# STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP

## CONSOLIDATED FINANCIAL STATEMENTS

as at the day and for the year ended 31 December 2011

Katowice, 1 March 2012

# Contents

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

| *In thousands of PLN, unless stated otherwise* | ***Note*** | ***2011*** | ***2010*** |
|---|---|---|---|
| Revenue | 6 | 179 763 | 165 219 |
| Cost of sales | 6, 8 | (80 813) | (76 119) |
| **Gross profit** | | **98 950** | **89 100** |
| | | | |
| Other income | 9 | 4 163 | 6 827 |
| Administrative expenses | 8 | (31 331) | (31 457) |
| Other expenses | 10 | (8 507) | (2 491) |
| **Results from operating activities** | | **63 275** | **61 979** |
| | | | |
| Finance income | | 21 218 | 12 966 |
| Finance expenses | | (68 696) | (55 219) |
| **Net finance expense** | 11 | **(47 478)** | **(42 253)** |
| | | | |
| **Share of loss of equity accounted investees (net of income tax)** | | **-** | **(116)** |
| | | | |
| **Profit before income tax** | | **15 797** | **19 610** |
| | | | |
| Income tax expense | 12 | (5 261) | (5 128) |
| | | | |
| **Profit for the period** | | **10 536** | **14 482** |
| | | | |
| **Other comprehensive income** | | | |
| Foreign currency translation differences for foreign operations | | 55 | (34) |
| Effective portion of changes in fair value of cash flow hedges | | (4 743) | (3 049) |
| Net change in fair value of available-for-sale financial assets | | (2 672) | (382) |
| Income tax on other comprehensive income | | 901 | 579 |
| | | | |
| **Other comprehensive income for the period, net of income tax** | | **(6 459)** | **(2 886)** |
| | | | |
| **Total comprehensive income for the period** | | **4 077** | **11 596** |
| | | | |
| **Profit attributable to:** | | | |
| Owners of the Company | | 5 287 | 10 248 |
| Non-controlling interest | | 5 249 | 4 234 |
| **Profit for the period** | | **10 536** | **14 482** |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | (1 136) | 7 367 |
| Non-controlling interest | | 5 213 | 4 229 |
| **Total comprehensive income for the period** | | **4 077** | **11 596** |
| | | | |
| **Earnings per share** | 23 | | |
| Basic earnings per share (PLN) | | 0.02 | 0.04 |
| Diluted earnings per share (PLN) | | 0.02 | 0.04 |

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 2011*** | ***31 December 2010*** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 21 018 | 18 019 |
| Intangible assets | 14 | 785 592 | 792 571 |
| Investment property | 15 | 4 356 | 3 500 |
| Other non-current investments | 17 | 238 003 | 180 098 |
| Deferred tax assets | 18 | 97 077 | 90 271 |
| **Total non-current assets** | | **1 146 046** | **1 084 459** |
| | | | |
| **Current assets** | | | |
| Inventories | | 2 494 | 1 570 |
| Current investments | 17 | 63 782 | 63 999 |
| Income tax receivables | 19 | 2 | 12 |
| Trade and other receivables | 20 | 12 773 | 19 903 |
| Cash and cash equivalents | 21 | 141 428 | 212 815 |
| Assets of a disposal group held for sale | 7 | 1 477 | - |
| **Total current assets** | | **221 956** | **298 299** |
| | | | |
| **Total assets** | | **1 368 002** | **1 382 758** |

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 2011*** | ***31 December 2010*** |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 22 | | |
| Share capital | 22.1 | 185 447 | 494 524 |
| Share capital revaluation adjustment | | - | 18 235 |
| Treasury shares | | (20) | (20) |
| Share premium reserve | | 13 514 | 20 916 |
| Fair value reserve | 22.2 | (5 788) | (3 390) |
| Hedging reserve | 22.3 | (7 379) | (3 537) |
| Amounts recognised directly in equity relating to assets of a disposal group held for sale | 7 | (238) | - |
| Other reserve capitals and supplementary capital | | 189 374 | 181 240 |
| Foreign currency translation reserve | | 116 | 174 |
| Retained earnings and uncovered losses | | (199 975) | (531 955) |
| **Total equity attributable to owners of the Company** | | **175 051** | **176 187** |
| Non-controlling interest | | 4 539 | 3 895 |
| **Total equity** | | **179 590** | **180 082** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 24 | 269 226 | 329 876 |
| Finance lease liabilities | 25 | 234 | 479 |
| Employee benefits | 26 | 631 | 2 824 |
| Deferred income and government grants | 28 | 11 845 | 12 676 |
| Other non-current liabilities | 27 | 177 679 | 182 284 |
| Provisions | 29 | 527 146 | 514 698 |
| Deferred tax liabilities | 18 | 16 | 6 |
| **Total non-current liabilities** | | **986 777** | **1 042 843** |
| **Current liabilities** | | | |
| Loans and borrowings | 24 | 27 833 | 13 627 |
| Finance lease liabilities | 25 | 245 | 218 |
| Derivative financial instruments | 31.4, 32.3 | 9 599 | 5 269 |
| Income tax liabilities | 19 | 1 177 | 908 |
| Trade and other payables | 30 | 60 440 | 43 944 |
| Employee benefits | 26 | 2 418 | 125 |
| Deferred income and government grants | 28 | 1 749 | 832 |
| Provisions | 29 | 96 914 | 94 910 |
| Liabilities of a disposal group held for sale | 7 | 1 260 | - |
| **Total current liabilities** | | **201 635** | **159 833** |
| **Total liabilities** | | **1 188 412** | **1 202 676** |
| **Total equity and liabilities** | | **1 368 002** | **1 382 758** |

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

| *In thousands of PLN* | **Note** | **2011** | **2010** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit before income tax** | | **15 797** | **19 610** |
| | | | |
| **Adjustments for** | | | |
| Depreciation and amortisation | 8 | 39 285 | 37 164 |
| (Reversal of)/Impairment on property, plant and equipment and intangible assets | | 8 | (310) |
| (Profit)/Loss from currency translation | | 55 | (32) |
| Profit on investment activity | | (1 923) | (3 889) |
| Profit on disposal of property, plant and equipment and intangible assets | | (43) | (80) |
| Interest and dividends | | 10 673 | 9 349 |
| Share in loss of associated entities | | - | 116 |
| Change in receivables | | 6 342 | 11 529 |
| Change in inventories | | (1 100) | 243 |
| Change in trade and other payables | | 234 | (13 533) |
| Change in provisions | | 48 182 | 43 700 |
| Change in deferred income and government grants | | 86 | (2 341) |
| Proceeds related to collateral requested by creditors | | - | 2 200 |
| | | | |
| **Cash generated from operating activities** | | **117 596** | **103 726** |
| | | | |
| Income tax paid | | (11 032) | (9 423) |
| | | | |
| **Net cash from operating activities** | | **106 564** | **94 303** |

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

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

| *In thousands of PLN* | ***Note*** | ***2011*** | ***2010*** |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| **Investment proceeds** | | **18 278** | **16 683** |
| Sale of intangible assets and property, plant and equipment | | 134 | 196 |
| Dividends received | | 355 | 143 |
| Interest received | | 17 789 | 6 759 |
| Disposal of financial assets | | - | 9 585 |
| **Investment expenditures** | | **(114 562)** | **(243 402)** |
| Acquisition of intangible assets and property, plant and equipment | | (56 990) | (54 694) |
| Non-current deposits held for investment expenditures | | (57 572) | (172 908) |
| Loans granted | | - | (600) |
| Acquisition of financial assets | | - | (15 200) |
| **Net cash used in investing activities** | | **(96 284)** | **(226 719)** |
| **Cash flows from financing activities** | | | |
| **Financial proceeds** | | **-** | **230 000** |
| Loans and borrowings drawn | | - | 230 000 |
| **Financial expenditures** | | **(81 406)** | **(15 615)** |
| Dividends paid | | (4 569) | (3 968) |
| Repayment of loans and borrowings | | (52 099) | - |
| Interest paid | | (24 520) | (11 359) |
| Payment of finance lease liabilities | | (218) | (288) |
| **Net cash from (used in) financing activities** | | **(81 406)** | **214 385** |
| **Total net cash flows** | | **(71 126)** | **81 969** |
| **Net change in cash and cash equivalents** | | **(71 126)** | **81 969** |
| **Cash and cash equivalents at 1 January** | | **212 815** | **130 846** |
| **Cash and cash equivalents at 31 December, including:** | 21 | **141 689** | **212 815** |
| Restricted cash and cash equivalents | | 200 | 180 |

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 | Share capital revaluation adjustment | Treasury shares | Share premium reserve | Fair value reserve | Hedging reserve | Amounts recognised directly in equity relating to assets of a disposal group held for sale | 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 2010** | | **494 524** | **18 235** | **(20)** | **20 916** | **(3 013)** | **(1 067)** | **-** | **161 643** | **167** | **(522 565)** | **168 820** | **3 634** | **172 454** |
| ***Profit for the period*** | | - | - | - | - | - | - | | | - | *10 248* | *10 248* | *4 234* | *14 482* |
| ***Other comprehensive income:*** | | - | - | - | - | *(377)* | *(2 470)* | - | *(27)* | *7* | *(14)* | *(2 881)* | *(5)* | *(2 886)* |
| Effective portion of changes in fair value of cash flow hedges | 22.3 | - | - | - | - | - | (3 049) | - | - | - | - | **(3 049)** | - | **(3 049)** |
| Net change in fair value of available-for-sale financial assets | 22.2 | - | - | - | - | (377) | - | - | - | - | - | **(377)** | (5) | **(382)** |
| Foreign currency translation differences for foreign operations | | - | - | - | - | - | - | - | (27) | 7 | (14) | **(34)** | - | **(34)** |
| Income tax on other comprehensive income | | - | - | - | - | - | 579 | - | - | - | - | **579** | - | **579** |
| ***Total comprehensive income for the period*** | | - | - | - | - | *(377)* | *(2 470)* | - | *(27)* | *7* | *10 234* | *7 367* | *4 229* | *11 596* |
| Dividends paid | | - | - | - | - | - | - | - | - | - | - | - | (3 968) | **(3 968)** |
| Distribution of profit | | - | - | - | - | - | - | - | 19 907 | - | (19 907) | - | - | - |
| Changes in the Capital Group | | - | - | - | - | - | - | - | (283) | - | 283 | - | - | - |
| **As at 31 December 2010** | | **494 524** | **18 235** | **(20)** | **20 916** | **(3 390)** | **(3 537)** | **-** | **181 240** | **174** | **(531 955)** | **176 187** | **3 895** | **180 082** |

| | *Note* | Share capital | Share capital revaluation adjustment | Treasury shares | Share premium reserve | Fair value reserve | Hedging reserve | Amounts recognised directly in equity relating to assets of a disposal group held for sale | 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 2011** | | **494 524** | **18 235** | **(20)** | **20 916** | **(3 390)** | **(3 537)** | **-** | **181 240** | **174** | **(531 955)** | **176 187** | **3 895** | **180 082** |
| ***Profit for the period*** | | - | - | - | - | - | - | - | - | - | *5 287* | *5 287* | *5 249* | *10 536* |
| ***Other comprehensive income:*** | | - | - | - | - | *(2 636)* | *(3 842)* | - | *113* | *(58)* | - | *(6 423)* | *(36)* | *(6 459)* |
| Effective portion of changes in fair value of cash flow hedges | 22.3 | - | - | - | - | - | (4 743) | - | - | - | - | **(4 743)** | - | **(4 743)** |
| Net change in fair value of available-for-sale financial assets | 22.2 | - | - | - | - | (2 636) | - | - | - | - | - | **(2 636)** | (36) | **(2 672)** |
| Foreign currency translation differences for foreign operations | | - | - | - | - | - | - | - | 113 | (58) | - | **55** | - | **55** |
| Income tax on other comprehensive income | | - | - | - | - | - | 901 | - | - | - | - | **901** | - | **901** |
| ***Total comprehensive income for the period*** | | - | - | - | - | *(2 636)* | *(3 842)* | - | *113* | *(58)* | *5 287* | *(1 136)* | *5 213* | *4 077* |
| Coverage of previous years' losses | | (309 077) | (18 235) | - | (7 402) | - | - | - | - | - | 334 714 | - | - | - |
| Dividends paid | | - | - | - | - | - | - | - | - | - | - | - | (4 569) | **(4 569)** |
| Distribution of profit | | - | - | - | - | - | - | - | 8 021 | - | (8 021) | - | - | - |
| Reallocation of reserves relating to assets of a disposal group | 7 | - | - | - | - | 238 | - | (238) | - | - | - | - | - | - |
| **As at 31 December 2011** | | **185 447** | **-** | **(20)** | **13 514** | **(5 788)** | **(7 379)** | **(238)** | **189 374** | **116** | **(199 975)** | **175 051** | **4 539** | **179 590** |

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

## 1. Group overview

Stalexport Autostrady S.A. ("the Company") with its seat in Katowice, Mickiewicza 29 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 2011, 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 |
| Stalexport Transroute Autostrada S.A. (**) | Mysłowice | Motorway operation | Subsidiary | 55%* | 1998 | Full consolidation |
| Stalexport Autostrada Dolnośląska S.A. | Katowice | Construction and operation of motorway | Subsidiary | 100% | 1997 | Full consolidation |
| Autostrada Mazowsze S.A. | Katowice | Construction and operation of motorway | Associate | 30% | 2007 | Equity method |
| Biuro Centrum Sp. z o.o. | Katowice | Real estate administration | Subsidiary | 74.38% | 2007 | Full consolidation |

* through Stalexport Autoroute S.a r.l.
** on 2 February 2012 the company changed its name to VIA4 S.A.

The consolidated financial statements as at the day and for the year ended 31 December 2011 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 parent entity of the highest level Atlantia S.p.A. (Italy), a parent company to inter alia Autostrade per l'Italia S.p.A., a majority shareholder of the Company.

On 22 September 2011 the District Court Katowice-East in Katowice registered the share capital increase of Stalexport Autostrada Małopolska S.A. ("SAM S.A.", "Concession Holder"). The share capital of SAM S.A. was increased by TPLN 37,200 from TPLN 29,553 to TPLN 66,753, through the issue of 37,200 of new ordinary registered shares of D series with a nominal value of TPLN 1 each. All new shares of D series were acquired by Stalexport Autostrady S.A. in exchange for a cash contribution. The liability resulting from the obligation to pay up for newly issued shares was settled by means of offsetting with receivables in the amount TPLN 37,200 deriving from the agreement on transfer of the capital expenditures of Phase I, related to the adoption of the motorway to toll motorway requirements.

On 26 October 2011 the Shareholders Meeting of Stalexport Autoroute S.a r.l. was held, where the resolution on share capital increase by the amount of TEUR 8,585 by means of the issue of 343,380 new shares with a par value of EUR 25 each, was passed. All the shares were acquired by Stalexport Autostrady S.A. by making a contribution of 37,200 shares of SAM S.A., with a total nominal value of TPLN 37,200.

## 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 1 March 2012.

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;
- financial assets measured at fair value through profit or loss.

### 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 2011, have not been applied in preparation of these consolidated financial statements. Apart from IFRS 9 *Financial Instruments* and IFRS 13 *Fair Value Measurement*, which await EU endorsement, neither of the new standards nor amendments to the already existing standards, is expected to have a significant impact on the consolidated financial statements of the Group.

### 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 12, 14, 17, 18, 19, 20, 26, 27, 29, 31 and 35.

## 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 the toll motorway and operation of the section Katowice – Kraków of A-4 motorway, performed mainly by the Company's subsidiary, 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.

The Concession Agreement specifies the ways of earning the revenues by the Concession Holder from the execution of the project. Until 30 June 2011 the principal revenues of the Concession Holder consisted of:

(i) toll revenues,
(ii) revenues due to reimbursement for the passage of toll-exempted vehicles.

Toll rates for the use of the toll motorway aforementioned in point (i) were set in accordance with:

- Polish Act on Toll Motorways,
- Decree on detailed rules for establishing and adjusting rates of tolls for the use of the toll motorway,
- resolutions of the Concession Agreement.

Terms for revenue recognition as stated in point (ii) above were set in accordance with Polish Act on Toll Motorways, Concession Agreement and the Act on Public Roads.

According to the regulations of the Act dated 7 November 2008 on changes to Act on Public Roads and other acts, reimbursement for the passage of toll-exempted vehicles was in force up to 30 June 2011. Beyond 30 June 2011 the abovementioned vehicles are subject to real tolling regime (see point (i)). As the consequence of the above, SAM S.A. does not generate revenues described in point (ii) from 1 July 2011 onwards.

Throughout the term of the Concession Agreement, the Concession Holder shall have the right to use and receive profits from the road strip of the motorway. The right includes among other things the right to demolish and remove the existing buildings, facilities, equipment, trees and plants, subject to any relevant legal provisions.

In return the Concession Holder is responsible for the operation and maintenance of the toll motorway until the termination or expiry of the Concession Agreement, which determines detailed range of the Concession Holder's obligations, and is obliged to perform precisely specified construction works.

Furthermore, as determined by the Concession Agreement, after fulfilment of conditions defined therein, the Concession Holder will be obliged to make concession payments to the National Road Fund constituting so-called subordinate debt (obligation due to loan received by State Treasury from the European Bank for Reconstruction and Development ("EBRD") for the purpose of financing the construction of A-4 Toll Motorway Katowice-Kraków taken over by the Concession Holder).

Heretofore completed Phase I included inter alia 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, structures and facilities 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 of following banks: PEKAO S.A., DEPFA BANK PLC, KfW, WESTLB BANK POLSKA S.A. and WESTLB AG (London Branch), the possibility of dividend payment by Stalexport Autostrada Małopolska 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.

### 5.1. Basis of consolidation

#### 5.1.1. Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. 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. Associates

Associates are those entities for which the Group has significant influence, but not 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.

#### 5.1.3. 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 in the “Foreign currency translation reserve”. 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 5.15.3) 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 amortization 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 amortization 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 5.11).

### 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

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 5.11).

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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 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

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified as investment property.

When the use of a property changes from owner-occupied to investment property, the property is reclassified as 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 10-40 years
- plant and equipment 1-15 years
- vehicles 3-10 years
- other 1-10 years

If the estimated useful live of items of property, plant and equipment attributable to the Concession Agreement exceeds the concession period, the depreciation period is shortened 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 5.11).

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.

### 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 5.11). 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 charge is allocated to each period during the lease term via effective interest rate method.

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

### 5.11.1. 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 against loans granted or receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. 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 amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

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.

### 5.11.2. 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.

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

An impairment loss in respect of disposal group is 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.

### 5.12. Equity

Until the end of 1996 the Group operated in a hyperinflationary economy. IAS 29 *Financial Reporting in Hyperinflationary Economies* requires restatement of each element of share capital (apart from undistributed profit and revaluation reserves) applying general price index, beginning from the moment the equity was introduced and till 31 December 1996. Retrospective application of IAS 29 influenced the increase of share capital revaluation in correspondence with the decrease in retained earnings.

#### 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.

#### 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.

## 5.13. Employee benefits

### 5.13.1. Retirement awards

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

The Group's obligation resulting from retirement awards is measured by estimation of future salary of a given employee for the period in which an employee will reach retirement age and by estimation of future retirement award. Retirement awards are discounted using market State Treasury bond return rate at the end of the reporting period. The retirement award obligation is recognized proportionally to the projected length of service of a given employee. Recognizing the liability due to retirement awards, the Group discloses total actuarial gains or losses in profit or loss, within the period in which they were identified.

### 5.13.2. 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 were identified.

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

### 5.13.3. 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 cash bonus 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.

## 5.14. 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 usage degree. 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.

## 5.15. Revenue

### 5.15.1. 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.

### 5.15.2. Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

### 5.15.3. 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.

## 5.16. Lease payments

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.

Minimum lease payments made under finance leases are apportioned between reduction of the outstanding liability and the finance expense. The finance charge is allocated to each period during the lease term via effective interest rate method.

## 5.17. 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.

## 5.18. 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.

## 5.19. 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, if earlier. 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.

## 5.20. 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.

## 5.21. Financial instruments

### 5.21.1. 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 amortized 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 amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise loans granted, as well as trade and other receivables.

*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.

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.

*Cash and cash equivalents*

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.

*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 amortized cost using the effective interest method.

### 5.21.2. 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.

## 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.

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

### Business segments

Business segments include:

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

#### Business segments results

*For the year ended 31 December 2011*

| | Management, advisory and rental services | Management and operation of motorways | Total |
|---|---|---|---|
| **Operating revenues** | | | |
| Revenue from external customers | 9 808 | 169 955 | **179 763** |
| Total revenue | **9 808** | **169 955** | **179 763** |
| **Operating expenses** | | | |
| Cost of sales to external customers | (8 304) | (72 509) | **(80 813)** |
| Total cost of sales | **(8 304)** | **(72 509)** | **(80 813)** |
| Other income | 395 | 3 768 | **4 163** |
| Other expenses (*) | (7 135) | (1 372) | **(8 507)** |
| Administrative expenses (**) | (9 620) | (21 711) | **(31 331)** |
| **Results from operating activities** | **(14 856)** | **78 131** | **63 275** |
| Net finance income/(expense) | 3 653 | (51 131) | **(47 478)** |
| Income tax expense | (99) | (5 162) | **(5 261)** |
| **Profit/(Loss) for the period** | **(11 302)** | **21 838** | **10 536** |
| Other comprehensive income, net of income tax | (2 617) | (3 842) | **(6 459)** |
| **Total comprehensive income for the period** | **(13 919)** | **17 996** | **4 077** |
| | | | |
| **Major non-cash items** | | | |
| Depreciation and amortisation | (720) | (38 565) | **(39 285)** |
| (Recognition)/Release of other provisions | 3 | (129) | **(126)** |
| Recognition of allowances | (7 034) | (25) | **(7 059)** |
| Unwinding of discount | - | (36 429) | **(36 429)** |
| Prescribed liabilities written off | - | 246 | **246** |
| Revaluation of investment | (246) | - | **(246)** |

(*) - Other expenses in "Management, advisory and rental services" segment comprise the recognized allowance for tax receivables (issue described in note 20)

(**) - 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 2010*

| | Management, advisory and rental services | Management and operation of motorways | Total |
|---|---|---|---|
| **Operating revenues** | | | |
| Revenue from external customers | 9 329 | 155 890 | **165 219** |
| Total revenue | **9 329** | **155 890** | **165 219** |
| **Operating expenses** | | | |
| Cost of sales to external customers | (8 313) | (67 806) | **(76 119)** |
| Total cost of sales | **(8 313)** | **(67 806)** | **(76 119)** |
| Other income | 2 181 | 4 646 | **6 827** |
| Other expenses | (561) | (1 930) | **(2 491)** |
| Administrative expenses (*) | (11 591) | (19 866) | **(31 457)** |
| **Results from operating activities** | **(8 955)** | **70 934** | **61 979** |
| Net finance income/(expense) | 4 936 | (47 189) | **(42 253)** |
| Share of loss of equity accounted investees (net of income tax) | (116) | - | **(116)** |
| Income tax expense | (32) | (5 096) | **(5 128)** |
| **Profit/(Loss) for the period** | **(4 167)** | **18 649** | **14 482** |
| Other comprehensive income, net of income tax | (416) | (2 470) | **(2 886)** |
| **Total comprehensive income for the period** | **(4 583)** | **16 179** | **11 596** |
| | | | |
| **Major non-cash items** | | | |
| Depreciation and amortisation | (750) | (36 414) | **(37 164)** |
| Recognition of tax receivables | 392 | - | **392** |
| Recognition of other provisions | (346) | (1 428) | **(1 774)** |
| Reversal of allowances | 1 724 | 297 | **2 021** |
| Unwinding of discount | - | (31 248) | **(31 248)** |
| Revaluation of concession payments | (3 225) | - | **(3 225)** |
| Revaluation of investment | 484 | - | **484** |

(*) - 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 2011* | *31 December 2010* |
|---|---|---|
| **Management, advisory and rental services** | | |
| Assets of the segment | 149 523 | 163 062 |
| Liabilities of the segment | 39 697 | 52 714 |
| | | |
| **Management and operation of motorways** | | |
| Assets of the segment | 1 218 479 | 1 219 696 |
| Liabilities of the segment | 1 148 715 | 1 149 962 |
| | | |
| **Total assets** | **1 368 002** | **1 382 758** |
| **Total liabilities** | **1 188 412** | **1 202 676** |

## Major customer

In years ended 31 December 2011 and 31 December 2010 revenue from the State Treasury for the passage of toll-exempted vehicles amounted to TPLN 20,588 and TPLN 37,834 respectively and constituted more than 10% of total revenue.

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

## 7. Disposal group classified as held for sale

In December 2011 the Management of the Company decided to sell 33.75% of Biuro Centrum Sp. z o.o. shares. Efforts have been commenced which should lead to execution of the sale of shares – it is expected that the transaction will be completed in I quarter 2012. As the consequence of the above and the fact that the conclusion of this transaction will result in change of Biuro Centrum Sp. z o.o. status from subsidiary to associate in the consolidated financial statements of the Group, as at 31 December 2011 the assets and liabilities attributed to Biuro Centrum Sp. z o.o. have been reclassified to corresponding items within assets and liabilities of a disposal group held for sale. The major classes of assets and liabilities of a disposal group held for sale are as follows:

| | *31 December 2011* |
|---|---|
| **Assets of a disposal group held for sale** | |
| Property, plant and equipment | 17 |
| Deferred tax assets | 98 |
| Inventories | 176 |
| Current investments | 80 |
| Income tax receivables | 45 |
| Trade and other receivables | 800 |
| Cash and cash equivalents | 261 |
| **Total** | **1 477** |
| | |
| **Liabilities of a disposal group held for sale** | |
| Employee benefits liabilities | 22 |
| Trade and other payables | 1 238 |
| **Total** | **1 260** |

The accumulated loss in the amount of TPLN 238 incurred on valuation of available-for-sale financial assets included in the disposal group held for sale was disclosed in the consolidated statement of financial position within "Total equity attributable to owners of the Company".

## 8. Expenses by nature

| | *2011* | *2010* |
|---|---|---|
| Depreciation and amortisation (notes 13, 14, 15) | (39 285) | (37 164) |
| Energy and materials consumption | (6 679) | (7 820) |
| Accrual of provision for motorway resurfacing disclosed within cost of sales (external services) | (21 652) | (19 224) |
| Other external services | (18 714) | (17 565) |
| Taxes and charges | (1 303) | (1 210) |
| Personnel expenses, including: | (21 562) | (22 398) |
| - wages and salaries | (18 136) | (19 267) |
| - compulsory social security contributions and other benefits | (3 426) | (3 131) |
| Other costs | (2 798) | (2 450) |
| **Total expenses by nature** | **(111 993)** | **(107 831)** |
| Manufacturing cost of products for internal purposes | 26 | - |
| Change in inventories, deferred income and cost in relation to operating activity | (177) | 255 |
| **Cost of sales and administrative expenses** | **(112 144)** | **(107 576)** |

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

## 9. Other income

| | *2011* | *2010* |
|---|---|---|
| Rental income from passenger service sites | 2 227 | 2 191 |
| Reversal of allowances for receivables | - | 1 711 |
| Reversal of impairment on property, plant and equipment and intangible assets | - | 310 |
| Proceeds from sale of debt | 30 | - |
| Compensations and contractual penalties received | 934 | 1 905 |
| Reimbursed costs of court proceedings | 49 | 23 |
| Interest from receivables | 221 | 4 |
| Recognition of tax receivables | - | 392 |
| Release of other provisions and allowances | 16 | - |
| Prescribed liabilities written off | 246 | - |
| Net gain on disposal of property, plant and equipment and intangible assets | 43 | - |
| Other | 397 | 291 |
| **Total** | **4 163** | **6 827** |

## 10. Other expenses

| | *2011* | *2010* |
|---|---|---|
| Allowances for receivables | (7 059) | - |
| Donations granted | (18) | (87) |
| Repair of damages | (1 159) | (331) |
| Penalties, compensations, payments | (29) | (62) |
| Other provisions and allowances | (142) | (1 774) |
| Net loss on disposal of property, plant and equipment and intangible assets | - | (160) |
| Unrecoverable input VAT | (65) | (68) |
| Other | (35) | (9) |
| **Total** | **(8 507)** | **(2 491)** |

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

## 11. Net finance expense

| | 2011 | 2010 |
|---|---|---|
| ***Recognised in profit or loss for the period*** | | |
| Dividends | 423 | 143 |
| Interest income, including: | 18 408 | 8 825 |
| - bank accounts and deposits | 18 368 | 8 813 |
| - loans granted | 40 | 12 |
| Revaluation of investments | - | 484 |
| Other finance income, including: | 2 387 | 3 514 |
| - net foreign exchange gain | 257 | 189 |
| - profit on investments in asset management funds (financial assets measured at fair value through profit or loss) | 2 128 | 3 316 |
| - other finance income | 2 | 9 |
| **Finance income** | **21 218** | **12 966** |
| | | |
| Interest expense on liabilities measured at amortised cost, including: | (37 628) | (25 558) |
| - loans and borrowings, including: | (26 848) | (16 181) |
| - nominal | (21 029) | (11 763) |
| - other | (5 819) | (4 418) |
| - discount of concession payments | (8 388) | (6 577) |
| - other | (2 392) | (2 800) |
| Discount of provisions | (28 041) | (24 671) |
| Revaluation of investments | (246) | - |
| Other finance expenses, including: | (2 781) | (4 990) |
| - revaluation of concession payments (measured at amortised cost) | - | (3 225) |
| - loss on derivatives | (2 777) | (1 760) |
| - other finance expenses | (4) | (5) |
| **Finance expenses** | **(68 696)** | **(55 219)** |
| | | |
| **Net finance expense recognised in profit or loss for the period** | **(47 478)** | **(42 253)** |
| | | |
| ***Recognised in other comprehensive income*** | | |
| Foreign currency translation differences for foreign operations | 55 | (34) |
| Effective portion of changes in fair value of cash flow hedges (*) | (4 743) | (3 049) |
| Net change in fair value of available-for-sale financial assets | (2 672) | (382) |
| | | |
| **Finance expenses recognised in other comprehensive income** | **(7 360)** | **(3 465)** |

(*) - The Group hedges cash flows resulting from payments of interest related to Project Loan Agreement between SAM S.A. and Banks' 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 31.4 and 32.3.

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

## 12. Income tax

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

| | 2011 | 2010 |
|---|---|---|
| **Current income tax expense** | **(11 254)** | **(10 396)** |
| Current income tax on profits for the year | (13 305) | (10 396) |
| Adjustment in respect of prior years | 2 051 | - |
| **Deferred tax expense** | **5 993** | **5 268** |
| Recognition and reversal of temporary differences | 5 993 | 5 268 |
| **Income tax impacting profit for the period** | **(5 261)** | **(5 128)** |

The income tax rate which embraced the majority of Group's activities amounted to 19% in 2010-2011. It is assumed that the income tax rate shouldn't change in upcoming years.

### 12.2. Effective tax rate

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | % | | % | |
| **Profit before income tax** | | **15 797** | | **19 610** |
| Income tax using the domestic corporate tax rate | (19.0%) | (3 001) | (19.0%) | (3 726) |
| Utilisation of previously adjusted tax losses | 1.1% | 180 | 0.8% | 151 |
| Current year tax losses for which no deferred tax asset was recognised | - | - | (5.9%) | (1 161) |
| Valuation adjustment / temporary differences previously adjusted / permanent differences | (15.4%) | (2 440) | (2.0%) | (392) |
| Change in previously recognised temporary differences | (13.0%) | (2 051) | - | - |
| Current income tax adjustment in respect of prior years | 13.0% | 2 051 | - | - |
| **Total** | **(33.3%)** | **(5 261)** | **(26.1%)** | **(5 128)** |

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

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Before tax** | **Tax benefit** | **Before tax** | **Tax benefit** |
| Effective portion of changes in fair value of cash flow hedges(*) | (4 743) | 901 | (3 049) | 579 |
| **Total** | **(4 743)** | **901** | **(3 049)** | **579** |

(*) - cash flow hedges are further described in notes 31.4 and 32.3

*(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 2010** | **19 024** | **26 581** | **10 720** | **4 536** | **432** | **61 293** |
| Acquisitions | 1 | 484 | 1 450 | 16 | 2 132 | **4 083** |
| Transfer from property, plant and equipment under construction | 1 606 | - | 406 | - | (2 012) | **-** |
| Disposals | (199) | (1 038) | (831) | (1 355) | - | **(3 423)** |
| Other reclassifications | - | 43 | (43) | - | - | **-** |
| **Cost as at 31 December 2010** | **20 432** | **26 070** | **11 702** | **3 197** | **552** | **61 953** |
| | | | | | | |
| **Cost as at 1 January 2011** | **20 432** | **26 070** | **11 702** | **3 197** | **552** | **61 953** |
| Acquisitions | 284 | 378 | 205 | 294 | 6 012 | **7 173** |
| Transfer from property, plant and equipment under construction | - | 137 | 4 036 | 969 | (5 566) | **(424)** |
| Disposals | - | (500) | (723) | (113) | - | **(1 336)** |
| Reclassification to investment property | (1 260) | (12 028) | - | - | - | **(13 288)** |
| Other reclassifications | 38 | (500) | - | (65) | (430) | **(957)** |
| Reclassification to assets of a disposal group held for sale | - | (177) | (5) | (161) | - | **(343)** |
| **Cost as at 31 December 2011** | **19 494** | **13 380** | **15 215** | **4 121** | **568** | **52 778** |

*(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 2010** | **(7 859)** | **(24 422)** | **(8 097)** | **(4 404)** | **(257)** | **(45 039)** |
| Depreciation for the period | (929) | (770) | (579) | (84) | - | **(2 362)** |
| Disposals | 125 | 1 048 | 682 | 1 355 | - | **3 210** |
| Other reclassifications | - | (43) | 43 | - | - | **-** |
| Reversal of impairment loss | - | - | - | - | 257 | **257** |
| **Depreciation and impairment losses as at 31 December 2010** | **(8 663)** | **(24 187)** | **(7 951)** | **(3 133)** | **-** | **(43 934)** |
| **Depreciation and impairment losses as at 1 January 2011** | **(8 663)** | **(24 187)** | **(7 951)** | **(3 133)** | **-** | **(43 934)** |
| Depreciation for the period | (944) | (542) | (717) | (158) | - | **(2 361)** |
| Disposals | - | 498 | 629 | 110 | - | **1 237** |
| Reclassification to investment property | 861 | 11 584 | - | - | - | **12 445** |
| Other reclassifications | (39) | 425 | - | 141 | - | **527** |
| Reclassification to assets of a disposal group held for sale | - | 162 | 5 | 159 | - | **326** |
| **Depreciation and impairment losses as at 31 December 2011** | **(8 785)** | **(12 060)** | **(8 034)** | **(2 881)** | **-** | **(31 760)** |
| **Carrying amounts** | | | | | | |
| At 1 January 2010 | 11 165 | 2 159 | 2 623 | 132 | 175 | **16 254** |
| At 31 December 2010 | 11 769 | 1 883 | 3 751 | 64 | 552 | **18 019** |
| At 1 January 2011 | 11 769 | 1 883 | 3 751 | 64 | 552 | **18 019** |
| At 31 December 2011 | 10 709 | 1 320 | 7 181 | 1 240 | 568 | **21 018** |

### Impairment losses

As at 31 December 2011 there were no indicators, that would require the Group to test property, plant and equipment for impairment. Within presented comparative data as at 1 January 2010 an impairment loss was recognized on property, plant and equipment under construction in the amount of TPLN 257, due to some investment projects being put on hold.

### Leased property, plant and equipment

The Group leases certain equipment and vehicles under a number of finance lease agreements. At 31 December 2011, the net carrying amount of leased property, plant and equipment was TPLN 772 (31 December 2010: TPLN 920). The leased assets secure lease obligations until the repayment of finance lease liabilities.

### Collateral

In addition to leased assets that secure lease obligations described above, as at 31 December 2011 property, plant and equipment with a carrying value of TPLN 12,266 (31 December 2010: TPLN 12,307) provided a collateral for bank loans.

### Property, plant and equipment under construction

At 31 December 2011, property, plant and equipment under construction include mainly design and independent engineer costs related to toll collection system replacement project.

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

## 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 2010** | **870 577** | **1 477** | **1 227** | **283** | **873 564** |
| Acquisitions | - | 68 | - | 10 | **78** |
| Transfer from intangible assets not ready for use | - | 134 | - | (134) | - |
| Revaluation of concession intangible assets | 96 284 | - | - | - | **96 284** |
| Disposals | - | (291) | (257) | - | **(548)** |
| **Cost as at 31 December 2010** | **966 861** | **1 388** | **970** | **159** | **969 378** |
| **Cost as at 1 January 2011** | **966 861** | **1 388** | **970** | **159** | **969 378** |
| Acquisitions | - | 71 | - | 3 | **74** |
| Transfer from intangible assets not ready for use | - | 162 | - | (162) | - |
| Revaluation of concession intangible assets | 29 040 | - | - | - | **29 040** |
| Disposals | - | (65) | - | - | **(65)** |
| Other reclassifications | 430 | - | - | - | **430** |
| Reclassification to assets of a disposal group held for sale | - | (35) | - | - | **(35)** |
| **Cost as at 31 December 2011** | **996 331** | **1 556** | **970** | **-** | **998 822** |
| **Amortisation and impairment losses as at 1 January 2010** | **(141 002)** | **(719)** | **(1 175)** | **-** | **(142 896)** |
| Amortisation for the period | (34 342) | (118) | (50) | - | **(34 510)** |
| Disposals | - | 291 | 255 | - | **546** |
| Reversal of impairment loss | - | 53 | - | - | **53** |
| **Amortisation and impairment losses as at 31 December 2010** | **(175 344)** | **(493)** | **(970)** | **-** | **(176 807)** |
| **Amortisation and impairment losses as at 1 January 2011** | **(175 344)** | **(493)** | **(970)** | **-** | **(176 807)** |
| Amortisation for the period | (36 362) | (151) | - | - | **(36 513)** |
| Disposals | - | 63 | - | - | **63** |
| Impairment loss | - | (8) | - | - | **(8)** |
| Reclassification to assets of a disposal group held for sale | - | 35 | - | - | **35** |
| **Amortisation and impairment losses as at 31 December 2011** | **(211 706)** | **(589)** | **(970)** | **-** | **(213 230)** |
| **Carrying amounts** | | | | | |
| At 1 January 2010 | 729 575 | 758 | 52 | 283 | **730 668** |
| At 31 December 2010 | 791 517 | 895 | - | 159 | **792 571** |
| At 1 January 2011 | 791 517 | 895 | - | 159 | **792 571** |
| At 31 December 2011 | 784 625 | 967 | - | - | **785 592** |

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 29), which resulted in their increase by TPLN 14,697 (2010: TPLN 2,198) and

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

(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 29), resulting in the increase of concession intangible assets by TPLN 14,343 (2010: TPLN 94,086).

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 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 4.49% in 2011 (2010: 4.67%). According to current amortization schedule, based on updated estimates of traffic increase, the proportion of annual amortization costs to the carrying net value of intangible asset as at 31 December 2011 will range from 4.75% to 7.79% during the concession period.

As at 31 December 2011 the Group performed an impairment test in relation to concession intangible assets, as a result of which, no need for the recognition of an impairment loss was identified. As at 31 December 2011, the Group recognized impairment related to other intangible assets of TPLN 8 (31 December 2010: none, 1 January 2010: TPLN 53).

## 15. Investment property

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| **Cost at the beginning of the period** | **11 689** | **11 683** |
| Transfer from property, plant and equipment under construction | 424 | 6 |
| Reclassifications (see also note 13) | 13 288 | - |
| **Cost at the end of the period** | **25 401** | **11 689** |
| **Depreciation and impairment losses at the beginning of the period** | **(8 189)** | **(7 897)** |
| Depreciation for the period | (411) | (292) |
| Reclassifications (see also note 13) | (12 445) | - |
| **Depreciation and impairment losses at the end of the period** | **(21 045)** | **(8 189)** |
| **Carrying amounts at the beginning of the period** | **3 500** | **3 786** |
| **Carrying amounts at the end of the period** | **4 356** | **3 500** |

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. In 2011 the Group reclassified to investment property additional components of the office building as well as adjacent parking lots (including parking lot at Sokolska St.), which so far were disclosed within property, plant and equipment.

Based on property expert's valuation conducted in July 2010, 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 19.2 million – the fair value of the investment property situated at Sokolska St. was estimated at PLN 6.4 million.

As at 31 December 2011 the Group classified 88.6% 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).

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

Consolidated rental income (office and parking space) in 2011 amounted to TPLN 3,663 (in 2010: TPLN 3,161) and was presented in profit for the period under "Revenue" - attributable costs were presented under "Cost of sales".

## 16. Investments in associates

Basic financial data of associated entities is presented below:

| | % of shares owned | Carrying value of shares | Assets | Liabilities | Equity | Revenue | Loss for the period |
|---|---|---|---|---|---|---|---|
| **31 December 2011** | | | | | | | |
| Autostrada Mazowsze S.A. | 30.00% | - | 174 | 658 | (484) | - | (119) |
| **Total** | | - | | | | | |
| **31 December 2010** | | | | | | | |
| Autostrada Mazowsze S.A. | 30.00% | - | 255 | 620 | (365) | - | (751) |
| **Total** | | - | | | | | |

## 17. Other investments

### 17.1. Other non-current investments

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| Non-current deposits | 237 934 | 179 417 |
| Loans granted | - | 612 |
| Other | 69 | 69 |
| **Total** | **238 003** | **180 098** |

As at 31 December 2011 non-current bank deposits comprised cash kept on reserve accounts designated to (i) cover uninsured losses – TPLN 4,905 (31 December 2010: TPLN 4,655), (ii) debt-service – TPLN 47,404 (31 December 2010: TPLN 36,230), (iii) capital expenditures of Phase F2b – TPLN 176,688 (31 December 2010: TPLN 136,410), (iv) future maintenance expenditures – TPLN 5,870 (31 December 2010: none). The abovementioned item included also accrued interests of TPLN 2,667 (31 December 2010: TPLN 1,723). All reserve accounts were established in accordance with the provisions of Concession Agreement and Project Loan Agreement.

Additionally as at 31 December 2011 non-current deposits in the amount of TPLN 400 (31 December 2010: TPLN 400) comprised cash secured at a deposit account as a collateral for the multipurpose credit line (see note 24).

### 17.2. Current investments

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| Loans granted | 507 | - |
| Equity instruments available for sale (shares of non-related entities) | 3 203 | 6 056 |
| Investments in asset management funds | 60 072 | 57 943 |
| **Total** | **63 782** | **63 999** |

Financial instruments available for sale comprise investments in Centrozap S.A. and Dom Maklerski BDM S.A.

As at 31 December 2011 the shares of these companies were subject to an impairment amounting to TPLN 6,331 (31 December 2010: TPLN 6,431) and TPLN 883 (31 December 2010: TPLN 782) respectively. Due to the fact, that since fourth quarter of 2008 Centrozap S.A. is listed on Warsaw Stock Exchange, market quotations of its shares have become the basis for the definition of their fair value. The effect of this valuation, apart from impairment recognition, is recognized as other comprehensive income in consolidated statement of comprehensive income (see also note 22.2).

Loans granted comprise loan to an associated company Autostrada Mazowsze S.A., which according to the agreement should be repaid by 31 March 2012. In 2011 the aforementioned loan was subject to an impairment loss of TPLN 145.

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

## 18. Deferred tax

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

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | *31 December 2011* | *31 December 2010* | *31 December 2011* | *31 December 2010* | *31 December 2011* | *31 December 2010* |
| Property, plant and equipment | 96 943 | 97 208 | (204) | (224) | **96 739** | **96 984** |
| Intangible assets | - | - | (149 096) | (150 399) | **(149 096)** | **(150 399)** |
| Investment property | 456 | 464 | - | - | **456** | **464** |
| Investments in associates | 36 | 41 | - | - | **36** | **41** |
| Other non-current investments | 6 | 6 | (507) | (327) | **(501)** | **(321)** |
| Trade and other receivables | 1 307 | 438 | - | (1 519) | **1 307** | **(1 081)** |
| Current investments | 2 470 | 2 023 | (1 793) | (82) | **677** | **1 941** |
| Cash and cash equivalents | - | - | (125) | (196) | **(125)** | **(196)** |
| Non-current loans and borrowings | - | - | (2 405) | (3 424) | **(2 405)** | **(3 424)** |
| Non-current finance lease liabilities | 45 | 91 | - | - | **45** | **91** |
| Other non-current liabilities | 29 850 | 28 257 | - | - | **29 850** | **28 257** |
| Non-current deferred income and government grants | 2 250 | 2 443 | - | - | **2 250** | **2 443** |
| Employee benefits | 579 | 560 | - | - | **579** | **560** |
| Non-current provisions | 100 158 | 97 793 | - | - | **100 158** | **97 793** |
| Current loans and borrowings | 961 | 886 | (616) | (596) | **345** | **290** |
| Current finance lease liabilities | 47 | 42 | - | - | **47** | **42** |
| Trade and other payables | 413 | 1 343 | - | - | **413** | **1 343** |
| Current provisions | 18 414 | 17 721 | - | - | **18 414** | **17 721** |
| Current deferred income and government grants | 333 | 158 | - | - | **333** | **158** |
| Derivative financial instruments | 1 824 | 1 001 | - | - | **1 824** | **1 001** |
| **Deferred tax assets/liabilities on temporary differences** | **256 092** | **250 475** | **(154 746)** | **(156 767)** | **101 346** | **93 708** |
| Tax loss carry-forwards | 6 847 | 7 670 | - | - | **6 847** | **7 670** |
| **Deferred tax assets/liabilities** | **262 939** | **258 145** | **(154 746)** | **(156 767)** | **108 193** | **101 378** |
| Set off of tax | (154 730) | (156 761) | 154 730 | 156 761 | **-** | **-** |
| Valuation adjustment | (11 132) | (11 113) | - | - | **(11 132)** | **(11 113)** |
| **Net deferred tax assets/liabilities as in statement of financial position** | **97 077** | **90 271** | **(16)** | **(6)** | **97 061** | **90 265** |

*(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 utilization of tax losses and some of temporary differences.

### Change in temporary differences during the period

| | 1 January 2011 | Reclassification to assets of a disposal group held for sale | Change of deferred tax on temporary differences recognised in profit or loss for the period | Change of deferred tax on temporary differences recognised in other comprehensive income | 31 December 2011 |
|---|---|---|---|---|---|
| Property, plant and equipment | **96 984** | - | (245) | - | **96 739** |
| Intangible assets | **(150 399)** | | 1 303 | - | **(149 096)** |
| Investment property | **464** | - | (8) | - | **456** |
| Investments in associates | **41** | - | (5) | - | **36** |
| Other non-current investments | **(321)** | - | (180) | - | **(501)** |
| Trade and other receivables | **(1 081)** | - | 2 388 | - | **1 307** |
| Current investments | **1 941** | (80) | (1 692) | 508 | **677** |
| Cash and cash equivalents | **(196)** | - | 71 | - | **(125)** |
| Non-current loans and borrowings | **(3 424)** | - | 1 019 | - | **(2 405)** |
| Non-current finance lease liabilities | **91** | - | (46) | - | **45** |
| Other non-current liabilities | **28 257** | - | 1 593 | - | **29 850** |
| Non-current deferred income and government grants | **2 443** | - | (193) | - | **2 250** |
| Employee benefits | **560** | (4) | 23 | - | **579** |
| Non-current provisions | **97 793** | - | 2 365 | - | **100 158** |
| Current loans and borrowings | **290** | - | 55 | - | **345** |
| Current finance lease liabilities | **42** | - | 5 | - | **47** |
| Trade and other payables | **1 343** | (14) | (916) | - | **413** |
| Current provisions | **17 721** | - | 693 | - | **18 414** |
| Current deferred income and government grants | **158** | - | 175 | - | **333** |
| Derivative financial instruments | **1 001** | - | (78) | 901 | **1 824** |
| Tax loss carry-forwards | **7 670** | - | (823) | - | **6 847** |
| Valuation adjustment | **(11 113)** | - | 489 | (508) | **(11 132)** |
| **Total** | **90 265** | **(98)** | **5 993** | **901** | **97 061** |

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

| | 1 January 2010 | Change of deferred tax on temporary differences recognised in profit or loss for the period | Change of deferred tax on temporary differences recognised in other comprehensive income | 31 December 2010 |
|---|---|---|---|---|
| Property, plant and equipment | **102 111** | (5 127) | - | **96 984** |
| Intangible assets | **(138 609)** | (11 790) | - | **(150 399)** |
| Investment property | **471** | (7) | - | **464** |
| Investments in associates | **20** | 21 | - | **41** |
| Other non-current investments | **6** | (327) | - | **(321)** |
| Non-current prepayments | **(1 205)** | 1 205 | - | **-** |
| Trade and other receivables | **175** | (1 256) | - | **(1 081)** |
| Current investments | **2 020** | (152) | 73 | **1 941** |
| Cash and cash equivalents | **(137)** | (59) | - | **(196)** |
| Current prepayments | **(35)** | 35 | - | **-** |
| Non-current loans and borrowings | **(5 245)** | 1 821 | - | **(3 424)** |
| Non-current finance lease liabilities | **123** | (32) | - | **91** |
| Other non-current liabilities | **26 395** | 1 862 | - | **28 257** |
| Non-current deferred income and government grants | **2 852** | (409) | - | **2 443** |
| Employee benefits | **223** | 337 | - | **560** |
| Non-current provisions | **85 307** | 12 486 | - | **97 793** |
| Current loans and borrowings | **(39)** | 329 | - | **290** |
| Current finance lease liabilities | **51** | (9) | - | **42** |
| Trade and other payables | **1 322** | 21 | - | **1 343** |
| Current provisions | **11 746** | 5 975 | - | **17 721** |
| Current deferred income and government grants | **158** | - | - | **158** |
| Derivative financial instruments | **304** | 118 | 579 | **1 001** |
| Tax loss carry-forwards | **9 257** | (1 587) | - | **7 670** |
| Valuation adjustment | **(12 853)** | 1 813 | (73) | **(11 113)** |
| **Total** | **84 418** | **5 268** | **579** | **90 265** |

### Tax losses

According to the tax law 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 2011 the amount of tax losses remaining to be utilized amounted to TPLN 36,042 (31 December 2010: TPLN 40,375). As at 31 December 2011 the Group recognized deferred tax assets in the amount of TPLN 159 related to tax losses carry forwards (31 December 2010: TPLN 358).

| *Amount of loss* | *Expiry date* |
|---|---|
| 7 433 | 2012 |
| 14 157 | 2013 |
| 11 398 | 2014 |
| 3 054 | 2015 |
| **36 042** | |

## 19. Income tax receivables and liabilities

As at 31 December 2011 the income tax receivables amounted to TPLN 1,367 (31 December 2010: TPLN 1,403). These receivables will be settled with future income tax liabilities. Due to uncertain recovery of some of these receivables as at 31 December 2011, an allowance of TPLN 1,365 was recognized (31 December 2010: TPLN 1,391).

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

Income tax liabilities of TPLN 1,177 (31 December 2010: TPLN 908) represent the difference between payments made for the previous and current year and the amount of tax payable.

## 20. Trade and other receivables

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| Trade receivables from related parties | 12 | 9 |
| Trade receivables from other parties | 7 242 | 11 339 |
| Receivables from taxes, duties, social and health insurances and other benefits | 4 698 | 7 858 |
| Other receivables from other parties | 821 | 697 |
| **Total** | **12 773** | **19 903** |

As at 31 December 2010 receivables from taxes, duties, social and health insurance and other benefits consisted mainly of amount receivable due to VAT paid as the result of incorrect, according to the Group, decision of the Comptroller of the I Tax Office in Sosnowiec dated 26 August 2008, that determined the excess of input VAT over output VAT for the period of August 2004. The Group pledged for a refund of tax paid due to aforementioned decision. On 2 November 2009 the Provincial Administrative Court in Gliwice dismissed the complaint of the Group in respect of the decision of the Director of Tax Chamber in Katowice dated 30 March 2009, which partly kept in effect the aforementioned decision of the Comptroller of the I Tax Office in Sosnowiec dated 26 August 2008. The Group exercised its right for final appeal. On 29 March 2011 a hearing took place in front of the Supreme Administrative Court, which resulted in the dismissal of Company's appeal. Due to above the Group recognized an allowance for the abovementioned receivables in the amount of TPLN 6,894. As a rule the sentences of the Supreme Administrative Court are legally binding. The Group is currently analysing various subsequent actions with the assistance of tax advisors.

Trade and other receivables are presented net of allowances for doubtful debts amounting to TPLN 113,408 (31 December 2010: TPLN 110,556).

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

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| **Gross overdue receivables** | | |
| up to 1 month | 77 | 35 |
| 1 - 6 months | 48 | 37 |
| 6 months - 1 year | 104 | 30 |
| over 1 year | 113 228 | 117 652 |
| **Total gross overdue receivables** | **113 457** | **117 754** |
| allowances for overdue and doubtful debts | (106 301) | (110 328) |
| **Net overdue receivables** | **7 156** | **7 426** |

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

Movements of allowances for doubtful debts were as follows:

| | *2011* | *2010* |
|---|---|---|
| **Allowances for bad debts as at 1 January** | **(110 556)** | **(114 550)** |
| Allowances recognised | (7 008) | (94) |
| Allowances reversed | 42 | 1 838 |
| Allowances utilised | 4 137 | 2 250 |
| Other reclassifications | (31) | - |
| Reclassification to assets of a disposal group held for sale | 8 | - |
| **Allowances for bad debts as at 31 December** | **(113 408)** | **(110 556)** |

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 arisen as a result of loans guarantees granted to entities which are not able to settle their liabilities and VAT receivables mentioned above.

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 7,020 are secured on the customer's property, which value exceeds the value of these receivables.

In 2011, in line with received payments and based on analysis of probability of post balance sheet date retrieval, the Group reversed some allowances for overdue receivables concerning the activity discontinued in previous years and current activity. Allowances amounting to TPLN 42 were reversed.

## 21. Cash and cash equivalents

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| Cash in hand | 60 | 48 |
| Bank balances | 6 717 | 9 427 |
| Current bank deposits | 133 519 | 202 880 |
| Restricted bank balances | 200 | 180 |
| Cash in transit | 932 | 280 |
| **Cash and cash equivalents in the consolidated statement of financial position** | **141 428** | **212 815** |
| Cash in a disposal group held for sale | 261 | - |
| **Cash and cash equivalents in the consolidated statement of cash flows** | **141 689** | **212 815** |

Restricted bank balances refer to resources at the disposal of Group's social contribution funds.

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

## 22. Equity

### 22.1. Share capital

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| 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 shares (PLN) | 0.75 | 2.00 |
| | | |
| Nominal value of A-series issue | 6 256 | 16 682 |
| Nominal value of B-series issue | 370 | 986 |
| Nominal value of D-series issue | 3 000 | 8 000 |
| Nominal value of E-series issue | 71 196 | 189 856 |
| Nominal value of F-series issue | 37 500 | 100 000 |
| Nominal value of G-series issue | 67 125 | 179 000 |
| **Total** | **185 447** | **494 524** |

From November 1993 till December 1996 the Group operated in hyperinflation. IAS 29 *Financial Reporting in Hyperinflationary Economies* requires restatement of each element of share capital (apart from undistributed profit and revaluation reserves) using general price indexation in hyperinflation. Such retrospective implementation resulted in decrease of retained earnings in that period by TPLN 18,235 and in share capital revaluation adjustment in that same amount.

On 4 April 2011 the General Meeting of Stalexport Autostrady S.A. decided to reduce the share capital of the Company by the amount of TPLN 309,077 by decreasing the nominal value of each share form PLN 2 to PLN 0.75. Simultaneously a resolution on coverage of previous years' losses in the amount of TPLN 334,714 was passed. The amount was covered through the settlement of:

(i) "Share capital revaluation adjustment" in the amount of TPLN 18,235,
(ii) capital of TPLN 309,077 resulting from the reduction of share capital of the Company,
(iii) a part of "Share premium reserve" in the amount of TPLN 7,402.

On 13 April 2011 the District Court Katowice-East in Katowice, VIII Economic Department of the National Court Register recorded the decrease of Company's share capital.

The holders of ordinary shares are entitled to dividends as declared from time to time 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 division.

### 22.2. 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. In 2011, the corresponding losses attributable to owners of the Company amounted to TPLN 2,636 (2010: loss of TPLN 377).

### 22.3. 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 -4,743 in 2011 (2010: TPLN -3,049). This value has been adjusted by change in deferred tax amounting to TPLN 901 (2010: TPLN 579), recognised in other comprehensive income.

### 22.4. Other reserve capitals and supplementary capital

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

## 23. 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 5,287 (2010: TPLN 10,248) and a weighted average number of ordinary shares at the reporting date of 247,262 thousand (31 December 2010: 247,262 thousand).

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

| | *2011* | *2010* |
|---|---|---|
| Profit for the period attributable to shareholders of the Company (in TPLN) | 5 287 | 10 248 |
| 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)** | **0.02** | **0.04** |

As at 31 December 2011 and 31 December 2010 no factors were determined that would result in dilution of profit per one share.

## 24. Loans and borrowings

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| Non-current portion of secured bank loans | 269 226 | 329 876 |
| **Non-current loans and borrowings** | **269 226** | **329 876** |
| | | |
| Current portion of secured bank loans | 27 833 | 13 627 |
| **Current loans and borrowings** | **27 833** | **13 627** |

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. As at 31 December 2010 the nominal value of the loan amounted to PLN 360 million. In 2011 the company repaid the total amount of TPLN 52,099 of the abovementioned loan.

On 26 October 2009 the Company signed a multipurpose credit line agreement, which currently enables crediting in form of bank overdraft (with TPLN 200 limit). The agreement expires on 25 October 2019.

### Terms and conditions of loans and borrowings repayment

| | **Currency** | **Nominal interest rate** | **Year of maturity** | **Liabilities at 31 December 2011** | **Liabilities at 31 December 2010** |
|---|---|---|---|---|---|
| **Bank loans** | | | | | |
| Banking Consortium | PLN | WIBOR 6M + margin | 2020* | 297 059 | 343 503 |
| **Total loans and borrowings** | | | | **297 059** | **343 503** |

(*) - payments up to year 2020

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

### Collateral established on Group's property

Apart from securities established on property, plant and equipment described in note 13, the most significant collateral established in relation to bank loan includes:

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

## 25. Finance lease liabilities

### Repayment schedule of finance lease liabilities

| | Minimum lease payments | Interest | Principal |
|---|---|---|---|
| **31 December 2011** | | | |
| up to 1 year | **274** | 29 | 245 |
| 1 - 5 years | **248** | 14 | 234 |
| **Total** | **522** | **43** | **479** |
| | | | |
| **31 December 2010** | | | |
| up to 1 year | **266** | 48 | 218 |
| 1 - 5 years | **522** | 43 | 479 |
| **Total** | **788** | **91** | **697** |

As described in note 13, the leased assets secure lease obligations until the repayment of finance lease liabilities.

## 26. Employee benefits

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| **Non-current** | | |
| Retirement pay liabilities | 221 | 233 |
| Annuity severance pay liabilities | 14 | 21 |
| Jubilee bonuses liabilities | 396 | 607 |
| Other employee benefits | - | 1 963 |
| **Total** | **631** | **2 824** |
| | | |
| **Current** | | |
| Retirement pay liabilities | 35 | 65 |
| Annuity severance pay liabilities | 1 | 2 |
| Jubilee bonuses liabilities | 50 | 58 |
| Other employee benefits | 2 332 | - |
| **Total** | **2 418** | **125** |

Amounts of liabilities arising from retirement pay, annuity severance pay and jubilee bonuses were calculated on the basis of actuarial appraisal model.

Other employee benefits constitute a forecasted bonus payment for which Company's Management Board is eligible based on 3-year incentive scheme endorsed by the Supervisory Board in 2010.

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

Liabilities arising from retirement pay, annuity severance pay and jubilee bonuses were calculated according to following assumptions:

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| Discount rate | 5.1%-6.3% | 5.2%-5.5% |
| Future remuneration increase | 2%-5% | 2%-5% |

## 27. Other non-current liabilities

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| Liabilities upon guarantees granted | 20 572 | 33 564 |
| Concession payments | 157 107 | 148 720 |
| **Total** | **177 679** | **182 284** |

Liabilities upon guarantees granted relate to guarantee provided to the State Treasury in respect of loan guarantee given to Huta Ostrowiec for modernization of the production line. In August 2008 the Company began the repayment of principal liability. Repayment schedule for these guarantee liabilities is presented in the chart below.

According to the Concession Agreement Stalexport Autostrada Małopolska 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 (2010: 5.64%).

### Repayment schedule for other non-current liabilities

**As at 31 December 2011**

| | Total | up to 1 year | 1-3 years | 3-5 years | over 5 years |
|---|---|---|---|---|---|
| Liabilities upon guarantees granted | **33 564** | 12 992 | 20 572 | - | - |
| Concession payments | **157 107** | - | - | - | 157 107 |
| **Total** | **190 671** | **12 992** | **20 572** | **-** | **157 107** |

**As at 31 December 2010**

| | Total | up to 1 year | 1-3 years | 3-5 years | over 5 years |
|---|---|---|---|---|---|
| Liabilities upon guarantees granted | **46 556** | 12 992 | 25 985 | 7 579 | - |
| Concession payments | **148 720** | - | - | - | 148 720 |
| **Total** | **195 276** | **12 992** | **25 985** | **7 579** | **148 720** |

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

## 28. Deferred income and government grants

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| **Non-current** | | |
| Deferred rental income (mainly passengers service sites) | 11 743 | 12 568 |
| Other | 102 | 108 |
| **Total** | **11 845** | **12 676** |
| | | |
| **Current** | | |
| Deferred rental income (mainly passengers service sites) | 825 | 825 |
| Deferred income from purchase of A4 Katowice - Kraków subscription coupons | 917 | - |
| Other | 7 | 7 |
| **Total** | **1 749** | **832** |

## 29. Provisions

| **Non-current provisions** | **Provisions for motorway resurfacing** | **Provisions for capital expenditures (Phase II)** | **Other provisions** | **Total** |
|---|---|---|---|---|
| **Balance at 1 January 2010** | **6 508** | **442 474** | **-** | **448 982** |
| Additions, including: | 15 904 | 20 802 | - | **36 706** |
| *- due to discounting* | *715* | *20 802* | - | ***21 517*** |
| Change of estimates | 5 247 | 111 955 | - | **117 202** |
| Reclassifications | - | (88 192) | - | **(88 192)** |
| **Balance at 31 December 2010** | **27 659** | **487 039** | **-** | **514 698** |
| | | | | |
| **Balance at 1 January 2011** | **27 659** | **487 039** | **-** | **514 698** |
| Additions, including: | 20 627 | 22 637 | - | **43 264** |
| *- due to discounting* | *1 623* | *22 637* | - | ***24 260*** |
| Change of estimates | 2 644 | 29 079 | - | **31 723** |
| Reclassifications | - | (62 539) | - | **(62 539)** |
| **Balance at 31 December 2011** | **50 930** | **476 216** | **-** | **527 146** |

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

| Current provisions | Provisions for motorway resurfacing | Provisions for capital expenditures (Phase II) | Other provisions | Total |
|---|---|---|---|---|
| **Balance at 1 January 2010** | **3 129** | **57 264** | **1 433** | **61 826** |
| Additions, including: | - | 3 154 | 1 774 | **4 928** |
| *- due to discounting* | - | *3 154* | - | ***3 154*** |
| Change of estimates | - | (15 671) | - | **(15 671)** |
| Utilisation | (1 917) | (41 183) | - | **(43 100)** |
| Reversal | (1 212) | - | (53) | **(1 265)** |
| Reclassifications | - | 88 192 | - | **88 192** |
| **Balance at 31 December 2010** | **-** | **91 756** | **3 154** | **94 910** |
| | | | | |
| **Balance at 1 January 2011** | **-** | **91 756** | **3 154** | **94 910** |
| Additions, including: | - | 3 781 | 134 | **3 915** |
| *- due to discounting* | - | *3 781* | - | ***3 781*** |
| Change of estimates | - | (39) | - | **(39)** |
| Utilisation | - | (62 770) | (1 627) | **(64 397)** |
| Reversal | - | - | (14) | **(14)** |
| Reclassifications | - | 62 539 | - | **62 539** |
| **Balance at 31 December 2011** | **-** | **95 267** | **1 647** | **96 914** |

Provision for capital expenditures is recognized in 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).

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 2010 the rates ranged from 4.25% to 5.94%, currently from 4.18% to 5.16%). As result of those changes the provision for resurfacing increased by TPLN 2,720 (2010: increase of TPLN 7,555), which in line with IAS 37 was recognized in operating expenses for the period. At the same time the provision for capital expenditures (Phase II) increased by TPLN 14,697 (2010: increase of TPLN 2,198), which was recognized as an increase of concession intangible assets.

During the current period 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 building works schedule. As result of that changes the provision for resurfacing decreased by TPLN 76 (2010: decrease of TPLN 2,308), 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 14,343 (2010: increase of TPLN 94,086), which was recognized as an increase of concession intangible assets.

In October 2007, the Office of Competition and Consumer Protection commenced an antimonopoly proceeding against Stalexport Autostrada Małopolska S.A. in relation to the suspicion of abuse of dominant position on the market of paid passage of the section of the motorway A-4 Katowice – Kraków, through the imposition of unfair prices for the crossing through the paid section of the motorway in the magnitude as stated in the price list during the time of repairing of this section of the motorway, causing significant hindrance to vehicle traffic. In response to the summons of the office, the Group submitted relevant information required in relation to the proceedings in progress, and it issued the necessary explanations. On 25 April 2008, the Office of Competition and Consumer Protection issued a decision, in which it has been recognized that the Stalexport Autostrada Małopolska S.A. breached the art. 9 sect. 2 pt. 1 of the act of law on competition and consumer protection, simultaneously instructing it to relinquish the practices being the subject matter of the antimonopoly proceedings. The Office of Competition and Consumer Protection imposed on the Group a financial penalty in the amount of TPLN 1,300 payable to the State Treasury. The Group launched an appeal to the Competition and Consumer Protection Court in Warsaw. On 10 May 2010 the abovementioned court issued a sentence upholding the decision of the Office of Competition and Consumer Protection. On 28 June 2010 the Group made an appeal to the Appeal Competition and Consumer Protection Court in Warsaw. On 31 May 2011 the Appeal Court issued a sentence dismissing the Group's appeal and upholding the UOKiK decision. On 6 July 2011 the Group paid the financial penalty of TPLN 1,300 utilizing the corresponding current provision. On 10 October 2011 the Group filed a final appeal against the sentence of the Appeal Court.

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

Other provisions as at 31 December 2011 constitutes a provision recognized based on the sentence of the District Court in Katowice dated 18 December 2009 responding to claim lodged by CTL Maczki Bór Sp. z o.o. for compensation for the use of certain lots of land in the motorway lane without valid agreement. The court awarded to CTL Maczki Bór Sp. z o.o. the amount of TPLN 40 plus interest from Stalexport Autostrady S.A. and TPLN 996 plus interest from Stalexport Autostrada Małopolska S.A. Abovementioned interest were also subject to provision. On 25 January 2010 both Stalexport Autostrady S.A. and Stalexport Autostrada Małopolska S.A. submitted an appeal against the abovementioned sentence to the Appeal Court in Katowice, which hasn't been processed so far.

## 30. Trade and other payables (current)

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| Trade payables to related parties | 21 216 | 36 |
| Trade payables to other parties | 6 664 | 5 259 |
| Amounts due to taxes, duties, social and health insurance and other benefits | 1 415 | 1 756 |
| Payroll liabilities | 1 990 | 1 929 |
| Guarantees received | - | 500 |
| Liabilities upon guarantees granted | 12 992 | 12 992 |
| Other payables and accruals to related parties | 12 895 | 9 403 |
| Other payables and accruals to other parties | 3 268 | 12 069 |
| **Total** | **60 440** | **43 944** |

The balance of other payables and accruals consists mainly of suspended amounts being held as guarantee for execution of construction contracts and guarantee deposits concerning already completed construction works. The value of abovementioned payables amounted to TPLN 14,881 as at 31 December 2011 (31 December 2010: TPLN 20,633).

## 31. Financial instruments

### 31.1. Classification of financial instruments

**31 December 2011**

| | Non-current | Current | Total |
|---|---|---|---|
| Financial assets measured at fair value through profit or loss | - | 60 072 | **60 072** |
| Available-for-sale financial assets (*) | 69 | 3 283 | **3 352** |
| Non-current deposits | 237 934 | - | **237 934** |
| Cash and cash equivalents (*) | - | 141 689 | **141 689** |
| Hedge derivatives | - | (9 599) | **(9 599)** |
| Loans and receivables (*) | - | 9 332 | **9 332** |
| Financial liabilities measured at amortized cost (*) | (447 139) | (88 205) | **(535 344)** |
| **Total** | **(209 136)** | **116 572** | **(92 564)** |

(*) - including assets/liabilities of a disposal group held for sale

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

**31 December 2010**

| | Non-current | Current | Total |
|---|---|---|---|
| Financial assets measured at fair value through profit or loss | - | 57 943 | **57 943** |
| Available-for-sale financial assets | 69 | 6 056 | **6 125** |
| Non-current deposits | 179 417 | - | **179 417** |
| Cash and cash equivalents | - | 212 815 | **212 815** |
| Hedge derivatives | - | (5 269) | **(5 269)** |
| Loans and receivables | 612 | 12 045 | **12 657** |
| Financial liabilities measured at amortized cost | (512 639) | (56 033) | **(568 672)** |
| **Total** | **(332 541)** | **227 557** | **(104 984)** |

Within financial assets measured at fair value through profit or loss, the Group presents investments in assets management funds, which are recognised in current investments (note 17).

Available-for-sale financial assets include mainly shares of Centrozap S.A. and Dom Maklerski BDM S.A.

Non-current deposits are described in note 17 of these financial statements.

Loans and receivables comprise loans granted as well as trade and other receivables.

Financial liabilities recognized at amortized cost include trade payables, other payables, loans and borrowings, and finance lease liabilities.

## 31.2. Effective interest rates and appraisal dates

The charts below contain effective interest rates on income-earning assets and interest-bearing liabilities, divided into the following groups:

**31 December 2011**

| | Effective rate | Total | < 6 months | > 5 years |
|---|---|---|---|---|
| Non-current deposits | 4.99% | **237 934** | 237 934 | - |
| Cash and cash equivalents (*) | 4.71% | **141 689** | 141 689 | - |
| Loans granted | 6.76% | **507** | 507 | - |
| Investments in asset management funds - bonds and deposits | 5.16% | **38 747** | 38 747 | - |
| Project Loan Agreement | 8.06% | **(297 059)** | (297 059) | - |
| Concession payments | 5.64% | **(157 107)** | - | (157 107) |
| Finance lease liabilities | 7.42% | **(479)** | (479) | - |
| Liabilities upon guarantees granted | 6.26% | **(33 564)** | (33 564) | - |

**31 December 2010**

| | Effective rate | Total | < 6 months | > 5 years |
|---|---|---|---|---|
| Non-current deposits | 3.95% | **179 417** | 179 417 | - |
| Cash and cash equivalents | 3.78% | **212 815** | 212 815 | - |
| Loans granted | 5.64% | **612** | 612 | |
| Investments in asset management funds - bonds and deposits | 4.44% | **37 286** | 37 286 | - |
| Project Loan Agreement | 7.05% | **(343 503)** | (343 503) | - |
| Concession payments | 5.64% | **(148 720)** | - | (148 720) |
| Finance lease liabilities | 6.72% | **(697)** | (697) | - |
| Liabilities upon guarantees granted | 5.14% | **(46 556)** | (46 556) | - |

(*) - including assets of a disposal group held for sale

## 31.3. Fair value

### 31.3.1. Fair value of financial instruments

The following are details of the fair value of the financial instruments for which it is practicable to estimate such value:

- *Cash and cash equivalents, current bank deposits and current bank loans.* The carrying amounts of instruments listed above approximate fair value because of quick maturity of these instruments.
- *Trade receivables, other receivables, trade payables*. The carrying amounts of instruments listed above approximate fair value because of short term nature of these instruments.
- *Interest bearing loans and borrowings, loans granted*. The carrying amount of instruments listed above approximate fair value due to the variable nature of the related market-based interest rates.
- *Available-for-sale financial assets*. Include shares disclosed at their fair value based on their market value at the balance sheet date (without consideration of transaction costs). 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.
- *Investments in assets management funds*. The carrying amount equals their fair value based on market quotations.

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

### 31.3.2. Hierarchy of financial instruments carried at fair value

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

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

For the valuation of available-for-sale financial assets measured at fair value in the amount of TPLN 1,527 as at 31 December 2011 (31 December 2010: TPLN 4,199) and investments in asset management funds measured at fair value in the amount of TPLN 60,072 as at 31 December 2011 (31 December 2010: TPLN 57,943), Level 1 method was used.

For the valuation of derivatives carried at fair value in the amount of TPLN 9,599 as at 31 December 2011 (31 December 2010: TPLN 5,269), Level 2 method was used.

## 31.4. 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 Banks' Consortium. For cash flow being hedged cash flow hedge accounting is applied. Derivatives i.e. interest rate swap 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 22.3 and 5.21.2).

Liability deriving from the valuation of the hedging instruments as at 31 December 2011 amounts to TPLN 9,599 (31 December 2010: TPLN 5,269). The impact of future cash flow hedge accounting identified as effective, was recognized in other comprehensive income.

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

# 32. Financial risk management

## 32.1. Credit risk

Credit risk is the 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 2011* | *31 December 2010* |
|---|---|---|
| Other non-current investments | 238 003 | 180 098 |
| Current investments (*) | 63 862 | 63 999 |
| Trade and other receivables (*) | 13 573 | 19 903 |
| Cash and cash equivalents (*) | 141 689 | 212 815 |
| **Total** | **457 127** | **476 815** |

(*) - including assets of a disposal group held for sale

## 32.2. 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 concerns the shares of public listed companies within investments in asset management funds and shares of public listed companies disclosed as available-for-sale financial assets.

The following table shows Group's maximum exposure to stock exchange indexes fluctuations risk:

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| Investments in asset management funds - shares | 3 704 | 4 417 |
| Available-for-sale financial assets (*) | 1 527 | 4 199 |
| **Total** | **5 231** | **8 616** |

(*) - including assets of a disposal group held for sale

## 32.3. 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 based on floating interest rate WIBOR + margin.

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

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:

| | Current value *31 December 2011* | Current value *31 December 2010* |
|---|---|---|
| **Fixed interest rate instruments** | | |
| Financial assets | 263 326 | 202 989 |
| **Total** | **263 326** | **202 989** |
| | | |
| **Floating interest rate instruments** | | |
| Financial assets (*) | 155 551 | 229 806 |
| Financial liabilities | (483 150) | (534 814) |
| **Total** | **(327 599)** | **(305 008)** |

(*) - including assets of a disposal group held for sale

In accordance with provisions of financing agreements concluded on 27 May 2008, SAM S.A. and three banks: WestLB Bank Polska S.A., PEKAO S.A., DEPFA Bank, struck interest rate swaps transactions in relation to Project Loan Agreement. The aim of those transactions was to swap cash flow based on floating interest rate (6M WIBOR) for cash flow based on fixed interest rate. As at 31 December 2011, SAM S.A. owned interest rate swaps hedging against the risk of future interest rates fluctuations in relation to bank loan amounting to PLN 184 million, which constituted 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 on WIBOR rate fluctuations.

The Group has conducted sensitivity analysis of floating and fixed 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 |
| **2011** | | | | |
| Floating interest rate instruments (*) | (3 276) | 3 276 | (3 276) | 3 276 |
| Fixed interest rate instruments | (342) | 356 | (342) | 356 |
| Hedge derivatives | - | - | 6 562 | (6 562) |
| | | | | |
| **2010** | | | | |
| Floating interest rate instruments | (3 050) | 3 050 | (3 050) | 3 050 |
| Fixed interest rate instruments | (461) | 487 | (461) | 487 |
| Hedge derivatives | - | - | 9 864 | (9 864) |

(*) - including assets of a disposal group held for sale

### Foreign currency risk

At the end of 2011 foreign currency risk concerned cash and cash equivalents and trade and other payables.

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

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 2011**

| | EUR | USD |
|---|---|---|
| Cash and cash equivalents | 206 | 15 |
| Trade and other payables | (388) | - |
| **Net statement of financial position exposure** | **(182)** | **15** |

**31 December 2010**

| | EUR | USD |
|---|---|---|
| Cash and cash equivalents | 276 | 22 |
| Trade and other payables | (411) | - |
| **Net statement of financial position exposure** | **(135)** | **22** |

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% |
| **2011** | (8) | 8 | (8) | 8 |
| **2010** | (6) | 6 | (6) | 6 |

## 32.4. 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 maximum Group's exposure to liquidity risk:

**31 December 2011**

| **Non-derivative financial liabilities** | **Carrying value** | **Contracted cash flow value** | **up to 6 months** | **6-12 months** | **1-2 years** | **2-5 years** | **over 5 years** |
|---|---|---|---|---|---|---|---|
| Liabilities upon guarantees granted | **33 564** | **(36 360)** | (7 454) | (7 265) | (13 906) | (7 735) | - |
| Concession payments | **157 107** | **(222 918)** | - | - | - | - | (222 918) |
| Secured bank loans | **297 059** | **(410 762)** | (22 657) | (22 751) | (45 941) | (140 006) | (179 408) |
| Finance lease liabilities | **479** | **(522)** | (133) | (141) | (177) | (71) | - |
| Trade and other payables (*) | **48 686** | **(48 686)** | (48 686) | - | - | - | - |
| **Derivatives outflows** | | | | | | | |
| Interest rate swaps used for hedging | **9 599** | **(11 085)** | (1 041) | (898) | (2 187) | (4 744) | (2 215) |
| **Total** | **546 494** | **(730 333)** | **(79 971)** | **(31 055)** | **(62 211)** | **(152 556)** | **(404 541)** |

(*) - including liabilities of a disposal group held for sale

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

**31 December 2010**

| Non-derivative financial liabilities | Carrying value | Contracted cash flow value | up to 6 months | 6-12 months | 1-2 years | 2-5 years | over 5 years |
|---|---|---|---|---|---|---|---|
| Liabilities upon guarantees granted | **46 556** | **(50 944)** | (7 623) | (7 456) | (14 412) | (21 453) | - |
| Concession payments | **148 720** | **(222 918)** | - | - | - | - | (222 918) |
| Secured bank loans | **343 503** | **(491 145)** | (9 738) | (22 421) | (45 254) | (139 441) | (274 291) |
| Finance lease liabilities | **697** | **(788)** | (133) | (133) | (274) | (248) | - |
| Trade and other payables | **30 952** | **(30 952)** | (30 952) | - | - | - | - |
| **Derivatives outflows** | | | | | | | |
| Interest rate swaps used for hedging | **5 269** | **(5 642)** | (1 862) | (1 415) | (1 495) | (556) | (314) |
| **Total** | **575 697** | **(802 389)** | **(50 308)** | **(31 425)** | **(61 435)** | **(161 698)** | **(497 523)** |

### 32.5. 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 accounting year should be assigned to supplementary capital, until this capital reaches at least 1/3 of the share capital.

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

## 33. Operating leases

### Operating lease agreements, where the Group is as a lessee

The estimated payments resulting from operating lease agreements are shown below:

| | *31 December 2011* | *31 December 2010* |
|---|---|---|
| up to 1 year | 47 | 47 |
| 1 -5 years | 5 | 52 |
| **Total** | **52** | **99** |

## 34. Capital expenditure commitments

On 1 December 2010 SAM S.A. concluded the tender for Contract F2b-2-2009 "Modernization of motorway dehydration in Balice (km 398+700 – 401+100)". The contract for the total amount of TPLN 17,316 was assigned to consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. The execution of the contract has started in December 2010 and finished in January 2012. The financial progress of the project (value of construction works invoiced) amounted to TPLN 16,092 (93% of contract value) as at 31 December 2011.

In December 2009 SAM S.A. selected a contractor in the tender for the completion of Contract F2b-1-2009 "Repairs of 22 bridges". The contract was signed with consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. for the total amount of TPLN 104,337. The works have started in 2010 and should be completed by the end of 2012. Fourteen bridges were completed so far. The financial progress of the project (value of construction works invoiced) amounted to TPLN 71,684 (69% of contract value) as at 31 December 2011, out of which TPLN 36,941 related to works invoiced in 2011.

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

## 35. Contingent liabilities

Contingent liabilities relate to guarantees given to related entities amounting to TPLN 17,565 (31 December 2010: TPLN 15,472).

## 36. Related parties transactions

### 36.1. Intragroup receivables and liabilities

| 31 December 2011 | Receivables | Loans granted | Payables |
|---|---|---|---|
| Pavimental S.p.A. S.A. Oddział w Polsce | - | - | 32 394 |
| Pavimental Polska Sp. z o.o. | 12 | - | 1 699 |
| Atlantia S.p.A. | - | - | 18 |
| Autostrada Mazowsze S.A. | - | 507 | - |
| **Total** | **12** | **507** | **34 111** |

| 31 December 2010 | Receivables | Loans granted | Payables |
|---|---|---|---|
| Pavimental S.p.A. S.A. Oddział w Polsce | 4 | - | 9 389 |
| Pavimental Polska Sp. z o.o. | 5 | - | 534 |
| Atlantia S.p.A. | - | - | 16 |
| Autostrada Mazowsze S.A. | - | 612 | - |
| **Total** | **9** | **612** | **9 939** |

### 36.2. Related parties transactions

| 2011 | Revenue | Other income | Finance income | Cost of acquired goods and services | Other expenses | Capital expenditures and resurfacing works |
|---|---|---|---|---|---|---|
| Pavimental S.p.A. S.A. Oddział w Polsce | - | - | - | - | - | (53 034) |
| Pavimental Polska Sp. z o.o. | 133 | 46 | - | (868) | (447) | (1 628) |
| Autogrill Polska Sp. z o.o. | 39 | - | - | - | - | - |
| Autostrada Mazowsze S.A. | 63 | - | 40 | - | - | - |
| Spea Ingegneria Europea S.p.A. | - | - | - | - | - | (86) |
| **Total** | **235** | **46** | **40** | **(868)** | **(447)** | **(54 748)** |

| 2010 | Revenue | Other income | Finance income | Cost of acquired goods and services | Other expenses | Capital expenditures and resurfacing works |
|---|---|---|---|---|---|---|
| Pavimental S.p.A. S.A. Oddział w Polsce | - | 6 | - | - | - | (38 512) |
| Pavimental Polska Sp. z o.o. | 92 | 20 | - | (16) | (329) | - |
| Autostrada Mazowsze S.A. | 55 | - | 12 | - | - | - |
| **Total** | **147** | **26** | **12** | **(16)** | **(329)** | **(38 512)** |

In 2011 the Group recognised impairment losses in relation to loan granted to associated entity Autostrada Mazowsze S.A. in amount of TPLN 145 (see note 17.2).

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

### 36.3. Transactions with key personnel

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

| | *2011* | *2010* |
|---|---|---|
| **the Company** | | |
| Management Board | 2 931 | 4 514 |
| Supervisory Board | 63 | 85 |
| | | |
| **Subsidiaries** | | |
| Management Boards | 1 559 | 1 825 |
| Supervisory Boards | 204 | 364 |
| **Total** | **4 757** | **6 788** |

In 2011 and 2010 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.

## 37. Subsequent events

On 3 January 2012 SAM S.A. signed the Annex no 6 to the Concession Agreement. According to the provisions of the annex, operation and maintenance of Murckowska junction was delegated to the General Directorate for National Roads and Motorways in return for one-off payment made by SAM S.A. in the gross amount of TPLN 23,441. The change of SAM S.A. responsibilities for the maintenance of the section of A4 motorway subject to the Concession Agreement, has been reflected in the amount of provision recognized in accordance with the policy described in the note 5.14 *Provision for motorway resurfacing* as at 31 December 2011.