**(6 456)**	-	(6 456)	-	**(6 456)**
	-	**-**	**(6 456)**	**-**	**(6 456)**				
Financial liabilities not measured at fair value									
Loans and borrowings	-	-	-	(117 238)	**(117 238)**				
Concession Payments*****	-	-	-	(158 772)	**(158 772)**				
Trade and other payables***	-	-	-	(30 345)	**(30 345)**				
	-	**-**	**-**	**(306 355)**	**(306 355)**				

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

*31 March 2017**	Carrying amount					Fair value			
	Loans and receivables	**Available-for-sale financial assets**	**Derivatives**	**Financial liabilities valued at amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value									
Equity instruments**	-	1 544	-	-	**1 544**				
Trade and other receivables***	14 583	-	-	-	**14 583**				
Non-current deposits	456 503	-	-	-	**456 503**				
Cash and cash equivalents	366 331	-	-	-	**366 331**				
	837 417	**1 544**	**-**	**-**	**838 961**				
Financial liabilities measured at fair value									
Interest rate swaps used for hedging****	-	-	(8 188)	-	**(8 188)**	-	(8 188)	-	**(8 188)**
	-	**-**	**(8 188)**	**-**	**(8 188)**				
Financial liabilities not measured at fair value									
Loans and borrowings	-	-	-	(134 001)	**(134 001)**				
Concession Payments*****	-	-	-	(209 554)	**(209 554)**				
Trade and other payables***	-	-	-	(19 713)	**(19 713)**				
	-	**-**	**-**	**(363 268)**	**(363 268)**				

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

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

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

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

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

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

Hierarchy of financial instruments carried at fair value

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

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

18. Equity

18.1. Share capital

	31 March 2018	*31 December 2017*	*31 March 2017*
Number of shares at the beginning of the period	247 262 023	247 262 023	247 262 023
Number of shares at the end of the period (fully paid)	247 262 023	247 262 023	247 262 023
Nominal value of 1 share (PLN)	0.75	0.75	0.75
Nominal value of A-series issue	6 256	6 256	6 256
Nominal value of B-series issue	370	370	370
Nominal value of D-series issue	3 000	3 000	3 000
Nominal value of E-series issue	71 196	71 196	71 196
Nominal value of F-series issue	37 500	37 500	37 500
Nominal value of G-series issue	67 125	67 125	67 125
Total	**185 447**	**185 447**	**185 447**

18.2. Hedging reserve

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

Recognized as effective changes to fair value of cash flow hedging instruments, amounted to TPLN -306 in I quarter 2018 (I quarter 2017: TPLN -296). As the consequence of hedged interest payments made in I quarter 2018, the Group reclassified the corresponding net change in fair value of cash flow hedges of TPLN -844 (I quarter 2017: TPLN -1,051) 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 58, out of which TPLN 160 was attributable to portion of changes reclassified to finance expense (I quarter 2017: TPLN 56 and TPLN 199 respectively).

18.3. Fair value reserve

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

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

19. Provisions

For three-month periods ended 31 March 2018 and 31 March 2017

Non-current provisions	Provisions for motorway resurfacing	Provisions for capital expenditures (Phase II)	Total
Balance at 1 January 2017	**43 884**	**300 918**	**344 802**
Additions, including:	4 295	1 419	**5 714**
- due to discounting	*207*	*1 419*	***1 626***
Change of estimates	(8 068)	12 773	**4 705**
Reclassifications	-	(11 299)	**(11 299)**
Balance at 31 March 2017	**40 111**	**303 811**	**343 922**
Balance at 1 January 2018	**49 568**	**312 676**	**362 244**
Additions, including:	3 980	1 544	**5 524**
- due to discounting	*245*	*1 544*	***1 789***
Change of estimates	39	533	**572**
Reclassifications	-	(14 813)	**(14 813)**
Balance at 31 March 2018	**53 587**	**299 940**	**353 527**
Current provisions			
Balance at 1 January 2017	**36 221**	**51 636**	**87 857**
Additions, including:	171	243	**414**
- due to discounting	*171*	*243*	***414***
Change of estimates	(1 702)	(10 050)	**(11 752)**
Utilisation	(156)	(1 461)	**(1 617)**
Reclassifications	-	11 299	**11 299**
Balance at 31 March 2017	**34 534**	**51 667**	**86 201**
Balance at 1 January 2018	**12 620**	**32 338**	**44 958**
Additions, including:	62	160	**222**
- due to discounting	*62*	*160*	***222***
Change of estimates	(114)	720	**606**
Utilisation	(434)	(940)	**(1 374)**
Reclassifications	-	14 813	**14 813**
Balance at 31 March 2018	**12 134**	**47 091**	**59 225**

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

As at 31 March 2018 the Group changed estimates regarding discount rates used for calculation of the present value of provisions for resurfacing and provision for capital expenditures of Phase II (in both cases as at 31 December 2017 the rates ranged from 2% to 3.62%, currently from 1.81% to 3.45%). As result of those changes the provision for resurfacing increased by TPLN 266 (I quarter 2017: increase of TPLN 97), which in line with IAS 37 was recognized as an increase of operating expenses for the period. At the same time the provision for capital expenditures (Phase II) increased by TPLN 1,407 (I quarter 2017: increase of TPLN 441), which was recognized as an increase of concession intangible assets.

As at 31 March 2018 the Group made also 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 those changes the provision for resurfacing decreased by TPLN 341 (I quarter 2017: decrease of TPLN 9,867), which in line with IAS 37 was recognised as a decrease of operating expenses for the period. At the same time the provision for capital expenditures (Phase II) decreased by TPLN 154 (I quarter 2017: increase of TPLN 2,282), which was recognized as a decrease of concession intangible assets.

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

20. Contingent liabilities

Contingent liabilities relate to guarantees granted to related entities amounting to TPLN 21,950 (31 December 2017: TPLN 22,758, 31 March 2017: TPLN 20,325).

21. Related party transactions

21.1. Intragroup receivables and liabilities

31 March 2018	**Receivables**	**Trade payables**	**Guarantees and suspended amounts**
Atlantia S.p.A.	-	17	-
Parent entities	***-***	***17***	***-***
Biuro Centrum Sp. z o.o.	2	8	-
Associates	***2***	***8***	***-***
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	4 971
Pavimental Polska Sp. z o.o.	10	-	3 846
Telepass S.p.A.	648	-	-
Autogrill Polska Sp. z o.o.	-	-	10
Autostrade Tech S.p.A.	-	556	176
Other related entities	***658***	***556***	***9 003***
Total	**660**	**581**	**9 003**

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	-	-
Autogrill Polska Sp. z o.o.	-	-	10
Autostrade Tech S.p.A.	-	2 589	1 586
Other related entities	***482***	***5 175***	***10 376***
Total	**490**	**5 253**	**10 376**

31 March 2017	**Receivables**	**Trade payables**	**Guarantees and suspended amounts**
Atlantia S.p.A.	-	17	-
Parent entities	***-***	***17***	***-***
Biuro Centrum Sp. z o.o.	7	10	-
Associates	***7***	***10***	***-***
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	3 840
Pavimental Polska Sp. z o.o.	12	-	1 796
Telepass S.p.A.	415	-	-
Autogrill Polska Sp. z o.o.	-	-	10
Autostrade Tech S.p.A.	152	542	1 586
Other related entities	***579***	***542***	***7 232***
Total	**586**	**569**	**7 232**

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

21.2. Related party transactions amounts

	Revenue	Other income	Cost of acquired goods and services	Capital expenditures and resurfacing works
I quarter 2018				
Biuro Centrum Sp. z o.o.	52	-	(732)	-
Associates	***52***	***-***	***(732)***	***-***
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	-	(70)
Pavimental Polska Sp. z o.o.	8	5	-	(298)
Telepass S.p.A.	1 413	-	-	-
Autogrill Polska Sp. z o.o.	13	-	-	-
Autostrade Tech S.p.A.	-	-	(625)	-
Other related entities	***1 434***	***5***	***(625)***	***(368)***
Total	**1 486**	**5**	**(1 357)**	**(368)**

	Revenue	Other income	Cost of acquired goods and services	Capital expenditures and resurfacing works
I quarter 2017				
Biuro Centrum Sp. z o.o.	67	-	(766)	-
Associates	**67**	**-**	**(766)**	**-**
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	-	(892)
Pavimental Polska Sp. z o.o.	17	6	-	-
Telepass S.p.A.	814	-	-	-
Autogrill Polska Sp. z o.o.	19	-	-	-
Autostrade Tech S.p.A.	71	15	(214)	(9 971)
Other related entities	***921***	***21***	***(214)***	***(10 863)***
Total	**988**	**21**	**(980)**	**(10 863)**

22. Financial results of the Capital Group and its Parent Entity for the I quarter 2018

22.1. Financial results of Stalexport Autostrady S.A.

In I quarter 2018 the Company generated revenue on sales amounting to TPLN 859, i.e. 1% lower than in comparable quarterly period of 2017 (TPLN 866). The decrease of revenue in comparison to I quarter 2017 resulted mainly from the reduction of IT services provided to companies constituting the Group (revenue decrease of TPLN 13).

The Company suffered a loss from operating activities for I quarter 2018 of TPLN 1,200 – loss for comparable period of 2017 amounted to TPLN 1,170. The above resulted mainly from higher costs of external services (5% increase) and employee benefit expenses (4% increase), as well as the decrease of revenue described above.

The financial activity of Stalexport Autostrady S.A. generated a profit of TPLN 1,409 for I quarter 2018 – I quarter 2017 brought a profit of TPLN 1,270. This positive variation is mainly the consequence of TPLN 147 (12%) increase of profit on the investment activity (interests on deposits and revaluation of investment).

As the consequence of all the above Stalexport Autostrady S.A. generated a net profit for I quarter 2018 amounting to TPLN 142, comparing to TPLN 71 net profit for I quarter 2017.

22.2. Financial results of motorway business

The motorway activity, consisting mainly of exploitation, toll collecting and execution of motorway investments on section Katowice – Kraków of A4 motorway, has the biggest impact on Group's financial results. The activity is performed mainly by two related entities: Stalexport Autostrada Małopolska S.A. and VIA4 S.A. SAM S.A. organizes and supervises motorway investments and has the right to receive profits from the motorway, while VIA4 S.A is responsible for motorway operation and on behalf of SAM S.A. collects tolls for vehicle passage.

Consolidated revenue on sales generated by motorway activity for I quarter 2018 amounted to TPLN 75,101, increasing by 8% in relation to revenue for I quarter 2017 (TPLN 69,539).

The aforementioned variation was mainly the consequence of:

(i) 5.3% increase of traffic level in relation to I quarter 2017, resulting from 5.4% increase of traffic level for light vehicles and 4.7% increase of traffic level for heavy vehicles;

(ii) increase of toll rates since 1 March 2017 respectively for:

   a) the passage of heavy vehicles category 2 and 3 from PLN 16.50 to PLN 18.00,
   b) the passage of heavy vehicles category 4 and 5 from PLN 26.50 to PLN 30.00.

Cost of sales and administrative expenses incurred in relation to motorway activity amounted to TPLN 27,800, increasing by 73% in relation to I quarter 2017 (TPLN 16,056). The above resulted mainly from the increase of accrued cost of provision for motorway resurfacing by the amount of TPLN 9,342, which comprised of a negative variance between the effects of estimates changes in relation to the provision recorded during the periods subject to comparison (TPLN 9,695) and lower current accrued cost of the provision recorded in I quarter 2018 (decrease of TPLN 353), as well as the increase of depreciation/amortisation costs by TPLN 1,281 (out of which TPLN 829 was attributed to concession intangible assets).

The financial activity of motorway segment for I quarter 2018 resulted in a loss amounting to TPLN 4,670, comparing to a loss of TPLN 6,086 for I quarter 2017. This positive variation was mainly the consequence of diminishing costs related to the Project Loan Agreement and expenses due to unwinding of the discount related to the Concession Payments, which decreased by TPLN 471 and TPLN 662 respectively, mainly as the result of progressing payment of these liabilities.

As the consequence of all the above, the Group's motorway activity generated a net profit of TPLN 35,167 for I quarter 2018, comparing to net profit of TPLN 38,956 for I quarter 2017.

22.3. Information on construction contracts involving Stalexport Autostrada Małopolska S.A.

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 March 2018 the financial progress of the project amounted to TPLN 37,108 (98% of the contract value), out of which TPLN 318 was recorded in 2018.

On 5 February 2016 SAM S.A. and consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. signed the contract HM-3-2016 „Resurfacing 2016-2017" for the resurfacing of motorway sections with a total length of 59.9 km, resurfacing of bridges and the partial reconstruction of linear drainage within the motorway median. The current contract value amounts to TPLN 45,081 (including change orders). As at 31 March 2018 the financial progress of the project (value of works recorded) amounted to TPLN 35,413 (79% of the contract value), out of which TPLN 298 was recorded in 2018.

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

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 28,242 (including change orders). The contract includes reconstruction of drainage for eight catchments in Silesian voivodeship. As at 31 March 2018 the financial progress of the project (value of works recorded) amounted to TPLN 22,587 (80% of the contract value), out of which TPLN 70 was recorded in 2018.

On 22 June 2017 SAM S.A. and RE-Bau Sp. z o.o. signed the contract F2b-11-2017 “Construction of noise screens 2, 10, 12 and 28a” amounting to TPLN 3,400. As at 31 March 2018 the financial progress of the project (value of works recorded) amounted to TPLN 235 (7% of the contract value), unchanged in comparison to 31 December 2017.

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 March 2018 the financial progress of the project (value of works recorded) amounted to TPLN 2,107 (10% of the contract value), unchanged in comparison to 31 December 2017.

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 March 2018 the financial progress of the project (value of works recorded) amounted to TPLN 667 (37% of the contract value), unchanged in comparison to 31 December 2017.

23. Other important events within the Stalexport Autostrady S.A. Capital Group during the period from 1 January to 31 March 2018

On 22 March 2018 VIA4 S.A. signed an annex to the agreement with Raiffeisen Bank Polska S.A. increasing the overdraft limit up to PLN 5 million.

On 23 March 2018 the Ordinary General Meeting of SAM S.A. decided to distribute the net profit for 2017 in amount of TPLN 146,124, with the amount of TPLN 4 assigned to cover previous years’ losses and the amount of TPLN 146,120 allocated to supplementary capital.

On 29 March 2018 the Ordinary General Meeting of VIA4 S.A. decided to pay out the dividend for 2017 in the amount of TPLN 11,969 (including interim dividends of TPLN 3,097 paid out in 2017), out of which TPLN 5,386 was attributed to non-controlling shareholders.

24. Shareholders holding directly or indirectly via their subsidiaries at least 5% of total number of votes at the Annual General Meeting of the Parent Entity at quarterly report’s date

List of Shareholders holding more than 5% of total number of votes eligible for Annual General Meeting of Stalexport Autostrady S.A.:

Shareholder	Number of ordinary shares held*	Share in share capital (%)	Number of votes at AGM	Share in total number of votes at AGM (%)
Atlantia S.p.A.	151,323,463	61.20%	151,323,463	61.20%

*Based on notifications received by the Company according to article 69 and 69a in connection with article 87 of the Act on Public Offering and conditions of introducing the financial instruments to public trading and on public companies.

25. Parent Entity's shares held by managing and supervising personnel at quarterly report's date

The President of the Management Board of the Parent Entity Mr Emil Wąsacz held 59,000 shares at report's issue date. There were no changes in the number of Parent Entity's shares held by managing and supervising personnel since the previous report's issue date.

26. Subsequent events

There were no significant subsequent events, which should be disclosed in the condensed consolidated interim financial statements for the 3-month period ended 31 March 2018.

Explanation

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