STALEXPORT AUTOSTRADY S.A. CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

as at the day and for the year ended 31 December 2012

Katowice, 5 March 2013

Contents

Consolidated statement of comprehensive income
for the year ended 31 December

In thousands of PLN, unless stated otherwise	***Note***	***2012***	***2011***
Revenue	6	185 507	179 763
Cost of sales	6, 8	(90 447)	(80 813)
Gross profit		**95 060**	**98 950**
Other income	9	3 333	4 163
Administrative expenses	8	(31 995)	(31 331)
Other expenses	10	(339)	(8 507)
Results from operating activities		**66 059**	**63 275**
Finance income		21 542	21 218
Finance expenses		(69 297)	(68 696)
Net finance expense	11	**(47 755)**	**(47 478)**
Share of loss of equity accounted investees (net of income tax)		**(160)**	**-**
Profit before income tax		**18 144**	**15 797**
Income tax expense	12	(5 265)	(5 261)
Profit for the period		**12 879**	**10 536**
Other comprehensive income			
Foreign currency translation differences for foreign operations		(19)	55
Effective portion of changes in fair value of cash flow hedges		(10 519)	(7 520)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period		1 682	2 777
Net change in fair value of available-for-sale financial assets		-	(2 672)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss for the period		6 026	-
Income tax on other comprehensive income		1 679	901
Other comprehensive income for the period, net of income tax		**(1 151)**	**(6 459)**
Total comprehensive income for the period		**11 728**	**4 077**
Profit attributable to:			
Owners of the Company		8 602	5 287
Non-controlling interest		4 277	5 249
Profit for the period		**12 879**	**10 536**
Total comprehensive income attributable to:			
Owners of the Company		7 451	(1 136)
Non-controlling interest		4 277	5 213
Total comprehensive income for the period		**11 728**	**4 077**
Earnings per share	23		
Basic earnings per share (PLN)		0.03	0.02
Diluted earnings per share (PLN)		0.03	0.02

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 2012***	***31 December 2011***
ASSETS			
Non-current assets			
Property, plant and equipment	13	22 274	21 018
Intangible assets	14	717 381	785 592
Investment property	15	4 461	4 356
Investments in associates	16	610	-
Other non-current investments	17	264 409	238 003
Deferred tax assets	18	107 468	97 077
Total non-current assets		**1 116 603**	**1 146 046**
Current assets			
Inventories		2 073	2 494
Current investments	17	26 086	63 782
Income tax receivables	19	-	2
Trade and other receivables	20	9 432	12 773
Cash and cash equivalents	21	141 502	141 428
Assets of a disposal group held for sale	7	-	1 477
Total current assets		**179 093**	**221 956**
Total assets		**1 295 696**	**1 368 002**

Consolidated statement of financial position (continued)
as at

In thousands of PLN	*Note*	*31 December 2012*	*31 December 2011*
EQUITY AND LIABILITIES			
Equity	22		
Share capital	22.1	185 447	185 447
Treasury shares		(20)	(20)
Share premium reserve		8 395	13 514
Fair value reserve	22.2	-	(5 788)
Hedging reserve	22.3	(14 537)	(7 379)
Amounts recognised directly in equity relating to assets of a disposal group held for sale	7	-	(238)
Other reserve capitals and supplementary capital		199 143	189 374
Foreign currency translation reserve		178	116
Retained earnings and uncovered losses		(196 104)	(199 975)
Total equity attributable to owners of the Company		**182 502**	**175 051**
Non-controlling interest		3 989	4 539
Total equity		**186 491**	**179 590**
Liabilities			
Non-current liabilities			
Loans and borrowings	24	244 081	269 226
Finance lease liabilities	25	68	234
Employee benefits	26	555	631
Deferred income	28	11 013	11 845
Other non-current liabilities	27	181 621	177 679
Provisions	29	525 331	527 146
Deferred tax liabilities	18	53	16
Total non-current liabilities		**962 722**	**986 777**
Current liabilities			
Loans and borrowings	24	29 888	27 833
Finance lease liabilities	25	166	245
Derivative financial instruments	31.3, 32.3	18 357	9 599
Income tax liabilities	19	4 411	1 177
Trade and other payables	30	35 976	60 440
Employee benefits	26	216	2 418
Deferred income	28	5 427	1 749
Provisions	29	52 042	96 914
Liabilities of a disposal group held for sale	7	-	1 260
Total current liabilities		**146 483**	**201 635**
Total liabilities		**1 109 205**	**1 188 412**
Total equity and liabilities		**1 295 696**	**1 368 002**

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

Consolidated statement of cash flows
for the year ended 31 December

In thousands of PLN	***Note***	***2012***	***2011***
Cash flows from operating activities			
Profit before income tax		**18 144**	**15 797**
Adjustments for			
Depreciation and amortisation	8	40 000	39 285
(Reversal of)/Impairment on property, plant and equipment and intangible assets		(2)	8
(Profit)/Loss from currency translation		(19)	55
(Profit)/Loss on investment activity		3 623	(1 923)
Profit on disposal of property, plant and equipment and intangible assets		(485)	(43)
Interest and dividends		4 770	10 673
Share in loss of associated entities		160	-
Change in receivables		3 900	6 342
Change in inventories		440	(1 100)
Change in trade and other payables		(10 762)	234
Change in provisions		61 124	48 182
Change in deferred income		2 846	86
Proceeds related to collateral requested by creditors	17.1	400	-
Cash generated from operating activities		**124 139**	**117 596**
Income tax paid		(10 659)	(11 032)
Net cash from operating activities		**113 480**	**106 564**

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*	*2012*	*2011*
Cash flows from investing activities			
Investment proceeds		**59 582**	**18 278**
Sale of intangible assets and property, plant and equipment		520	134
Dividends received		310	355
Interest received		19 168	17 789
Repayment of loans granted		600	-
Sale of financial assets	17.2	38 984	-
Investment expenditures		**(120 600)**	**(114 562)**
Acquisition of intangible assets and property, plant and equipment		(93 679)	(56 990)
Non-current deposits held for investment expenditures		(26 427)	(57 572)
Net cash expense due to loss control over a subsidiary	7	(320)	-
Acquisition of financial assets		(174)	-
Net cash used in investing activities		**(61 018)**	**(96 284)**
Cash flows from financing activities			
Financial expenditures		**(52 649)**	**(81 406)**
Dividends paid		(4 670)	(4 569)
Repayment of loans and borrowings	24	(26 019)	(52 099)
Interest paid		(21 715)	(24 520)
Repayment of finance lease liabilities		(245)	(218)
Net cash from used in financing activities		**(52 649)**	**(81 406)**
Total net cash flows		**(187)**	**(71 126)**
Net change in cash and cash equivalents		**(187)**	**(71 126)**
Cash and cash equivalents at 1 January		**141 689**	**212 815**
Cash and cash equivalents at 31 December, including:	21	**141 502**	**141 689**
Restricted cash and cash equivalents		222	200

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 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	-	-	-	-	-	(7 520)	-	-	-	-	**(7 520)**	-	**(7 520)**
Net change in fair value of cash flow hedges reclassified to profit or loss for the period		-	-	-	-	-	2 777	-	-	-	-	**2 777**	-	**2 777**
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 held for sale		-	-	-	-	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**
	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 2012		**185 447**	**-**	**(20)**	**13 514**	**(5 788)**	**(7 379)**	**(238)**	**189 374**	**116**	**(199 975)**	**175 051**	**4 539**	**179 590**
Profit for the period		-	-	-	-	-	-	-	-	-	*8 602*	*8 602*	*4 277*	*12 879*
Other comprehensive income:		-	-	-	-	*5 788*	*(7 158)*	*238*	*(66)*	*62*	*(15)*	*(1 151)*	-	*(1 151)*
Effective portion of changes in fair value of cash flow hedges	22.3	-	-	-	-	-	(10 519)	-	-	-	-	**(10 519)**	-	**(10 519)**
Net change in fair value of cash flow hedges reclassified to profit or loss for the period		-	-	-	-	-	1 682	-	-	-	-	**1 682**	-	**1 682**
Net change in fair value of available-for-sale financial assets reclassified to profit or loss for the period	22.2	-	-	-	-	5 788	-	238	-	-	-	**6 026**	-	**6 026**
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	-	(66)	62	(15)	**(19)**	-	**(19)**
Income tax on other comprehensive income		-	-	-	-	-	1 679	-	-	-	-	**1 679**	-	**1 679**
Total comprehensive income for the period		-	-	-	-	*5 788*	*(7 158)*	*238*	*(66)*	*62*	*8 587*	*7 451*	*4 277*	*11 728*
Coverage of previous years' losses		-	-	-	(5 119)	-	-	-	-	-	5 119	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	-	-	-	(4 670)	**(4 670)**
Distribution of profit		-	-	-	-	-	-	-	9 835	-	(9 835)	-	-	-
Changes in the Capital Group		-	-	-	-	-	-	-	-	-	-	-	(157)	**(157)**
As at 31 December 2012		**185 447**	**-**	**(20)**	**8 395**	**-**	**(14 537)**	**-**	**199 143**	**178**	**(196 104)**	**182 502**	**3 989**	**186 491**

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

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

1. Group overview

Stalexport Autostrady S.A. ("the Company") with its seat in 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 2012, beside the Company, the Group comprised of the following entities:

Name of the entity	Seat of the entity	Main activities	Status	Ownership interest and voting rights	Date of obtaining control/Date of acquisition	Consolidation method
Stalexport Autoroute S.a r.l.	Luxembourg	Management activities	Subsidiary	100%	2005	Full consolidation
Stalexport Autostrada Małopolska S.A.	Mysłowice	Construction and operation of motorway	Subsidiary	100%*	1998	Full consolidation
VIA4 S.A. **	Mysłowice	Motorway operation	Subsidiary	55%*	1998	Full consolidation
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	Associate	40.63%***	1994	Equity method
Stalexport Wielkopolska Sp. z o.o. w upadłości****	Komorniki	Non-operational	Subsidiary	97.96%	1990	-
Petrostal S.A. w likwidacji****	Warszawa	Non-operational	Subsidiary	100%	2005	-

* through Stalexport Autoroute S.a r.l.;
** until 2 February 2012 the company operated under the name Stalexport Transroute Autostrada S.A.;
*** during the period from 5 December 2007 till 5 June 2012 Biuro Centrum Sp. z o.o. had a subsidiary status (see note 7);
**** these entities are not subject to consolidation due to existing limitations regarding control exercise;

The consolidated financial statements as at the day and for the year ended 31 December 2012 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.

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 5 March 2013.

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 2012, have not been applied in preparation of these consolidated financial statements. Apart from IFRS 9 *Financial instruments*, which awaits EU endorsement and already endorsed IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods commencing on 1 January 2014 or later) and IFRS 13 *Fair Value Measurement* (effective for annual periods commencing on 1 January 2013 or later), 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 for the period for which they will become effective, however it needs to be underlined that aforementioned impact couldn't have been reasonably estimated at the end of reporting period.

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, 32 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 Stalexport Autostrada Małopolska S.A. ("SAM S.A.", "Concession Holder"). These activities are regulated by the concession agreement ("Concession Agreement").

The subject of the Concession Agreement is the completion of construction of the A-4 motorway (by transformation to a 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 and National Road Fund,
- 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 and National Road Fund, 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 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 (construction 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 Transport, Construction and Maritime Economy and also of the Project Loan Agreement between SAM S.A. and consortium of following banks: PEKAO S.A., DEPFA BANK PLC, KfW, PBP S.A. and Portigon AG (London Branch), the possibility of dividend payment by SAM S.A. to its shareholder(s) depends, among others, on completion of specified construction phases, achieving minimum level of debt service ratios, and assuring the sufficient coverage of reserve accounts.

5. Significant accounting policies

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

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 5.16.3) 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

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

Subsequent expenditures

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

Depreciation

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

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

- buildings and constructions 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

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. Deferred income

Deferred income constitutes mainly (i) prepayments received due to rental agreements (mainly passengers service sites), and also (ii) amounts received due to sale of subscription coupons for A4 Katowice - Kraków motorway.

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

5.16. Revenue

5.16.1. 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.

5.16.2. 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.

5.16.3. 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.

5.17. 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.

5.18. Finance income and expenses

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

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

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

5.19. Income tax

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

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

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

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

5.20. Discontinued operations

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, 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.

5.21. Earnings per share (EPS)

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

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

5.22. Financial instruments

5.22.1. 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.

5.22.2. 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.

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

6. Segment reporting

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

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

Business segments

Business segments include:

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

Business segments results

For the year ended 31 December 2012

	Management, advisory and rental services	Management and operation of motorways	Total
Operating revenues			
Revenue from external customers	6 049	179 458	**185 507**
Total revenue	**6 049**	**179 458**	**185 507**
Operating expenses			
Cost of sales to external customers	(5 211)	(85 236)	**(90 447)**
Total cost of sales	**(5 211)**	**(85 236)**	**(90 447)**
Other income	26	3 307	**3 333**
Other expenses	(74)	(265)	**(339)**
Administrative expenses (*)	(7 004)	(24 991)	**(31 995)**
Results from operating activities	**(6 214)**	**72 273**	**66 059**
Net finance income/(expense)	(367)	(47 388)	**(47 755)**
Share of loss of equity accounted investees (net of income tax)	(160)	-	**(160)**
Income tax expense	(120)	(5 145)	**(5 265)**
Profit/(Loss) for the period	**(6 861)**	**19 740**	**12 879**
Other comprehensive income, net of income tax	6 007	(7 158)	**(1 151)**
Total comprehensive income for the period	**(854)**	**12 582**	**11 728**
Major non-cash items			
Depreciation and amortisation	(734)	(39 266)	**(40 000)**
(Recognition)/Release of other provisions	(3)	(129)	**(132)**
Recognition of allowances	(9)	-	**(9)**
Unwinding of discount	-	(37 257)	**(37 257)**
Revaluation of investment	(5 443)	-	**(5 443)**

(*) 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 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
(**) 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 2012	*31 December 2011*
Management, advisory and rental services		
Assets of the segment	138 122	149 523
Liabilities of the segment	22 472	39 697
Management and operation of motorways		
Assets of the segment	1 157 574	1 218 479
Liabilities of the segment	1 086 733	1 148 715
Total assets	**1 295 696**	**1 368 002**
Total liabilities	**1 109 205**	**1 188 412**

Major customer

In the year ended 31 December 2012 sales to neither of Group's customers generated the revenue of more than 10% of total revenue for the period.

In the year ended 31 December 2011 the revenue from the State Treasury due to passage of toll-exempted vehicles amounted to TPLN 20,588, which constituted more than 10% of total revenue for the period.

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

7. Disposal group classified as held for sale

In December 2011 the Supervisory Board of the Company following the motion of the Management Board decided to sell 33.75% of Biuro Centrum Sp. z o.o. shares. On 23 March 2012 the Company and Węglokoks S.A. signed a conditional contract on sale of the 54 shares in Biuro Centrum Sp. z o.o. for the total amount of TPLN 495. The transfer of shares ownership was completed on 5 June 2012, after joint fulfillment of following conditions:

(i) approval of the transaction by the General Meeting of Węglokoks S.A;
(ii) implementation of changes to the Articles of the Association of Biuro Centrum Sp. z o.o. endorsed by both parties.

Conclusion of above-mentioned transaction, resulted in change of Biuro Centrum Sp. z o.o. status in Group's consolidated financial statements from a subsidiary to an associate.

Assets and liabilities of Biuro Centrum Sp. z o.o. as at the date of sale

	5 June 2012
Property, plant and equipment	17
Deferred tax assets	98
Inventories	157
Current investments	80
Trade and other receivables	241
Cash and cash equivalents	815
Total assets as at the date of sale	**1 408**
Employee benefits	(16)
Trade and other payables	(597)
Total liabilities as at the date of sale	**(613)**
Net assets as at the date of sale	**795**

Profit on sale

	5 June 2012
Consideration received	495
Fair value of remaining interest	595
Non-controlling interest	157
Reclassification of loss on available-for-sale financial assets valuation	(238)
Net assets as at the date of sale	(795)
Profit on sale, including:	**214**
Fair value of remaining interest	595
Remaining share in net assets at the date of sale	(323)
Portion of profit due to revaluation of remaining share	**272**

Net cash expense due to sale

	5 June 2012
Consideration received	495
Cash and cash equivalents disposed (as the result of change of company's status and consolidation method)	(815)
Net cash expense due to sale	**(320)**

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

8. Expenses by nature

	2012	*2011*
Depreciation and amortisation (notes 13, 14, 15)	(40 000)	(39 285)
Energy and materials consumption	(6 657)	(6 679)
Accrual of provision for motorway resurfacing disclosed within cost of sales (external services)	(32 557)	(21 652)
Other external services	(18 376)	(18 714)
Taxes and charges	(1 968)	(1 303)
Personnel expenses, including:	(20 102)	(21 562)
- wages and salaries	(16 663)	(18 136)
- compulsory social security contributions and other benefits	(3 439)	(3 426)
Other costs	(2 470)	(2 798)
Cost of goods and materials sold	(8)	-
Total expenses by nature	**(122 138)**	**(111 993)**
Manufacturing cost of products for internal purposes	4	26
Change in inventories, deferred income and cost in relation to operating activity	(308)	(177)
Cost of sales and administrative expenses	**(122 442)**	**(112 144)**

9. Other income

	2012	*2011*
Rental income from passenger service sites	2 282	2 227
Proceeds from sale of debt	-	30
Compensations, contractual penalties and costs of court proceedings received	110	983
Interest from receivables	2	221
Release of other provisions and allowances	2	16
Prescribed liabilities written off	-	246
Net gain on disposal of property, plant and equipment and intangible assets	485	43
Other	452	397
Total	**3 333**	**4 163**

10. Other expenses

	2012	*2011*
Allowances for receivables	(9)	(7 059)
Donations granted	(30)	(18)
Repair of damages	(69)	(1 159)
Penalties, compensations, payments	(22)	(29)
Other provisions and allowances	(134)	(142)
Unrecoverable input VAT	(58)	(65)
Other	(17)	(35)
Total	**(339)**	**(8 507)**

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

11. Net finance expense

	2012	*2011*
Recognised in profit or loss for the period		
Dividends	310	423
Interest income, including:	19 203	18 408
- bank accounts and deposits	19 193	18 368
- loans granted	10	40
Profit on sale of investments	214	-
Other finance income, including:	1 815	2 387
- net foreign exchange gain	237	257
- profit on investments in asset management funds (financial assets measured at fair value through profit or loss)	1 578	2 128
- other finance income	-	2
Finance income	**21 542**	**21 218**
Interest expense on liabilities measured at amortised cost, including:	(33 489)	(37 628)
- loans and borrowings, including:	(22 852)	(26 848)
- nominal	(19 243)	(21 029)
- other	(3 609)	(5 819)
- discount of concession payments	(8 861)	(8 388)
- other	(1 776)	(2 392)
Discount of provisions	(28 396)	(28 041)
Revaluation of investments, including:	(5 443)	(246)
- net change in fair value of available-for-sale financial assets reclassified from equity	(5 788)	-
Other finance expenses, including:	(1 969)	(2 781)
- loss on derivatives	(1 682)	(2 777)
- other finance expenses	(287)	(4)
Finance expenses	**(69 297)**	**(68 696)**
Net finance expense recognised in profit or loss for the period	**(47 755)**	**(47 478)**
Recognised in other comprehensive income		
Foreign currency translation differences for foreign operations	(19)	55
Effective portion of changes in fair value of cash flow hedges (*)	(10 519)	(7 520)
Net change in fair value of cash flow hedges reclassified to profit or loss for the period	1 682	2 777
Net change in fair value of available-for-sale financial assets	-	(2 672)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss for the period (**)	6 026	-
Finance expenses recognised in other comprehensive income	**(2 830)**	**(7 360)**

(*) 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 31.3 and 32.3.

(**) Includes reclassification of amounts recognised directly in equity relating to assets of a disposal group held for sale (see note 7).

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

12. Income tax

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

	2012	*2011*
Current income tax expense	**(13 940)**	**(11 254)**
Current income tax on profits for the year	(13 944)	(13 305)
Adjustment in respect of prior years	4	2 051
Deferred tax expense	**8 675**	**5 993**
Recognition and reversal of temporary differences	8 675	5 993
Income tax impacting profit for the period	**(5 265)**	**(5 261)**

The income tax rate which embraced the majority of Group's activities amounted to 19% in 2011-2012. It is assumed that the income tax rate shouldn't change in upcoming years.

12.2. Effective tax rate

	2012		*2011*	
	%		%	
Profit before income tax		**18 144**		**15 797**
Income tax using the domestic corporate tax rate	(19.0%)	(3 447)	(19.0%)	(3 001)
Utilisation of previously adjusted tax losses	6.4%	1 153	1.1%	180
Valuation adjustment / temporary differences previously adjusted / permanent differences	(16.4%)	(2 975)	(15.4%)	(2 440)
Change in previously recognised temporary differences	-	-	(13.0%)	(2 051)
Current income tax adjustment in respect of prior years	0.0%	4	13.0%	2 051
Total	**(29.0%)**	**(5 265)**	**(33.3%)**	**(5 261)**

12.3. Income tax recognised in other comprehensive income

	2012		*2011*	
	Before tax	**Tax benefit**	**Before tax**	**Tax benefit**
Changes in fair value of cash flow hedges(*)	(8 837)	1 679	(4 743)	901
Total	**(8 837)**	**1 679**	**(4 743)**	**901**

(*) Cash flow hedges are further described in notes 31.3 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 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**
Cost as at 1 January 2012	**19 494**	**13 380**	**15 215**	**4 121**	**568**	**52 778**
Acquisitions	37	330	168	115	3 843	**4 493**
Transfer from property, plant and equipment under construction	4	316	2 178	-	(3 023)	**(525)**
Disposals	-	(441)	(3 961)	(146)	-	**(4 548)**
Other reclassifications	-	(183)	183	-	-	**-**
Cost as at 31 December 2012	**19 535**	**13 402**	**13 783**	**4 090**	**1 388**	**52 198**

(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 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)**
Depreciation and impairment losses as at 1 January 2012	**(8 785)**	**(12 060)**	**(8 034)**	**(2 881)**	**-**	**(31 760)**
Depreciation for the period	(964)	(424)	(1 057)	(232)	-	**(2 677)**
Disposals	-	441	3 937	135	-	**4 513**
Other reclassifications	-	133	(133)	-	-	**-**
Depreciation and impairment losses as at 31 December 2012	**(9 749)**	**(11 910)**	**(5 287)**	**(2 978)**	**-**	**(29 924)**
Carrying amounts						
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**
At 1 January 2012	10 709	1 320	7 181	1 240	568	**21 018**
At 31 December 2012	9 786	1 492	8 496	1 112	1 388	**22 274**

Impairment losses

As at 31 December 2012 there were no indicators, that would require the Group to test property, plant and equipment for impairment.

Leased property, plant and equipment

The Group leases certain equipment and vehicles under a number of finance lease agreements. At 31 December 2012, the net carrying amount of leased property, plant and equipment was TPLN 578 (31 December 2011: TPLN 772). 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 2012 property, plant and equipment with a carrying value of TPLN 11,280 (31 December 2011: TPLN 12,266) provided a collateral for bank loans.

Property, plant and equipment under construction

At 31 December 2012, 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 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**	**1 521**	**970**	**-**	**998 822**
Cost as at 1 January 2012	**996 331**	**1 521**	**970**	**-**	**998 822**
Acquisitions	19 058	145	-	-	**19 203**
Revaluation of concession intangible assets	(50 513)	-	-	-	**(50 513)**
Disposals	-	(38)	-	-	**(38)**
Cost as at 31 December 2012	**964 876**	**1 628**	**970**	**-**	**967 474**
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)**	**(554)**	**(970)**	**-**	**(213 230)**
Amortisation and impairment losses as at 1 January 2012	**(211 706)**	**(554)**	**(970)**	**-**	**(213 230)**
Amortisation for the period	(36 721)	(182)	-	-	**(36 903)**
Disposals	-	38	-	-	**38**
Impairment loss	-	2	-	-	**2**
Amortisation and impairment losses as at 31 December 2012	**(248 427)**	**(696)**	**(970)**	**-**	**(250 093)**
Carrying amounts					
At 1 January 2011	791 517	895	-	159	**792 571**
At 31 December 2011	784 625	967	-	-	**785 592**
At 1 January 2012	784 625	967	-	-	**785 592**
At 31 December 2012	716 449	932	-	-	**717 381**

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 25,995 (2011: increase by TPLN 14,697) and

(ii) due to changes of estimates regarding construction works schedule and capital expenditures, which according to the Concession Agreement are to be executed by the Group before the end of the concession period (see note 29), resulting in the decrease of concession intangible assets by TPLN 76,508 (2011: increase by TPLN 14,343).

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

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 has been delegated to the General Directorate for National Roads and Motorways ("GDDKiA") in return for one-off payment made by SAM S.A. in the gross amount of TPLN 23,441 (TPLN 19,058 net). As a consequence of the above the Group recognized an intangible asset in the amount of TPLN 19,058, which is amortized in line with the accounting policy applicable to the concession intangible assets.

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 4.77% in 2012 (2011: 4.49%). 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 2012 will range from 5.02% to 7.89% during the concession period.

As at 31 December 2012 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 2012, the Group recognized impairment related to other intangible assets of TPLN 6 (31 December 2011: TPLN 8, 1 January 2011: none).

15. Investment property

	31 December 2012	*31 December 2011*
Cost at the beginning of the period	**25 401**	**11 689**
Transfer from property, plant and equipment under construction	525	424
Reclassifications (see also note 13)	-	13 288
Cost at the end of the period	**25 926**	**25 401**
Depreciation and impairment losses at the beginning of the period	**(21 045)**	**(8 189)**
Depreciation for the period	(420)	(411)
Reclassifications (see also note 13)	-	(12 445)
Depreciation and impairment losses at the end of the period	**(21 465)**	**(21 045)**
Carrying amounts at the beginning of the period	**4 356**	**3 500**
Carrying amounts at the end of the period	**4 461**	**4 356**

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 previously 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. The property was appraised using income-based approach, investment method, simple capitalization technique.

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

As at 31 December 2012 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).

Consolidated rental income (office and parking space) in 2012 amounted to TPLN 3,451 (in 2011: TPLN 3,663) 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	Profit or loss for the period
31 December 2012							
Autostrada Mazowsze S.A.	30.00%	8	33	7	26	-	(71)
Biuro Centrum Sp. z o.o.	40.63%	602	1 469	661	808	9 179	144
Total		**610**					
31 December 2011							
Autostrada Mazowsze S.A.	30.00%	-	174	658	(484)	-	(119)
Total		-					

17. Other investments

17.1. Other non-current investments

	31 December 2012	*31 December 2011*
Non-current deposits	264 340	237 934
Other	69	69
Total	**264 409**	**238 003**

As at 31 December 2012 non-current bank deposits comprised cash kept on reserve accounts designated to (i) debt-service – TPLN 47,849 (31 December 2011: TPLN 47,404), (ii) capital expenditures of Phase F2b – TPLN 154,000 (31 December 2011: TPLN 176,688), (iii) future maintenance expenditures – TPLN 59,445 (31 December 2011: TPLN 5,870). The abovementioned item included also accrued interests of TPLN 3,046 (31 December 2011: TPLN 2,667). All reserve accounts were established in accordance with the provisions of Concession Agreement and Project Loan Agreement.

In 2012 the Group utilized the amounts kept on reserve account designated to cover uninsured losses (31 December 2011: TPLN 4,905) to finance construction works related to latent defect’s removal on bridge M54.

Additionally, as the result of multipurpose credit line agreement termination (see note 24), the Group was reimbursed the amount of TPLN 400, which constituted a collateral in relation to aforementioned agreement.

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

17.2. Current investments

	31 December 2012	*31 December 2011*
Loans granted	-	507
Equity instruments available for sale (shares of non-related entities)	3 402	3 203
Investments in asset management funds	22 684	60 072
Total	**26 086**	**63 782**

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

As at 31 December 2012 the shares of these companies were subject to an impairment amounting to TPLN 12,119 (31 December 2011: TPLN 6,331) and TPLN 683 (31 December 2011: TPLN 883) respectively. Due to the fact, that since fourth quarter of 2008 Ideon 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).

In reference to temporary suspension of buy-back of participation units (“PU”) of investment fund Idea Premium SFIO, on 11 September 2012 the Polish Financial Supervision Authority endorsed Idea Premium SFIO to perform a buy-back of its PU in installments, subject to proportional reduction, during the period from 17 September 2012 to 16 March 2013. According to the schedule introduced in light of the endorsement above, the buy-back of PU should be conducted in 20%/80% installments, with the 80% part being exercised on 15 March 2013 based on the value of PU at that date. In September 2012 the Group decided to redeem all Idea Premium PU in its possession, receiving TPLN 1,853 by the end of the reporting period, due to execution of the aforementioned schedule of payments. As at the end of the reporting period, the carrying value of Idea Premium SFIO PU being in possession of the Group amounted to TPLN 7,099.

Additionally in 2012, as the result of change in adopted investment policy, the Group withdrew the total amount of TPLN 37,131 out of other assets management funds.

As at 31 December 2011 loans granted comprised a loan to an associated company Autostrada Mazowsze S.A. In 2012 the associated company repaid the loan amounting to TPLN 662 (including interests of TPLN 62), which resulted in the reversal of corresponding impairment loss in amount 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 2012	*31 December 2011*	*31 December 2012*	*31 December 2011*	*31 December 2012*	*31 December 2011*
Property, plant and equipment	95 445	96 943	(201)	(204)	**95 244**	**96 739**
Intangible assets	-	-	(132 768)	(149 096)	**(132 768)**	**(149 096)**
Investment property	388	456	-	-	**388**	**456**
Investments in associates	69	36	-	-	**69**	**36**
Other non-current investments	6	6	(579)	(507)	**(573)**	**(501)**
Trade and other receivables	1 283	1 307	-	-	**1 283**	**1 307**
Current investments	2 501	2 470	(302)	(1 793)	**2 199**	**677**
Cash and cash equivalents	-	-	(70)	(125)	**(70)**	**(125)**
Non-current loans and borrowings	-	-	(1 840)	(2 405)	**(1 840)**	**(2 405)**
Non-current finance lease liabilities	13	45	-	-	**13**	**45**
Other non-current liabilities	31 534	29 850	-	-	**31 534**	**29 850**
Non-current deferred income	2 092	2 250	-	-	**2 092**	**2 250**
Employee benefits	146	579	-	-	**146**	**579**
Non-current provisions	99 813	100 158	-	-	**99 813**	**100 158**
Current loans and borrowings	902	961	(565)	(616)	**337**	**345**
Current finance lease liabilities	31	47	-	-	**31**	**47**
Trade and other payables	376	413	-	-	**376**	**413**
Current provisions	9 888	18 414	-	-	**9 888**	**18 414**
Current deferred income	1 031	333	-	-	**1 031**	**333**
Derivative financial instruments	3 488	1 824	-	-	**3 488**	**1 824**
Deferred tax assets/liabilities on temporary differences	**249 006**	**256 092**	**(136 325)**	**(154 746)**	**112 681**	**101 346**
Tax loss carry-forwards	5 374	6 847	-	-	**5 374**	**6 847**
Deferred tax assets/liabilities	**254 380**	**262 939**	**(136 325)**	**(154 746)**	**118 055**	**108 193**
Set off of tax	(136 272)	(154 730)	136 272	154 730	**-**	**-**
Valuation adjustment	(10 640)	(11 132)	-	-	**(10 640)**	**(11 132)**
Net deferred tax assets/liabilities as in statement of financial position	**107 468**	**97 077**	**(53)**	**(16)**	**107 415**	**97 061**

(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 2012	Reclassification to assets of a disposal group held for sale	Change of deferred tax on temporary differences recognised in		31 December 2012
			profit or loss for the period	other comprehensive income	
Property, plant and equipment	**96 739**	-	(1 495)	-	**95 244**
Intangible assets	**(149 096)**	-	16 328	-	**(132 768)**
Investment property	**456**	-	(68)	-	**388**
Investments in associates	**36**	-	33	-	**69**
Other non-current investments	**(501)**	-	(72)	-	**(573)**
Trade and other receivables	**1 307**	-	(24)	-	**1 283**
Current investments	**677**	-	1 522	-	**2 199**
Cash and cash equivalents	**(125)**	-	55	-	**(70)**
Non-current loans and borrowings	**(2 405)**	-	565	-	**(1 840)**
Non-current finance lease liabilities	**45**	-	(32)	-	**13**
Other non-current liabilities	**29 850**	-	1 684	-	**31 534**
Non-current deferred income	**2 250**	-	(158)	-	**2 092**
Employee benefits	**579**	-	(433)	-	**146**
Non-current provisions	**100 158**	-	(345)	-	**99 813**
Current loans and borrowings	**345**	-	(8)	-	**337**
Current finance lease liabilities	**47**	-	(16)	-	**31**
Trade and other payables	**413**	-	(37)	-	**376**
Current provisions	**18 414**	-	(8 526)	-	**9 888**
Current deferred income	**333**	-	698	-	**1 031**
Derivative financial instruments	**1 824**	-	(15)	1 679	**3 488**
Tax loss carry-forwards	**6 847**	-	(1 473)	-	**5 374**
Valuation adjustment	**(11 132)**	-	492	-	**(10 640)**
Total	**97 061**	**-**	**8 675**	**1 679**	**107 415**

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

	1 January 2011	Reclassification to assets of a disposal group held for sale	Change of deferred tax on temporary differences recognised in		31 December 2011
			profit or loss for the period	other comprehensive income	
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	**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	**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**

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 2012 the amount of tax losses remaining to be utilized amounted to TPLN 28,287 (31 December 2011: TPLN 36,042). As at 31 December 2012 the Group recognized deferred tax assets in the amount of TPLN 17 related to tax losses carry forwards (31 December 2011: TPLN 159).

Amount of loss	*Expiry date*
13 836	2013
11 397	2014
3 054	2015
28 287	

19. Income tax receivables and liabilities

As at 31 December 2012 the income tax receivables amounted to TPLN 1,341 (31 December 2011: TPLN 1,367). These receivables will be settled with future income tax liabilities. Due to uncertain recovery of these receivables as at 31 December 2012, an allowance of TPLN 1,341 was recognized (31 December 2011: TPLN 1,365).

Income tax liabilities of TPLN 4,411 (31 December 2011: TPLN 1,177) represent the difference between payments made for the previous and current year and the amount of tax payable.

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

20. Trade and other receivables

	31 December 2012	*31 December 2011*
Trade receivables from related parties	44	12
Trade receivables from other parties	7 449	7 242
Receivables from taxes, duties, social and health insurances and other benefits	1 500	4 698
Other receivables from other parties	439	821
Total	**9 432**	**12 773**

As a result of the decision of the Supreme Administrative Court dated 29 March 2011 the Group recognized in the comparative period an allowance in the amount of TPLN 6,894, which concerns amounts receivable due to VAT paid as the result of incorrect, according to the Group, decision of tax authorities that determined the excess of input VAT over output VAT for the period of August 2004. On 23 July 2012 the Group, acting within its legal rights, issued a complaint regarding non-compliance with regulations in force of a legally binding sentence of the Supreme Administrative Court. As of now, the date of the hearing in front of the Supreme Administrative Court has not been set.

Trade and other receivables are presented net of allowances for doubtful debts amounting to TPLN 113,280 (31 December 2011: TPLN 113,408).

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

	31 December 2012	*31 December 2011*
Gross overdue receivables		
up to 1 month	24	77
1 - 6 months	58	48
6 months - 1 year	15	104
over 1 year	113 148	113 228
Total gross overdue receivables	**113 245**	**113 457**
allowances for overdue and doubtful debts	(106 173)	(106 301)
Net overdue receivables	**7 072**	**7 156**

Movements of allowances for doubtful debts were as follows:

	2012	*2011*
Allowances for bad debts as at 1 January	**(113 408)**	**(110 556)**
Allowances recognised	(25)	(7 008)
Allowances reversed	16	42
Allowances utilised	142	4 137
Other reclassifications	(5)	(31)
Reclassification to assets of a disposal group held for sale	-	8
Allowances for bad debts as at 31 December	**(113 280)**	**(113 408)**

The allowances for doubtful debts within trade receivables were recognized due to expected difficulties in collection of amounts due from some customers. The allowances for other receivables concern mainly receivables deriving from activities discontinued in previous periods, resulting from loan guarantees granted to entities which were not able to settle their liabilities 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 6,987 are secured on the customer's property, which value exceeds the value of these receivables.

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

In 2012, in line with received payments and based on analysis of probability of post reporting date retrieval, the Group reversed some allowances for overdue receivables concerning the activity discontinued in previous years and current activity. Allowances amounting to TPLN 16 were reversed.

21. Cash and cash equivalents

	31 December 2012	*31 December 2011*
Cash in hand	80	60
Bank balances	15 423	6 717
Current bank deposits	124 245	133 519
Restricted bank balances	222	200
Cash in transit	1 532	932
Cash and cash equivalents in the consolidated statement of financial position	**141 502**	**141 428**
Cash in a disposal group held for sale	-	261
Cash and cash equivalents in the consolidated statement of cash flows	**141 502**	**141 689**

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

22. Equity

22.1. Share capital

	31 December 2012	*31 December 2011*
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	0.75
Nominal value of A-series issue	6 256	6 256
Nominal value of B-series issue	370	370
Nominal value of D-series issue	3 000	3 000
Nominal value of E-series issue	71 196	71 196
Nominal value of F-series issue	37 500	37 500
Nominal value of G-series issue	67 125	67 125
Total	**185 447**	**185 447**

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

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 2012 the valuation of such available-for-sale financial assets did not change (2011: loss of TPLN 2,636).

Due to objective evidence of impairment of Ideon S.A. shares i.e. significant and prolonged decline in fair value (market value) of these assets below its cost, the Group recognised in 2012 an additional impairment loss by means of reclassification of cumulative fair value loss in amount of TPLN 5,788, which was attributed in previous reporting periods to fair value reserve, to profit or loss for the period.

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 -10,519 in 2012 (2011: TPLN -7,520). As the consequence of hedged interest payments made in 2012, the Group reclassified the corresponding net change in fair value of cash flow hedges of TPLN -1,682 (2011: TPLN -2,777) to finance expense. The amount of aforementioned effective changes was adjusted by change in deferred tax recognized in other comprehensive income in amount of TPLN 1,999, out of which TPLN 320 was attributable to portion of changes reclassified to finance expense (2011: TPLN 1,429 and TPLN 528 respectively).

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 8,602 (2011: profit of TPLN 5,287) and a weighted average number of ordinary shares at the reporting date of 247,262 thousand (31 December 2011: 247,262 thousand).

Net profit per ordinary share attributable to shareholders of the Company

	2012	*2011*
Profit for the period attributable to shareholders of the Company (in TPLN)	8 602	5 287
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)	**0.03**	**0.02**

As at 31 December 2012 and 31 December 2011 no factors were determined that would result in dilution of profit per one share.

24. Loans and borrowings

	31 December 2012	*31 December 2011*
Non-current portion of secured bank loans	244 081	269 226
Non-current loans and borrowings	**244 081**	**269 226**
Current portion of secured bank loans	29 888	27 833
Current loans and borrowings	**29 888**	**27 833**

On 28 December 2005, the Project Loan Agreement was signed by and between Stalexport Autostrada Małopolska S.A. and commercial banks. The credit availability period expired on 30 September 2010. The nominal value of the loan amounted to PLN 360 million. In 2012 the company repaid the total amount of TPLN 26,019 (2011: TPLN 52,099) of the abovementioned loan.

In October 2012 the Multipurpose credit line agreement dated 26 October 2009, which enabled crediting in form of bank overdraft, was terminated.

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

Terms and conditions of loans and borrowings repayment

	Currency	Nominal interest rate	Year of maturity	Liabilities at 31 December 2012	Liabilities at 31 December 2011
Bank loans					
Banking Consortium	PLN	WIBOR 6M + margin	2020*	273 969	297 059
Total loans and borrowings				**273 969**	**297 059**

(*) payments up to year 2020

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 loans includes:

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

25. Finance lease liabilities

Repayment schedule of finance lease liabilities

	Minimum lease payments	Interest	Principal
31 December 2012			
up to 1 year	**177**	11	166
1 - 5 years	**71**	3	68
Total	**248**	**14**	**234**
31 December 2011			
up to 1 year	**274**	29	245
1 - 5 years	**248**	14	234
Total	**522**	**43**	**479**

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

26. Employee benefits

	31 December 2012	*31 December 2011*
Non-current		
Retirement pay liabilities	194	221
Annuity severance pay liabilities	10	14
Jubilee bonuses liabilities	351	396
Total	**555**	**631**
Current		
Retirement pay liabilities	-	35
Annuity severance pay liabilities	-	1
Jubilee bonuses liabilities	63	50
Other employee benefits	153	2 332
Total	**216**	**2 418**

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

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

Other employee benefits as at 31 December 2011 constituted a forecasted bonus payment for which Company's Management Board was eligible based on 3-year incentive scheme endorsed by the Supervisory Board in 2010. The final cost of aforementioned benefit, which was paid in 2012, amounted to TPLN 2,893.

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

	31 December 2012	*31 December 2011*
Discount rate	3.6%-4.5%	5.1%-6.3%
Future remuneration increase	2%-5%	2%-5%

27. Other non-current liabilities

	31 December 2012	*31 December 2011*
Liabilities upon guarantees granted	7 579	20 572
Concession payments	165 969	157 107
Other payables to related parties	7 407	-
Other payables to other parties	666	-
Total	**181 621**	**177 679**

Liabilities upon guarantees granted relate to guarantee provided to the State Treasury in respect of loan guarantee given to Huta Ostrowiec for modernization of a production line. In August 2008 the Group began the repayment of principal liability. Repayment schedule for these guarantee liabilities has been disclosed within note 32.4.

According to the Concession Agreement SAM S.A. is obliged to make Concession payments to National Road Fund (acquired liability relating to loan drawn by the State Treasury from EBRD). The nominal value of the liability according to appendix 7 of the Concession Agreement amounts to TPLN 222,918. A discount rate of 5.64% was used to discount the liability (2011: 5.64%).

Other non-current liabilities constitute suspended amounts being held as guarantee for execution of construction contracts and guarantee deposits concerning already completed construction works with a due date exceeding 12-month period.

28. Deferred income

	31 December 2012	*31 December 2011*
Non-current		
Deferred rental income (mainly passengers service sites)	10 919	11 743
Other	94	102
Total	**11 013**	**11 845**
Current		
Deferred rental income (mainly passengers service sites)	825	825
Deferred income from purchase of A4 Katowice - Kraków subscription coupons	4 595	917
Other	7	7
Total	**5 427**	**1 749**

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

29. Provisions

Non-current provisions	Provisions for motorway resurfacing	Provisions for capital expenditures (Phase II)	Other provisions	Total
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**
Balance at 1 January 2012	**50 930**	**476 216**	**-**	**527 146**
Additions, including:	25 850	21 011	-	**46 861**
- due to discounting	*3 121*	*21 011*	-	***24 132***
Change of estimates	9 828	(49 633)	-	**(39 805)**
Reclassifications	-	(8 871)	-	**(8 871)**
Balance at 31 December 2012	**86 608**	**438 723**	**-**	**525 331**

Current provisions	Provisions for motorway resurfacing	Provisions for capital expenditures (Phase II)	Other provisions	Total
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**
Balance at 1 January 2012	**-**	**95 267**	**1 647**	**96 914**
Additions, including:	-	4 264	171	**4 435**
- due to discounting	-	*4 264*	-	***4 264***
Change of estimates	-	(880)	-	**(880)**
Utilisation	-	(57 298)	-	**(57 298)**
Reclassifications	-	8 871	-	**8 871**
Balance at 31 December 2012	**-**	**50 224**	**1 818**	**52 042**

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 2011 the rates ranged from 4.18% to 5.16%, currently from 2.84% to 3.97%). As result of those changes the provision for resurfacing increased by TPLN 6,403 (2011: increase of TPLN 2,720), 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 25,995 (2011: increase of TPLN 14,697), 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 construction works schedule. As result of that changes the provision for resurfacing increased by TPLN 3,425 (2011: decrease of TPLN 76), which in line with IAS 37 increased operating expenses for the period. At the same time the provision for capital expenditures (Phase II) decreased by TPLN 76,508 (2011: increase of TPLN 14,343), which was recognized as a decrease of concession intangible assets.

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

In October 2007, the Office of Competition and Consumer Protection (“UOKiK”) 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, which was dismissed by the Supreme Court on 13 July 2012 with all previous rulings kept in force.

Other provisions as at 31 December 2012 comprised mainly 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 interests were also subject to provision. On 25 January 2010 both Stalexport Autostrady S.A. and Stalexport Autostrada Małopolska S.A. submitted appeals against the abovementioned sentence to the Court of Appeal in Katowice, which haven’t been processed so far.

30. Trade and other payables (current)

	31 December 2012	*31 December 2011*
Trade payables to related parties	5 262	21 216
Trade payables to other parties	6 278	6 664
Amounts due to taxes, duties, social and health insurance and other benefits	1 429	1 415
Payroll liabilities	1 630	1 990
Liabilities upon guarantees granted	12 992	12 992
Other payables and accruals to related parties	7 230	12 895
Other payables and accruals to other parties	1 155	3 268
Total	**35 976**	**60 440**

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 7,516 as at 31 December 2012 (31 December 2011: TPLN 14,881).

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

31. Financial instruments

31.1. Classification of financial instruments

31 December 2012

	Non-current	Current	Total
Financial assets measured at fair value through profit or loss	-	22 684	**22 684**
Available-for-sale financial assets	69	3 402	**3 471**
Non-current deposits	264 340	-	**264 340**
Cash and cash equivalents	-	141 502	**141 502**
Hedge derivatives	-	(18 357)	**(18 357)**
Loans and receivables	-	7 932	**7 932**
Financial liabilities measured at amortized cost	(425 770)	(64 601)	**(490 371)**

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)**

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

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 Ideon S.A. and Dom Maklerski BDM S.A.

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

Loans and receivables comprised 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. Fair value

31.2.1. 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.

31.2.2. 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 1,447 as at 31 December 2012 (31 December 2011: TPLN 1,527) and investments in asset management funds measured at fair value in the amount of TPLN 22,684 as at 31 December 2012 (31 December 2011: TPLN 60,072), Level 1 method was used.

For the valuation of derivatives carried at fair value in the amount of TPLN 18,357 as at 31 December 2012 (31 December 2011: TPLN 9,599), Level 2 method was used.

31.3. 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 5.22.2).

Liability deriving from the valuation of the hedging instruments as at 31 December 2012 amounted to TPLN 18,357 (31 December 2011: TPLN 9,599). The impact of future cash flow hedge accounting identified as effective, was recognized in other comprehensive income.

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.

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

The following table shows the Group's maximum exposure to the credit risk:

	31 December 2012	*31 December 2011*
Other non-current investments	264 409	238 003
Current investments (*)	26 086	63 862
Trade and other receivables (*)	9 432	13 573
Cash and cash equivalents (*)	141 502	141 689
Total	**441 429**	**457 127**

(*) 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 2012	*31 December 2011*
Investments in asset management funds - shares	-	3 704
Available-for-sale financial assets (*)	1 447	1 527
Total	**1 447**	**5 231**

(*) 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.

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 2012*	**Current value** *31 December 2011*
Fixed interest rate instruments		
Financial assets	264 340	263 326
Total	**264 340**	**263 326**
Floating interest rate instruments		
Financial assets (*)	149 956	155 551
Financial liabilities	(455 996)	(483 150)
Total	**(306 040)**	**(327 599)**

(*) 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. (currently Polski Bank Przedsiębiorczości 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

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

2012, SAM S.A. owned interest rate swaps hedging against the risk of future interest rates fluctuations in relation to bank loan amounting to PLN 170 million, 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
2012				
Floating interest rate instruments	(3 060)	3 060	(3 060)	3 060
Hedge derivatives	-	-	6 513	(6 513)
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)

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

Foreign currency risk

At the end of 2012 foreign currency risk concerned cash and cash equivalents and trade and other payables.

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

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

31 December 2012

	EUR	USD
Cash and cash equivalents	204	39
Trade and other payables	(333)	-
Net statement of financial position exposure	**(129)**	**39**

31 December 2011

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

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

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

	Profit or loss for the period		Equity	
	increase of exchange rates by 5%	decrease of exchange rates by 5%	increase of exchange rates by 5%	decrease of exchange rates by 5%
2012	(5)	5	(5)	5
2011	(8)	8	(8)	8

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 2012

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	**20 571**	**(21 562)**	(7 027)	(6 823)	(7 712)	-	-
Concession payments	**165 969**	**(222 918)**	-	-	-	-	(222 918)
Secured bank loans	**273 969**	**(367 490)**	(22 926)	(23 333)	(46 680)	(142 289)	(132 262)
Other non-current liabilities	**8 073**	**(8 073)**	-	-	(330)	(7 743)	-
Finance lease liabilities	**234**	**248**	116	61	54	17	-
Trade and other payables	**22 984**	**(22 984)**	(22 984)	-	-	-	-
Derivatives outflows							
Interest rate swaps used for hedging	**18 357**	**(20 738)**	(1 298)	(2 153)	(4 217)	(9 222)	(3 848)
Total	**510 157**	**(663 517)**	**(54 119)**	**(32 248)**	**(58 885)**	**(159 237)**	**(359 028)**

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

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.

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

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.

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

	31 December 2012	*31 December 2011*
Total liabilities	1 109 205	1 188 412
minus		
Provisions for capital expenditure (Phase II)	488 947	571 483
Derivatives (net of deferred tax effect)	14 869	7 775
Non-current deposits	264 340	237 934
Cash and cash equivalents (*)	141 502	141 689
Net debt	**199 547**	**229 531**
Total equity	186 491	179 590
minus		
Hedging reserve	(14 537)	(7 379)
Adjusted equity	**201 028**	**186 969**
Net debt to adjusted equity ratio	**0.99**	**1.23**

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

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

33. Operating leases

As at 31 December 2012 neither of companies constituting the Group was under operating lease agreement.

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 February 2012.

In December 2009 SAM S.A. selected a contractor in the tender for the completion of Contract F2b-1-2009 "Repairs of 22 bridges", granting it to the of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. The contract was executed according to the agreed schedule with the construction works completed in 2012. The forecasted value of the construction works subject to the contract amounts to TPLN 116,209. The financial progress of the project (value of construction works invoiced) amounted to TPLN 110,891 (95.4% of the contract value) as at 31 December 2012, out of which TPLN 39,207 concerned works invoiced in 2012.

On 15 June 2012 SAM S.A. signed a contract with SBL- ŻELBET Sp. z o.o. for the construction of noise screen no. 32 near the city of Jaworzno for the total amount of TPLN 2,131. The contract was completed in principle in December 2012. The financial progress of the project (value of construction works invoiced) amounted to TPLN 2,100 (98.5% of the contract value) as at 31 December 2012.

On 8 May 2012 SAM S.A. and Pavimental Polska Sp. z o.o. signed a contract "Enlargement of Brzęczkowice Toll Plaza" for the total amount of TPLN 12,141. Construction works, which resulted in extension of Toll Plaza Brzęczkowice by additional toll collection lines, were completed in principle in December 2012. The financial progress of the project (value of construction works invoiced) amounted to TPLN 10,550 (86.9% of the contract value) as at 31 December 2012.

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

On 15 November 2012 SAM S.A. and Pavimental Polska Sp. z o.o. signed a contract "Enlargement of Balice Toll Plaza" for the total amount of TPLN 8,395. The execution of the contract, which shall result in extension of the Toll Plaza Balice by additional toll collection lines, is planned for the period from November 2012 to September 2013.

On 14 September 2012 SAM S.A. and Autostrade Tech S.p.A. signed a contract WUPO 2012 Tolling Equipment Replacement. The contract net amount (without consideration of contract value changes due to enlargement of toll plazas) should be between TPLN 15,397 and TPLN 15,862, depending on the functionality and interoperability of electronic toll collection system, which introduction is a part of WUPO contract, with the National Electronic Tolling System, which embraces public roads network under GDDKiA management (so called interoperability options). The decision regarding interoperability options will be made by SAM S.A. at the project stage of the contract.

35. Contingent liabilities

Contingent liabilities relate to guarantees given to related entities amounting to TPLN 15,574 (31 December 2011: TPLN 17,565).

36. Related parties transactions

36.1. Intragroup receivables and liabilities

31 December 2012	**Receivables**	**Loans granted**	**Trade payables**	**Guarantees and suspended amounts***
Atlantia S.p.A.	-	-	17	-
Parent entities	**-**	**-**	***17***	**-**
Autostrada Mazowsze S.A.	2	-	-	-
Biuro Centrum Sp. z o.o.	21	-	110	-
Associates	***23***	**-**	***110***	**-**
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	-	13 119
Pavimental Polska Sp. z o.o.	21	-	5 137	1 430
Spea Ingegneria Europea S.p.A.	-	-	86	-
Other related entities	***21***	**-**	***5 223***	***14 549***
Total	**44**	**-**	**5 350**	**14 549**

31 December 2011	**Receivables**	**Loans granted**	**Trade payables**	**Guarantees and suspended amounts***
Atlantia S.p.A.	-	-	18	-
Parent entities	**-**	**-**	***18***	**-**
Autostrada Mazowsze S.A.	-	507	-	-
Associates	**-**	***507***	**-**	**-**
Pavimental S.p.A. S.A. Oddział w Polsce	-	-	12 762	19 632
Pavimental Polska Sp. z o.o.	12	-	1 566	133
Other related entities	***12***	**-**	***14 328***	***19 765***
Total	**12**	**507**	**14 346**	**19 765**

*see notes 27 and 30

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

36.2. Related parties transactions

2012	Revenue	Other income	Finance income	Cost of acquired goods and services	Other expenses	Capital expenditures and resurfacing works
Autostrada Mazowsze S.A.	41	-	10	-	-	-
Biuro Centrum Sp. z o.o.	165	5	-	(1 597)	-	-
Associates	***206***	***5***	***10***	***(1 597)***	**-**	**-**
Pavimental S.p.A.	-	-	-	-	-	(40 111)
Pavimental Polska Sp. z o.o.	174		-	(2 217)	-	(10 964)
Autogrill Polska Sp. z o.o.	59	-	-	-	-	-
Spea Ingegneria Europea S.p.A.	-	-	-	(239)	-	-
Other related entities	***233***	**-**	**-**	***(2 456)***	**-**	***(51 075)***
Total	**439**	**5**	**10**	**(4 053)**	**-**	**(51 075)**

2011	Revenue	Other income	Finance income	Cost of acquired goods and services	Other expenses	Capital expenditures and resurfacing works
Autostrada Mazowsze S.A.	63	-	40	-	-	-
Associates	***63***	**-**	***40***	**-**	**-**	**-**
Pavimental S.p.A.	-	-	-	-	-	(53 034)
Pavimental Polska Sp. z o.o.	133	46	-	(868)	(447)	(1 628)
Autogrill Polska Sp. z o.o.	39	-	-	-	-	-
Spea Ingegneria Europea S.p.A.	-	-	-	-	-	(86)
Other related entities	***172***	***46***	**-**	***(868)***	***(447)***	***(54 748)***
Total	**235**	**46**	**40**	**(868)**	**(447)**	**(54 748)**

In 2012 the Group reversed the impairment loss in relation to loan granted to the associated entity Autostrada Mazowsze S.A. in amount of TPLN 145 due to its repayment.

36.3. Transactions with key personnel

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

	2012	***2011***
the Company		
Management Board	2 251	2 931
Supervisory Board	63	63
Subsidiaries		
Management Boards	1 599	1 559
Supervisory Boards	69	204
Total	**3 982**	**4 757**

In 2012 and 2011 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. Remuneration of entity examining the financial statements and its related entities

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

38. Subsequent events

There were no significant subsequent events, which should be disclosed in the consolidated financial statements for the year 2012.