STALEXPORT AUTOSTRADY S.A.
CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

as at the day and for the year ended
31 December 2010

Explanation
This document constitutes a translation of the financial statements of the entity named above. The original financial statements were issued in Polish. The document below comprises the English translation of terminology used in the Polish original. In case of ambiguities in interpretation of terminology, the original Polish terminology should be treated as binding.

Contents

Consolidated statement of comprehensive income
for the year ended 31 December

In thousands of PLN, unless stated otherwise	*Note*	*2010*	*2009 (*)*
Revenue	6	165 219	138 842
Cost of sales	6, 8	(76 119)	(74 477)
Gross profit		**89 100**	**64 365**
Other income	9	6 827	13 282
Administrative expenses	8	(31 457)	(32 830)
Other expenses	10	(2 491)	(1 948)
Results from operating activities		**61 979**	**42 869**
Finance income		12 966	9 572
Finance expenses		(55 219)	(42 306)
Net finance expense	11	**(42 253)**	**(32 734)**
Share of loss of equity accounted investees (net of income tax)		**(116)**	**(1 181)**
Profit before income tax		**19 610**	**8 954**
Income tax expense	12	(5 128)	(1 384)
Profit for the period		**14 482**	**7 570**
Other comprehensive income			
Foreign currency translation differences for foreign operations		(34)	(240)
Effective portion of changes in fair value of cash flow hedges		(3 049)	16 144
Net change in fair value of available-for-sale financial assets		(382)	(1 241)
Income tax on other comprehensive income		579	(3 067)
Other comprehensive income for the period, net of income tax		**(2 886)**	**11 596**
Total comprehensive income for the period		**11 596**	**19 166**
Profit attributable to:			
Owners of the Company		10 248	3 787
Non-controlling interest		4 234	3 783
Profit for the period		**14 482**	**7 570**
Total comprehensive income attributable to:			
Owners of the Company		7 367	15 424
Non-controlling interest		4 229	3 742
Total comprehensive income for the period		**11 596**	**19 166**
Earnings per share	24		
Basic earnings per share (PLN)		0,04	0,02
Diluted earnings per share (PLN)		0,04	0,02

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

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 2010*	*31 December 2009 (*)*	*1 January 2009 (*)*
ASSETS				
Non-current assets				
Property, plant and equipment	13	18 019	16 254	17 408
Intangible assets	14	792 571	730 668	798 055
Prepaid perpetual usufruct of land		-	116	116
Investment property	15	3 500	3 786	4 063
Investments in associates	16	-	116	397
Other long-term investments	17	180 098	7 056	4 269
Long-term prepayments	18	-	16 170	20 172
Deferred tax assets	19	90 271	84 418	84 886
Total non-current assets		**1 084 459**	**858 584**	**929 366**
Current assets				
Inventories		1 570	1 813	1 647
Short-term investments	17	63 999	54 889	74 630
Income tax receivables	20	12	106	1 975
Trade and other receivables	21	19 903	31 432	27 719
Cash and cash equivalents	22	212 815	130 846	114 639
Short-term prepayments	18	-	184	108
Total current assets		**298 299**	**219 270**	**220 718**
Total assets		**1 382 758**	**1 077 854**	**1 150 084**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

Consolidated statement of financial position
as at

In thousands of PLN	*Note*	*31 December 2010*	*31 December 2009 (*)*	*1 January 2009 (*)*
EQUITY AND LIABILITIES				
Equity	23			
Share capital		494 524	494 524	494 524
Share capital revaluation adjustment		18 235	18 235	18 235
Treasury shares		(20)	(20)	(20)
Share premium reserve		20 916	20 916	20 916
Fair value reserve	23b	(3 390)	(3 013)	(1 813)
Hedging reserve	23c	(3 537)	(1 067)	(14 144)
Other reserve capitals and supplementary capital		181 240	161 643	140 042
Foreign currency translation reserve		174	167	387
Retained earnings and uncovered losses		(531 955)	(522 565)	(504 731)
Total equity attributable to owners of the Company		**176 187**	**168 820**	**153 396**
Non-controlling interest		3 895	3 634	3 682
Total equity		**180 082**	**172 454**	**157 078**
Liabilities				
Non-current liabilities				
Loans and borrowings	25	329 876	122 395	65 877
Finance lease liabilities	26	479	646	660
Employee benefits liabilities	27	2 824	815	911
Deferred income and government grants	29	12 676	14 796	15 849
Other non-current liabilities	28	182 284	185 475	191 853
Provisions	30	514 698	448 982	493 796
Deferred tax liabilities	19	6	-	-
Total non-current liabilities		**1 042 843**	**773 109**	**768 946**
Current liabilities				
Loans and borrowings	25	13 627	1 470	1 488
Finance lease liabilities	26	218	270	1 420
Derivative financial instruments	32d, 33c	5 269	1 599	17 461
Income tax liabilities	20	908	28	423
Trade and other payables	31	43 944	65 724	49 271
Employee benefits liabilities	27	125	321	104
Deferred income and government grants	29	832	1 053	1 053
Provisions	30	94 910	61 826	152 840
Total current liabilities		**159 833**	**132 291**	**224 060**
Total liabilities		**1 202 676**	**905 400**	**993 006**
Total equity and liabilities		**1 382 758**	**1 077 854**	**1 150 084**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

Consolidated statement of cash flows
for the year ended 31 December

In thousands of PLN	*Note*	*2010*	*2009 (*)*
Cash flows from operating activities			
Profit before income tax		**19 610**	**8 954**
Adjustments for			
Depreciation and amortisation	8	37 164	34 455
Impairment of property, plant and equipment and intangible assets		(310)	53
Profit from currency translation		(32)	(241)
Profit on investment activity		(3 889)	(3 439)
(Profit)/loss on disposal of property, plant and equipment and intangible assets		(80)	138
Interest and dividends		6 549	2 901
Share in loss of associated entities		116	1 181
Change in receivables		11 529	(3 713)
Change in inventories		243	(166)
Change in prepayments		2 800	443
Change in trade and other payables		(12 333)	1 359
Change in provisions		43 700	(33 192)
Change in deferred income and government grants		(2 341)	(1 053)
Proceeds/(expenditures) related to collateral requested by creditors		2 200	(2 600)
Cash generated from operating activities		**104 926**	**5 080**
Income tax paid		(9 423)	(2 509)
Net cash from operating activities		**95 503**	**2 571**

(*) - restated in relation to changes resulting from restatement of consolidated statement of financial position and consolidated statement of comprehensive income, described in note 5.23

Consolidated statement of cash flows
for the year ended 31 December

In thousands of PLN	*Note*	*2010*	*2009 (*)*
Cash flows from investing activities			
Investment proceeds		**16 683**	**36 931**
Sale of intangible assets and property, plant and equipment		196	106
Dividends received		143	85
Interest received		6 759	4 800
Disposal of financial assets		9 585	30 000
Other proceeds		-	1 940
Investment expenditures		**(244 602)**	**(70 494)**
Acquisition of intangible assets and property, plant and equipment		(55 894)	(59 407)
Non-current deposits held for investment expenditures		(172 908)	(187)
Loans granted		(600)	-
Acquisition of financial assets		(15 200)	(10 000)
Other expenditures		-	(900)
Net cash from investing activities		**(227 919)**	**(33 563)**
Cash flows from financing activities			
Financial proceeds		**230 000**	**60 000**
Loans and borrowings drawn		230 000	60 000
Financial expenditures		**(15 615)**	**(12 800)**
Dividends paid		(3 968)	(3 790)
Interest paid		(11 359)	(7 521)
Payment of payables upon finance lease		(288)	(1 489)
Net cash from financing activities		**214 385**	**47 200**
Net increase in cash and cash equivalents		**81 969**	**16 208**
Change in cash as in statement of financial position		**81 969**	**16 208**
Cash and cash equivalents net of bank overdraft, at 1 January		**130 846**	**114 638**
Cash and cash equivalents net of bank overdraft, at 31 December, including:	22	**212 815**	**130 846**
Restricted cash and cash equivalents		180	159

(*) - restated in relation to changes resulting from restatement of consolidated statement of financial position and consolidated statement of comprehensive income, described in note 5.23

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	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 2009		**494 524**	**18 235**	**(20)**	**20 916**	**(1 813)**	**(14 144)**	**140 042**	**387**	**(325 760)**	**332 367**	**3 753**	**336 120**
Changes of accounting policies		-	-	-	-	-	-	-	-	(178 971)	**(178 971)**	(71)	**(179 042)**
As at 1 January 2009 (*)		**494 524**	**18 235**	**(20)**	**20 916**	**(1 813)**	**(14 144)**	**140 042**	**387**	**(504 731)**	**153 396**	**3 682**	**157 078**
Profit for the period		-	-	-	-	-	-		-	***3 787***	***3 787***	***3 783***	***7 570***
Other comprehensive income:		-	-	-	-	***(1 200)***	***13 077***	***(9)***	***(220)***	***(11)***	***11 637***	***(41)***	***11 596***
Effective portion of changes in fair value of cash flow hedges	23c	-	-	-	-	-	16 144	-	-	-	**16 144**	-	**16 144**
Net change in fair value of available-for-sale financial assets	23b	-	-	-	-	(1 200)	-	-	-	-	**(1 200)**	(41)	**(1 241)**
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	(9)	(220)	(11)	**(240)**	-	**(240)**
Income tax on other comprehensive income		-	-	-	-	-	(3 067)	-	-	-	**(3 067)**	-	**(3 067)**
Total comprehensive income for the period		-	-	-	-	***(1 200)***	***13 077***	***(9)***	***(220)***	***3 776***	***15 424***	***3 742***	***19 166***
Dividends paid		-	-	-	-	-	-	-	-	-	-	(3 790)	**(3 790)**
Distribution of profit		-	-	-	-	-	-	21 610	-	(21 610)	-	-	-
As at 31 December 2009 (*)		**494 524**	**18 235**	**(20)**	**20 916**	**(3 013)**	**(1 067)**	**161 643**	**167**	**(522 565)**	**168 820**	**3 634**	**172 454**

	Note	Share capital	Share capital revaluation adjustment	Treasury shares	Share premium reserve	Fair value reserve	Hedging reserve	Other reserve capitals and supplementary capital	Foreign currency translation reserve	Retained earnings and uncovered losses	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
As at 1 January 2010		**494 524**	**18 235**	**(20)**	**20 916**	**(3 013)**	**(1 067)**	**161 643**	**167**	**(320 871)**	**370 514**	**3 711**	**374 225**
Changes of accounting policies		-	-	-	-	-	-	-	-	(201 694)	**(201 694)**	(77)	**(201 771)**
As at 1 January 2010 (*)		**494 524**	**18 235**	**(20)**	**20 916**	**(3 013)**	**(1 067)**	**161 643**	**167**	**(522 565)**	**168 820**	**3 634**	**172 454**
Profit for the period		-	-	-	-	-	-	-	-	***10 248***	***10 248***	***4 234***	***14 482***
Other comprehensive income:		-	-	-	-	***(377)***	***(2 470)***	***(27)***	***7***	***(14)***	***(2 881)***	***(5)***	***(2 886)***
Effective portion of changes in fair value of cash flow hedges	23c	-	-	-	-	-	(3 049)	-	-	-	**(3 049)**	-	**(3 049)**
Net change in fair value of available-for-sale financial assets	23b	-	-	-	-	(377)	-	-	-	-	**(377)**	(5)	**(382)**
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	(27)	7	(14)	**(34)**	-	**(34)**
Income tax on other comprehensive income		-	-	-	-	-	579	-	-	-	**579**	-	**579**
Total comprehensive income for the period		-	-	-	-	***(377)***	***(2 470)***	***(27)***	***7***	***10 234***	***7 367***	***4 229***	***11 596***
Dividends paid		-	-	-	-	-	-	-	-	-	-	(3 968)	**(3 968)**
Distribution of profit		-	-	-	-	-	-	19 907	-	(19 907)	-	-	-
Changes in Capital Group		-	-	-	-	-	-	(283)	-	283	-	-	-
As at 31 December 2010		**494 524**	**18 235**	**(20)**	**20 916**	**(3 390)**	**(3 537)**	**181 240**	**174**	**(531 955)**	**176 187**	**3 895**	**180 082**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

Notes to 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 2010, beside the parent 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.	Luxemburg	Management activities	Subsidiary	100%	2005	Full consolidation
Stalexport Autostrada Małopolska S.A.	Mysłowice	Construction and operation of motorway	Subsidiary	100%*	1998	Full consolidation
Stalexport Transroute Autostrada S.A.	Mysłowice	Motorway operation	Subsidiary	55%*	1998	Full consolidation
Stalexport Autostrada Dolnośląska S.A.	Katowice	Construction and operation of motorway	Subsidiary	100%	1997	Full consolidation
Autostrada Mazowsze S.A.	Katowice	Construction and operation of motorway	Associate	30%	2007	Equity method
Biuro Centrum Sp. z o.o.	Katowice	Real estate administration	Subsidiary	74.38%	2007	Full consolidation

* through Stalexport Autoroute S.a r.l.

The consolidated financial statements as at the day and for the year ended 31 December 2010 comprised financial statements of the Company and its subsidiaries and also Group’s share in net assets of associates.

The Capital Group is also included within the consolidated financial statements of the parent entity of the highest level Atlantia S.p.A. (Italy), a parent company to inter alia Autostrade per l’Italia S.p.A., a majority shareholder of the Company.

On 31 May 2010 the General Meeting of Stalexport Autostrada Śląska S.A. in liquidation (100% owned subsidiary through Stalexport Autostrada Dolnośląska S.A.) was held approving the liquidation statements and Liquidator’s report on the activity of the company for the period from 1 January to 28 May 2010. Following the end of liquidation proceedings on 10 August 2010 the National Court Register removed the company from the register. These consolidated financial statements comprise financial results of Stalexport Autostrada Śląska S.A. in liquidation presented in the liquidation statements of the company.

2. Basis of preparation of consolidated financial statements

***S**tatement of compliance*

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS EU") and other regulations in force.

The consolidated financial statements were approved by the Management Board of the Company on 28 February 2011.

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.

Basis of valuation

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.

Functional and presentation currency

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

New standards and interpretations not adopted

New standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2010, have not been applied in preparing these consolidated financial statements. None of the changes is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 *Financial Instruments*, which will become mandatory for the Group's consolidated financial statements after the approval by the EU and could change the classification and measurement of financial assets.

Use of estimates and judgments

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

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

Judgments and estimates made by the Management Board, which had significant impact on consolidated financial statements, have been discussed in notes 14, 17, 19, 20, 21, 27, 28, 30, 32 and 36.

3. Going concern

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

4. Information concerning the Concession Agreement

The activities of the Group include primarily business related to the management, construction by transformation to 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. ("Concession Holder", "SAM S.A."). These activities are regulated by the concession agreement ("Concession Agreement").

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

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

The Concession Agreement specifies the ways of earning the revenues by the Concession Holder from execution of the project. Principal revenues of the Concession Holder are:
a) toll revenues,
b) revenues due to reimbursement for the passage of toll-exempted vehicles.

Toll rates for the use of the toll motorway aforementioned in point (a) are set in accordance with:
- polish act on toll motorways,
- decree on detailed rules for establishing and adjusting rates of tolls for the use of the toll motorway,
- resolutions of the Concession Agreement.

Conditions for revenue recognition as stated in point (b) above are set in accordance with polish act on toll motorways, Concession Agreement and the decree on public roads.

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

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

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

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

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

According to provisions of the Concession Agreement between SAM S.A. and the Minister of Infrastructure and also of the Project Loan Agreement between SAM S.A. and consortium of following banks: PEKAO S.A., DEPFA BANK PLC, KfW, WESTLB BANK POLSKA S.A. and WESTLB AG (London Branch), the possibility of dividend payment by Stalexport Autostrada Małopolska S.A. to its shareholder(s) depends, among others, on completion of specified construction phases, achieving minimum level of debt service ratios, and assuring the sufficient coverage of reserve accounts.

5. Significant accounting policies

The accounting policies set out below have been applied to all periods presented in these consolidated financial statements, and have been applied by Group entities, except for the ones described in note 5.22, which address changes in accounting policies, in particular those described in note 5.22 (iii) resulting from the implementation of ***Service concession arrangements*** (**IFRIC 12)** interpretation.

5.1. *Basis of consolidation*

(i) Subsidiaries

Subsidiaries are entities controlled by the parent 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.

(ii) 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.

(iii) 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 currencies*

(i) Foreign currency transactions

Transactions in foreign currencies on the day of transaction are translated into Polish zloty at the National Bank of Poland 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.

(ii) 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 average NBP rates at the dates of the transactions. 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.

(iii) 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*

Accounting policies applied for service concession arrangements have been described in note 5.22 (iii).

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 capitalized intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. 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 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
• licenses	from 2 to 5 years

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

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

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

Reclassification to investment property

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

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

Subsequent expenditures

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

Depreciation

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

The estimated useful lives are as follows:

Buildings and constructions	10-40 years
Plant and equipment	3-12 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 period of Concession Agreement, the depreciation period is shortened to the remaining period of Concession Agreement.

The useful lives, depreciation methods and residual values (if significant) are 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 building classified as investment property.

5.7. *Leased assets*

Leases 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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Property, plant and equipment under finance lease are depreciated in line with a policy applicable to property, plant and equipment owned by the Group. 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 stated at the lower of cost and net realizable value. The cost of inventories is determined based on the first in, first out principle. The costs include expenditure incurred 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*

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 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 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. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together 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 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 period, 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.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, 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.

Non-current assets held for sale

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

5.12. *Equity*

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

Ordinary shares

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

Repurchase of treasury shares

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

Hedging reserve

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

5.13. *Employee benefits*

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 Treasury bond return rate at the balance sheet date. 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 indentified.

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 Treasury bond return rate at the balance sheet date. 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 indentified.

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

Short-term employee benefits

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

A liability is recognised for 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, where appropriate, the risk specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) 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.

(ii) 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 5.22.(iii).b.

5.15. *Revenue on sales*

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.

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.

Revenue from motorway management and operation

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

5.16. *Lease payments*

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

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

5.17. *Financial income and expenses*

Financial 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, 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 cost depending on whether foreign currency movements are in a net gain or net loss position.

5.18. *Income tax*

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

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

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

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

5.19. *Discontinued operations*

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

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

5.20. *Earnings per share (EPS)*

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

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

5.21. *Financial instruments*

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 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 balances 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.

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 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

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

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

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

5.22. *Changes in accounting policies during the reporting period*

(i) Accounting for acquisitions of non-controlling interests

As a result of changes in IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary and that represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

Moreover the term “non-controlling interest” (NCI) replaces “minority interest”. At an acquisition date, the acquirer may choose, on a transaction-by-transaction basis, whether to measure NCI at fair value; or at the NCI’s proportionate share of the net identifiable assets of the entity acquired. The revised IAS 27 requires an entity to attribute the NCI’s share of profit or loss to the NCI even if this results in the NCI having a deficit balance.

The changes in accounting policies were applied prospectively and had no influence on Group’s financial data for the period from 1 January till 31 December 2010; i.e. the period in which the revised standards were applied for the first time. The term “minority interest” was replaced by “non-controlling interest”.

(ii) Accounting for business combinations

As a result of changes in IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* all business combinations occurring after 1 January 2010 will be accounted for according to the policy described below.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred comprises the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree’s employees (acquiree’s awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at fair value or its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

The changes in accounting policies were applied prospectively and had no influence on Group's financial data for the period from 1 January till 31 December 2010; i.e. the period in which the revised standards were applied for the first time.

(iii) IFRIC 12 – Service Concession Arrangements

Interpretation IFRIC 12, which gives guidance on the accounting by operators for public-to-private service concession arrangements, was endorsed by European Union with the Commission Regulation (EC) No 254/2009 on 25 March 2009.

Stalexport Autostrady S.A. Capital Group, in accordance with the provisions of abovementioned regulation, applied IFRIC 12 for the first time for the period starting on 1 January 2010. The changes in accounting policies were applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. As a consequence data for comparative periods presented in this consolidated financial statements were restated (see note 5.23).

a) Accounting treatment of concession agreements under IFRIC 12

Under the terms of contractual arrangements within the scope of this IFRIC 12, the operator acts as a service provider. The operator constructs or upgrades infrastructure (construction or upgrade services – the revenue is recognised in accordance with IAS 11 *Construction contracts*) used to provide a public service and operates and maintains that infrastructure (operation services – the revenue is recognized in accordance with IAS 18 *Revenue*) for a specified period of time.

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

- *a financial asset*: The operator 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 operator 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 operator's rights are recognised in the consolidated statement of financial position under concession intangible assets in the fair value of construction or upgrade services. It is amortised over the term of the arrangement, starting from the beginning of rendering services to public.

If the operator 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 operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

Intangible asset model has been applied to the Concession Agreement, concerning Stalexport Autostrada Małopolska S.A. (see note 4).

The operator 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 in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

In line with adopted interpretation of IFRIC 12, when the contract requires the operator 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 operator should recognise a provision in accordance with IAS 37 (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.

b) Implementation of IFRIC 12 by Stalexport Autostrady S.A. Capital Group

In accordance with IAS 8, the Group applied IFRIC 12 retrospectively, since the date the Concession was granted (year 1997), i.e. the moment when the Group accepted an obligation to construct/adapt and maintain the motorway.

As the result of IFRIC 12 implementation, 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).

In line with applied interpretation, 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 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. In accordance with IAS 8 they 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 (see also note 28) at the date of their recognition i.e. TPLN 96,364.

According to IAS 38 *Intangible Assets*, 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 Agreement (year 2027).

Using IAS 38 guidelines, 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.

The impact of the abovementioned changes on consolidated financial statements of the Group was presented in note 5.23 *Impact of changes of accounting policies and other changes on the consolidated financial statements*.

5.23. *Impact of changes of accounting policies and other changes on the consolidated financial statements*

Consolidated statement of financial position

In thousands of PLN	*31 December 2009* published	*impact IFRIC 12*	*other changes (6)*	*31 December 2009* restated	*1 January 2009* published	*impact IFRIC 12*	*other changes (6)*	*1 January 2009* restated
ASSETS								
Non-current assets								
Property, plant and equipment	509 927	(478 030) **(1)**	(15 643)	16 254	469 610	(436 607) **(1)**	(15 595)	17 408
Intangible assets	1 081	729 587 **(2)**	-	730 668	982	797 073 **(2)**	-	798 055
Prepaid perpetual usufruct of land	116	-	-	116	116	-	-	116
Investment property	4 318	-	(532)	3 786	4 609	-	(546)	4 063
Investments in associates	116	-	-	116	397	-	-	397
Other long-term investments	7 056	-	-	7 056	4 269	-	-	4 269
Long-term prepayments	6 341	-	9 829	16 170	7 363	-	12 809	20 172
Deferred tax assets	37 113	47 157 **(3)**	148	84 418	42 903	41 898 **(3)**	85	84 886
Total non-current assets	**566 068**	**298 714**	**(6 198)**	**858 584**	**530 249**	**402 364**	**(3 247)**	**929 366**
Current assets								
Inventories	1 813	-	-	1 813	1 647	-	-	1 647
Short-term investments	54 889	-	-	54 889	74 630	-	-	74 630
Income tax receivables	106	-	-	106	1 975	-	-	1 975
Trade and other receivables	31 432	-	-	31 432	27 719	-	-	27 719
Cash and cash equivalents	130 846	-	-	130 846	114 639	-	-	114 639
Short-term prepayments	184	-	-	184	108	-	-	108
Total current assets	**219 270**	**-**	**-**	**219 270**	**220 718**	**-**	**-**	**220 718**
Total assets	**785 338**	**298 714**	**(6 198)**	**1 077 854**	**750 967**	**402 364**	**(3 247)**	**1 150 084**
EQUITY AND LIABILITIES								
Equity								
Share capital	494 524	-	-	494 524	494 524	-	-	494 524
Share capital revaluation adjustment	18 235	-	-	18 235	18 235	-	-	18 235
Treasury shares	(20)	-	-	(20)	(20)	-	-	(20)
Share premium reserve	20 916	-	-	20 916	20 916	-	-	20 916
Fair value reserve	(3 013)	-	-	(3 013)	(1 813)	-	-	(1 813)
Hedging reserve	(1 067)	-	-	(1 067)	(14 144)	-	-	(14 144)
Other reserve capitals and supplementary capital	161 643	-	-	161 643	140 042	-	-	140 042
Foreign currency translation reserve	167	-	-	167	387	-	-	387
Retained earnings and uncovered losses	(320 871)	(201 024) **(4)**	(670)	(522 565)	(325 760)	(178 616) **(4)**	(355)	(504 731)
Total equity attributable to owners of the Company	**370 514**	**(201 024)**	**(670)**	**168 820**	**332 367**	**(178 616)**	**(355)**	**153 396**
Non-controlling interest	3 711	-	(77)	3 634	3 753	-	(71)	3 682
Total equity	**374 225**	**(201 024)**	**(747)**	**172 454**	**336 120**	**(178 616)**	**(426)**	**157 078**
Liabilities								
Non-current liabilities								
Loans and borrowings	128 216	-	(5 821)	122 395	69 040	-	(3 163)	65 877
Finance lease liabilities	646	-	-	646	660	-	-	660
Employee benefits liabilities	497	-	318	815	592	-	319	911
Deferred income and government grants	14 796	-	-	14 796	15 849	-	-	15 849
Other non-current liabilities	185 475	-	-	185 475	191 853	-	-	191 853
Provisions	6 508	442 474 **(5)**	-	448 982	4 646	489 150 **(5)**	-	493 796
Total non-current liabilities	**336 138**	**442 474**	**(5 503)**	**773 109**	**282 640**	**489 150**	**(2 844)**	**768 946**
Current liabilities								
Loans and borrowings	1 470	-	-	1 470	1 488	-	-	1 488
Finance lease liabilities	270	-	-	270	1 420	-	-	1 420
Derivative financial instruments	1 599	-	-	1 599	17 461	-	-	17 461
Income tax liabilities	28	-	-	28	423	-	-	423
Trade and other payables	65 724	-	-	65 724	49 271	-	-	49 271
Employee benefits liabilities	269	-	52	321	81	-	23	104
Deferred income and government grants	1 053	-	-	1 053	1 053	-	-	1 053
Provisions	4 562	57 264 **(5)**	-	61 826	61 010	91 830 **(5)**	-	152 840
Total current liabilities	**74 975**	**57 264**	**52**	**132 291**	**132 207**	**91 830**	**23**	**224 060**
Total liabilities	**411 113**	**499 738**	**(5 451)**	**905 400**	**414 847**	**580 980**	**(2 821)**	**993 006**
Total equity and liabilities	**785 338**	**298 714**	**(6 198)**	**1 077 854**	**750 967**	**402 364**	**(3 247)**	**1 150 084**

(1) Derecognition of infrastructure under the control of the grantor, which is used by the Group to render public services (previously recognised as property, plant and equipment);

(2) Recognition of an intangible asset as described in note 5.22 (iii);

(3) Total impact of IFRIC 12 adjustments on deferred tax assets;

(4) Total impact of IFRIC 12 adjustments on retained earnings and uncovered losses, including profit/loss for the period;

(5) Recognition of provision in relation to intangible asset, at fair value of future estimated capital expenditures of Phase II;

(6) (i) Adjustment for recognition of finance and legal advisory costs, that were previously accounted as cost of property, plant and equipment and the resulting adjustment of settlement of loan based on effective interest rate method, as well as (ii) reclassification of property, plant and equipment incorrectly recognized as investment property in previous years and the corresponding adjustment of depreciation of these assets (iii) adjustment for recognition of additional employee benefit liabilities.

Consolidated statement of comprehensive income

In thousands of PLN	*2009* published	*impact IFRIC 12*		*other changes (4)*	*2009* restated
Revenue	138 842	-		-	138 842
Cost of sales	(68 261)	(6 053)	**(1)**	(163)	(74 477)
Gross profit	**70 581**	**(6 053)**		**(163)**	**64 365**
Other income	13 282	-		-	13 282
Administrative expenses	(32 915)	-		85	(32 830)
Other expenses	(1 948)	-		-	(1 948)
Results from operating activities	**49 000**	**(6 053)**		**(78)**	**42 869**
Finance income	9 572	-		-	9 572
Finance expenses	(20 386)	(21 614)	**(2)**	(306)	(42 306)
Net finance expense	**(10 814)**	**(21 614)**		**(306)**	**(32 734)**
Share of loss of equity accounted investees (net of income tax)	**(1 181)**	**-**		**-**	**(1 181)**
Profit before income tax	**37 005**	**(27 667)**		**(384)**	**8 954**
Income tax expense	(6 706)	5 259	**(3)**	63	(1 384)
Profit for the period	**30 299**	**(22 408)**		**(321)**	**7 570**
Other comprehensive income					
Foreign currency translation differences for foreign operations	(240)	-		-	(240)
Effective portion of changes in fair value of cash flow hedges	16 144	-		-	16 144
Net change in fair value of available-for-sale financial assets	(1 241)	-		-	(1 241)
Income tax on other comprehensive income	(3 067)	-		-	(3 067)
Other comprehensive income for the period, net of income tax	**11 596**	**-**		**-**	**11 596**
Total comprehensive income for the period	**41 895**	**(22 408)**		**(321)**	**19 166**
Profit attributable to:					
Owners of the Company	26 510	(22 408)		(315)	3 787
Non-controlling interest	3 789	-		(6)	3 783
Profit for the period	**30 299**	**(22 408)**		**(321)**	**7 570**
Total comprehensive income attributable to:					
Owners of the Company	38 147	(22 408)		(315)	15 424
Non-controlling interest	3 748	-		(6)	3 742
Total comprehensive income for the period	**41 895**	**(22 408)**		**(321)**	**19 166**
Earnings per share					
Basic earnings per share (PLN)	0,11	(0,09)		-	0,02
Diluted earnings per share (PLN)	0,11	(0,09)		-	0,02

(1) Total impact of property, plant and equipment straight-line method depreciation reversal and accounting for unit of production method (natural method) amortization of intangible assets;

(2) Unwinding of the discount related to the provision for future capital expenditures of Phase II;

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

(3) Total impact of IFRIC 12 adjustments on deferred tax for the period;

(4) (i) Adjustment of settlement of loan based on effective interest rate method (see adjustment 6 in consolidated statement of financial position), (ii) adjustment to depreciation of property, plant and equipment incorrectly recognized as investment property in previous years, (iii) reclassification of renovation costs concerning the part of office building subject to rental in amount of TPLN 62 and reclassification of depreciation attributed to property, plant and equipment subject to rental in amount of TPLN 57 and (iv) adjustment for recognition of additional employee benefit liabilities.

6. Segment reporting

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

The Group operates in one geographical segment – whole 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 2010

	Management, advisory and rental services	Management and operation of motorways	Total
Operating revenues			
Revenue from external customers	9 329	155 890	**165 219**
Total revenue	**9 329**	**155 890**	**165 219**
Operating expenses			
Cost of sales to external customers	(8 313)	(67 806)	**(76 119)**
Total cost of sales	**(8 313)**	**(67 806)**	**(76 119)**
Other income	2 181	4 646	**6 827**
Other expenses	(561)	(1 930)	**(2 491)**
Administrative expenses (*)	(11 591)	(19 866)	**(31 457)**
Results from operating activities	**(8 955)**	**70 934**	**61 979**
Net finance income/(expense)	4 936	(47 189)	**(42 253)**
Share of loss of equity accounted investees (net of income tax)	(116)	-	**(116)**
Income tax	(32)	(5 096)	**(5 128)**
Profit/(Loss) for the period	**(4 167)**	**18 649**	**14 482**
Other comprehensive income, net of income tax	(416)	(2 470)	**(2 886)**
Total comprehensive income for the period	**(4 583)**	**16 179**	**11 596**
Major non-cash items			
Depreciation and amortisation	(750)	(36 414)	**(37 164)**
Recognition of tax receivables	392	-	**392**
Other provisions	(341)	(1 428)	**(1 769)**
Creation or reversal of allowances	1 724	297	**2 021**
Unwinding of discount	-	(31 248)	**(31 248)**
Revaluation of concession payments	(3 225)	-	**(3 225)**
Revaluation of investment	484	-	**484**

(*) - Administrative expenses in "Management, advisory and rental services" segment comprise all administrative expenses of the Parent Entity Stalexport Autostrady S.A.

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

For the year ended 31 December 2009

	Management, advisory and rental services	Management and operation of motorways	Total (*)
Operating revenues			
Revenue from external customers	9 173	129 669	**138 842**
Total revenue	**9 173**	**129 669**	**138 842**
Operating expenses			
Cost of sales to external customers	(8 230)	(66 247)	**(74 477)**
Total cost of sales	**(8 230)**	**(66 247)**	**(74 477)**
Other income	10 458	2 824	**13 282**
Other expenses	(569)	(1 379)	**(1 948)**
Administrative expenses (**)	(12 035)	(20 795)	**(32 830)**
Results from operating activities	**(1 203)**	**44 072**	**42 869**
Net finance income/(expense)	4 453	(37 187)	**(32 734)**
Share of loss of equity accounted investees (net of income tax)	-	(1 181)	**(1 181)**
Income tax	(5)	(1 379)	**(1 384)**
Profit/(Loss) for the period	**3 245**	**4 325**	**7 570**
Other comprehensive income, net of income tax	(1 481)	13 077	**11 596**
Total comprehensive income for the period	**1 764**	**17 402**	**19 166**
Major non-cash items			
Depreciation and amortisation	(794)	(33 661)	**(34 455)**
Recognition of tax receivables	3 100	-	**3 100**
Other provisions	(40)	(1 326)	**(1 366)**
Creation or reversal of allowances	7 034	(53)	**6 981**
Unwinding of discount	-	(29 724)	**(29 724)**
Revaluation of investment	202	-	**202**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

(**) - Administrative expenses in "Management, advisory and rental services" segment comprise all administrative expenses of the Parent Entity Stalexport Autostrady S.A.

Financial position according to business segments as at

	31 December 2010	*31 December 2009 (*)*	*1 January 2009 (*)*
Management, advisory and rental services			
Assets of the segment	163 062	174 193	191 826
Liabilities of the segment	52 714	64 056	76 027
Management and operation of motorways			
Assets of the segment	1 219 696	903 661	958 258
Liabilities of the segment	1 149 962	841 344	916 979
Total assets	**1 382 758**	**1 077 854**	**1 150 084**
Total liabilities	**1 202 676**	**905 400**	**993 006**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

Major customer

In years ended 31 December 2010 and 31 December 2009 revenue from State Treasury for the passage of toll-exempted vehicles amounted to TPLN 37,834 and TPLN 32,712 respectively and constituted more than 10% of total revenue (including the effect of provisions recognized for revenue reduction).

7. Disposal group classified as held for sale and discontinued operations

As at 31 December 2010, 31 December and 1 January 2009 the Group wasn't in possession of any assets or liabilities classified as held for sale.

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

8. Expenses by kind

	2010	**2009 (*)**
Depreciation and amortisation (notes 13, 14, 15)	(37 164)	(34 455)
Energy and materials consumption	(7 820)	(6 524)
Accrual of provision for motorway resurfacing disclosed within cost of sales (external services)	(19 224)	(20 382)
Other external services	(17 565)	(18 821)
Taxes and charges	(1 210)	(1 078)
Personnel expenses, including:	(22 398)	(23 113)
- wages and salaries	(19 267)	(19 832)
- compulsory social security contributions and other benefits	(3 131)	(3 281)
Other costs	(2 450)	(2 987)
Total expenses by kind	**(107 831)**	**(107 360)**
Change in inventories, deferred income and cost in relation to operating activity	255	53
Cost of sales and administrative expenses	**(107 576)**	**(107 307)**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

9. Other income

	2010	**2009**
Rental income from passenger service sites	2 191	2 152
Reversal of allowances for receivables	1 711	7 044
Reversal of property, plant and equipment and intangible assets impairment	310	-
Compensations and contractual penalties received	1 905	426
Reimbursed costs of court proceedings	23	44
Interest from receivables	4	54
Recognition of tax receivables	392	3 100
Other	291	462
	6 827	**13 282**

10. Other expenses

	2010	**2009**
Donations granted	(87)	-
Penalties, compensations, payments	(393)	(179)
Other provisions and allowances	(1 769)	(1 419)
Net loss on disposal of property, plant and equipment and intangible assets	(160)	(61)
Interest from liabilities	(5)	(93)
Other	(77)	(196)
	(2 491)	**(1 948)**

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

11. Net finance expense

	2010	*2009 (*)*
Recognised in profit or loss for the period		
Dividends and share in related parties profits	143	85
Interest income, including:	8 826	5 524
- bank accounts and deposits	8 813	5 332
- loans granted	12	-
- other	1	192
Revaluation of investments	484	202
Other financial income, including:	3 513	3 761
- net foreign exchange gain	189	423
- profit on investment in asset management funds (financial assets measured at fair value through profit or loss)	3 316	3 237
- other financial income	8	101
Financial income	**12 966**	**9 572**
Interest expense on liabilities measured at amortised cost, including:	(25 558)	(18 472)
- loans and borrowings, including:	(16 181)	(8 126)
- nominal	(11 763)	(4 998)
- other	(4 418)	(3 128)
- discount of concession payments	(6 577)	(6 613)
- other	(2 800)	(3 733)
Discount of provisions	(24 671)	(23 111)
Other financial costs, including:	(4 990)	(723)
- allowance for interest accrued	-	(10)
- revaluation of concession payments (measured at amortised cost; see note 28)	(3 225)	-
- loss on derivatives	(1 760)	(603)
- other financial costs	(5)	(110)
Financial expenses	**(55 219)**	**(42 306)**
Net finance expense recognised in profit or loss for the period	**(42 253)**	**(32 734)**
Recognised in other comprehensive income		
Foreign currency translation differences for foreign operations	(34)	(240)
Effective portion of changes in fair value of cash flow hedges	(3 049)	16 144
Net change in fair value of available-for-sale financial assets	(382)	(1 241)
Net financial income/(expenses) recognised in other comprehensive income, net of tax	**(3 465)**	**14 663**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

Notes to the consolidated financial statements
(all amounts in PLN thousand (TPLN), unless stated otherwise)

12. Income tax

Income tax recognized in profit or loss for the period

	2010	*2009 (*)*
Current income tax expense	**(10 396)**	**(3 983)**
Deferred tax expense	**5 268**	**2 599**
Creation/ reversal of temporary differences	5 268	2 599
Income tax impacting profit for the period	**(5 128)**	**(1 384)**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

The income tax rate which embraced the Group's activity was 19% in 2009-2010. It is assumed that the income tax rate shouldn't change in upcoming years.

Effective tax rate

	2010		*2009 (*)*	
	%		%	
Profit before income tax		**19 610**		**8 954**
Income tax using the domestic corporate tax rate	(19,0%)	(3 726)	(19,0%)	(1 701)
Permanent differences	0,2%	42	(8,9%)	(794)
Valuation adjustment / temporary differences previously adjusted	(7,4%)	(1 444)	12,4%	1 111
	(26,1%)	**(5 128)**	**(15,5%)**	**(1 384)**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

Income tax recognized in other comprehensive income

	2010		*2009*	
	Before tax	**Tax (expense)/ benefit**	**Before tax**	**Tax (expense)/ benefit**
Effective portion of changes in fair value of cash flow hedges(*)	(3 049)	579	16 144	(3 067)
	(3 049)	**579**	**16 144**	**(3 067)**

(*) - cash flow hedges are further described in notes 32d and 33c

Notes to the consolidated financial statements
(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 2009 (*)	**18 485**	**26 376**	**10 983**	**4 469**	**307**	**60 620**
Acquisitions	7	177	463	25	2 255	**2 927**
Transfer from property, plant and equipment under construction	532	518	124	81	(1 270)	**(15)**
Recognition due to stock-taking	-	34	-	-	-	**34**
Disposals	-	(518)	(850)	(45)	(860)	**(2 273)**
Reclassifications	-	(6)	-	6	-	**-**
Cost as at 31 December 2009 (*)	**19 024**	**26 581**	**10 720**	**4 536**	**432**	**61 293**
Cost as at 1 January 2010 (*)	**19 024**	**26 581**	**10 720**	**4 536**	**432**	**61 293**
Acquisitions	1	484	1 450	16	2 132	**4 083**
Transfer from property, plant and equipment under construction	1 606	-	406	-	(2 012)	**-**
Disposals	(199)	(1 038)	(831)	(1 355)	-	**(3 423)**
Reclassifications	-	43	(43)	-	-	**-**
Cost as at 31 December 2010	**20 432**	**26 070**	**11 702**	**3 197**	**552**	**61 953**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

Notes to the consolidated financial statements

(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 2009 (*)	**(7 028)**	**(24 159)**	**(7 673)**	**(4 095)**	**(257)**	**(43 212)**
Depreciation for the period	(839)	(747)	(1 045)	(337)	-	**(2 968)**
Recognition due to stock-taking	-	(34)	-	-	-	**(34)**
Disposals	8	512	621	34	-	**1 175**
Reclassifications	-	6	-	(6)	-	**-**
Depreciation and impairment losses as at 31 December 2009 (*)	**(7 859)**	**(24 422)**	**(8 097)**	**(4 404)**	**(257)**	**(45 039)**
Depreciation and impairment losses as at 1 January 2010 (*)	**(7 859)**	**(24 422)**	**(8 097)**	**(4 404)**	**(257)**	**(45 039)**
Depreciation for the period	(929)	(770)	(579)	(84)	-	**(2 362)**
Disposals	125	1 048	682	1 355	-	**3 210**
Reclassifications	-	(43)	43	-	-	**-**
Reversal of impairment loss	-	-	-	-	257	**257**
Depreciation and impairment losses as at 31 December 2010	**(8 663)**	**(24 187)**	**(7 951)**	**(3 133)**	**-**	**(43 934)**
Carrying amounts						
At 1 January 2009 (*)	11 457	2 217	3 310	374	50	17 408
At 31 December 2009 (*)	11 165	2 159	2 623	132	175	16 254
At 1 January 2010 (*)	11 165	2 159	2 623	132	175	16 254
At 31 December 2010	11 769	1 883	3 751	64	552	18 019

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

Impairment losses

As at 31 December 2010 there were no indicators, that would require the Group to test property, plant and equipment for impairment. Within presented comparative data as at 31 December and 1 January 2009 an impairment loss was recognized on property, plant and equipment under construction in the amount of TPLN 257, due to some investment projects being put on hold.

Leased plant and machinery

The Group leases certain equipment and vehicles under a number of finance lease agreements. At 31 December 2010, the net carrying amount of leased plant and machinery was TPLN 920 (31 December 2009: TPLN 1,076, 1 January 2009: TPLN 1,469). The leased equipment secures lease obligations.

Collateral

In addition to non-current assets described above, as at 31 December 2010 property, plant and equipment with a carrying value of TPLN 12,307 (31 December 2009: TPLN 11,880, 1 January 2009: TPLN 13,174) provided a collateral for bank loans and overdrafts. Moreover, in order to secure the payment of other liabilities, Group's tangible assets were subject to mortgage for the total amount of TPLN 1,155 as at 1 January 2009. In December 2009 the Group received a notice from the District Court Katowice-Wschód advising that the mortgage was stroke off.

Property, plant and equipment under construction

At 31 December 2010, 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 2009 (*)	**907 018**	**624**	**1 248**	**843**	**909 733**
Acquisitions	-	150		150	**300**
Transfer from intangible assets not ready for use	-	710	-	(710)	**-**
Revaluation of concession intangible assets	(36 441)	-	-	-	**(36 441)**
Disposals	-	(7)	(21)	-	**(28)**
Cost as at 31 December 2009 (*)	**870 577**	**1 477**	**1 227**	**283**	**873 564**
Cost as at 1 January 2010 (*)	**870 577**	**1 477**	**1 227**	**283**	**873 564**
Acquisitions	-	68		10	**78**
Transfer from intangible assets not ready for use	-	134	-	(134)	**-**
Revaluation of concession intangible assets	96 284	-	-	-	**96 284**
Disposals	-	(291)	(257)	-	**(548)**
Cost as at 31 December 2010	**966 861**	**1 388**	**970**	**159**	**969 378**
Amortisation and impairment losses as at 1 January 2009 (*)	**(109 945)**	**(590)**	**(1 143)**	**-**	**(111 678)**
Amortisation for the period	(31 057)	(84)	(54)	-	**(31 195)**
Disposals	-	8	22	-	**30**
Impairment loss	-	(53)			**(53)**
Amortisation and impairment losses as at 31 December 2009 (*)	**(141 002)**	**(719)**	**(1 175)**	**-**	**(142 896)**
Amortisation and impairment losses as at 1 January 2010 (*)	**(141 002)**	**(719)**	**(1 175)**	**-**	**(142 896)**
Amortisation for the period	(34 342)	(118)	(50)	-	**(34 510)**
Disposals	-	291	255	-	**546**
Reversal of impairment loss	-	53	-	-	**53**
Amortisation and impairment losses as at 31 December 2010	**(175 344)**	**(493)**	**(970)**	**-**	**(176 807)**
Carrying amounts					
At 1 January 2009 (*)	797 073	34	105	843	798 055
At 31 December 2009 (*)	729 575	758	52	283	730 668
At 1 January 2010 (*)	729 575	758	52	283	730 668
At 31 December 2010	791 517	895	-	159	792 571

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

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

a) due to changes of discount rates used for valuation of provision for capital expenditures of Phase II (see note 30), which resulted in their increase by TPLN 2,198 and

b) 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 by the end of the concession period (see note 30), resulting in the increase of concession intangible assets by TPLN 94,086.

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

The annual amortization rate calculated based on estimated traffic increase during the concession period in relation to present net value of intangible asset at the beginning of the period equalled 4.67% in I Semester 2010 (I Semester 2009: 3.93%), 4.78% in III Quarter 2010 (III Quarter 2009: 3.93%) and 4.84% in IV Quarter 2010 (IV Quarter 2009: 3.93%). According to current amortization schedule, based on updated estimates of traffic increase, the proportion of annual amortization costs to the carrying value of intangible asset as at 31 December 2010 will range from 4.48% to 7.45% during the concession period.

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

As at 31 December 2010 there were no indicators, that would require the Group to test concession intangible assets for impairment. As at 31 December 2010, the Group did not identify any indications for impairment related to other intangible assets (31 December 2009: TPLN 53, 1 January 2009: none).

15. Investment property

	31 December 2010	*31 December 2009 (*)*
Cost at the beginning of the period	**11 683**	**11 668**
Transfer from property, plant and equipment under construction	6	15
Cost at the end of the period	**11 689**	**11 683**
Depreciation and impairment losses at the beginning of the period	**(7 897)**	**(7 605)**
Depreciation for the period	(292)	(292)
Depreciation and impairment losses at the end of the period	**(8 189)**	**(7 897)**
Carrying amounts at the beginning of the period	**3 786**	**4 063**
Carrying amounts at the end of the period	**3 500**	**3 786**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

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

Investment property comprises a part of office building designated for rental.

Based on property expert's valuation conducted in July 2010, the fair value of the building, part of which was classified as investment property, and the fair value of perpetual usufruct of land on which aforementioned building is situated, were estimated at PLN 19.2 million. As at 31 December 2010 the Group classified 88.6% part of this building to the investment property (this indicator is subject to revision on semi-annual basis).

Consolidated rental income in 2010 amounted to TPLN 3,189 (in 2009: TPLN 3,200) and was presented in profit or loss under "Revenue" - attributable costs were presented under "Cost of sales".

In order to secure the payment of other liabilities, Group's investment property was subject to mortgage for the total amount of TPLN 8,978 as at 1 January 2009. In December 2009 the Group received a notice from the District Court Katowice-Wschód advising that the mortgage was stroke off.

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

16. Investments in associates

Basic financial data of associated entities is presented below:

	% of shares owned	Carrying value of shares	Assets	Liabilities	Equity	Revenue	Loss for the period
31 December 2010							
Autostrada Mazowsze S.A.	30.00%	-	255	620	(365)	-	(751)
Total		-					
31 December 2009							
Autostrada Mazowsze S.A.	30.00%	116	1 212	826	386	-	(3 937)
Total		**116**					
1 January 2009							
Autostrada Mazowsze S.A.	30.00%	397	4 010	2 687	1 323	-	(6 879)
Total		**397**					

17. Other investments

Other long-term investments

	31 December 2010	*31 December 2009*	*1 January 2009*
Non-current deposits	179 417	6 987	4 200
Loans granted	612	-	-
Other	69	69	69
Total other long-term investments	**180 098**	**7 056**	**4 269**

As at 31 December 2010 non-current deposits comprised cash kept on reserve accounts designated to (i) cover uninsured losses – TPLN 4,655 (31 December 2009: TPLN 4,387, 1 January 2009: TPLN 4,200), (ii) debt-service – TPLN 36,230, (iii) capital expenditures of Phase F2b – TPLN 136,410, together with accrued interests of TPLN 1,723. All reserve accounts were established in accordance with the provisions of Concession Agreement and Project Loan Agreement. Additionally as at 31 December 2010 non-current deposits in the amount of TPLN 400 (31 December 2009: TPLN 2,600) comprise cash secured at a deposit account as a collateral for the multipurpose credit line (see note 25).

In the year 2010 the Group granted a loan to an associated company Autostrada Mazowsze S.A. in amount of TPLN 600. According to the agreement the loan should be repaid by 31 March 2012.

Short-term investments

	31 December 2010	*31 December 2009*	*1 January 2009*
Equity instruments available for sale (shares of non-related entities)	6 056	5 954	6 993
Investments in asset management funds	57 943	48 935	65 697
Other	-	-	1 940
Total short-term investments	**63 999**	**54 889**	**74 630**

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

As at 31 December 2010 the shares of these companies were subject to an impairment amounting to TPLN 6,431 (31 December 2009: TPLN 6,431, 1 January 2009: TPLN 6,431) and TPLN 782 (31 December 2009: TPLN 1,266, 1 January 2009: TPLN 1,468) respectively. Due to the fact, that since fourth quarter of 2008 Centrozap S.A. is listed on Warsaw Stock Exchange, market quotations of its shares have become the base 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 23b).

As at 1 January 2009 other short-term investments comprised interest-bearing recognizance, paid as a collateral for performance guarantees issued.

18. Prepayments

The item relates to prepaid commission and finance consulting expenses concerning not used part of consortium loan, as well as finance consulting expenses involving consortium loan, accounted for using the effective interest rate method, over the period of the loan. Prepayments were allocated proportionally to consecutive drawings of the loan, following the expiry of credit availability period on 30 September 2010. Costs related to unused part of the loan in the amount of TPLN 1,308 are allocated to profit or loss for the period.

Notes to the consolidated financial statements
(all amounts in PLN thousand (TPLN), unless stated otherwise)

19. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	31 December 2010	**31 December 2009 (*)**	**1 January 2009 (*)**	**31 December 2010**	**31 December 2009 (*)**	**1 January 2009 (*)**	**31 December 2010**	**31 December 2009 (*)**	**1 January 2009 (*)**
Property, plant and equipment	97 208	102 349	83 845	(224)	(238)	(285)	96 984	102 111	83 560
Intangible assets	-	10	-	(150 399)	(138 619)	(151 444)	(150 399)	(138 609)	(151 444)
Investment property	464	471	479	-	-	-	464	471	479
Investments in associates	47	26	10	-	-	-	47	26	10
Other long-term investments	-	-	-	(327)	-	-	(327)	-	-
Long-term prepayments	-	-	-	-	(1 205)	(1 400)	-	(1 205)	(1 400)
Trade and other receivables	438	647	1 241	(1 519)	(472)	(1 162)	(1 081)	175	79
Short-term investments	2 023	2 042	1 845	(82)	(22)	-	1 941	2 020	1 845
Cash and cash equivalents	-	-	-	(196)	(137)	(59)	(196)	(137)	(59)
Short-term prepayments	-	-	-	-	(35)	(40)	-	(35)	(40)
Long-term loans and borrowings	-	-	-	(3 424)	(5 245)	(783)	(3 424)	(5 245)	(783)
Long-term finance lease liabilities	91	123	116	-	-	-	91	123	116
Other non-current liabilities	28 257	26 395	25 613	-	-	-	28 257	26 395	25 613
Long-term deferred income and government grants	2 443	2 852	3 010	-	-	-	2 443	2 852	3 010
Employee benefits liabilities	569	223	200	-	-	-	569	223	200
Long-term provisions	97 793	85 307	93 640	-	-	-	97 793	85 307	93 640
Short-term loans and borrowings	886	240	104	(596)	(279)	-	290	(39)	104
Short-term finance lease liabilities	42	51	267	-	-	-	42	51	267
Trade and other payables	1 334	1 323	553	-	(1)	-	1 334	1 322	553
Short-term provisions	17 721	11 746	29 040	-	-	-	17 721	11 746	29 040
Short-term deferred income and government grants	158	158	200	-	-	-	158	158	200
Derivative financial instruments	1 001	304	3 318	-	-	-	1 001	304	3 318
Deferred tax assets/liabilities on temporary differences	**250 475**	**234 267**	**243 481**	**(156 767)**	**(146 253)**	**(155 173)**	**93 708**	**88 014**	**88 308**
Tax value of loss carry-forwards recognised	7 670	9 257	23 761	-	-	-	7 670	9 257	23 761
Deferred tax assets/liabilities	**258 145**	**243 524**	**267 242**	**(156 767)**	**(146 253)**	**(155 173)**	**101 378**	**97 271**	**112 069**
Set off of tax	(156 761)	(146 253)	(155 173)	156 761	146 253	155 173	-	-	-
Valuation adjustment	(11 113)	(12 853)	(27 183)	-	-	-	(11 113)	(12 853)	(27 183)
Net deferred tax assets/liabilities as in statement of financial position	**90 271**	**84 418**	**84 886**	**(6)**	**-**	**-**	**90 265**	**84 418**	**84 886**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

(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 2010 (*)	Change of deferred tax on temporary differences recognised in		31 December 2010
		profit or loss for the period	other comprehensive income	
Property, plant and equipment	102 111	(5 127)	-	96 984
Intangible assets	(138 609)	(11 790)	-	(150 399)
Investment property	471	(7)	-	464
Investments in associates	26	21	-	47
Other long-term investments	-	(327)	-	(327)
Long-term prepayments	(1 205)	1 205	-	-
Trade and other receivables	175	(1 256)	-	(1 081)
Short-term investments	2 020	(152)	73	1 941
Cash and cash equivalents	(137)	(59)	-	(196)
Short-term prepayments	(35)	35	-	-
Long-term loans and borrowings	(5 245)	1 821	-	(3 424)
Long-term finance lease liabilities	123	(32)	-	91
Other non-current liabilities	26 395	1 862	-	28 257
Long-term deferred income and government grants	2 852	(409)	-	2 443
Employee benefits liabilities	223	346	-	569
Long-term provisions	85 307	12 486	-	97 793
Short-term loans and borrowings	(39)	329	-	290
Short-term finance lease liabilities	51	(9)	-	42
Trade and other payables	1 322	12	-	1 334
Short-term provisions	11 746	5 975	-	17 721
Short-term deferred income and government grants	158	-	-	158
Derivative financial instruments	304	118	579	1 001
Tax value of loss carry-forwards recognised	9 257	(1 587)	-	7 670
Valuation adjustment	(12 853)	1 813	(73)	(11 113)
	84 418	**5 268**	**579**	**90 265**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

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

	1 January 2009 (*)	Change of deferred tax on temporary differences recognised in		31 December 2009 (*)
		profit or loss for the period	other comprehensive income	
Property, plant and equipment	83 560	18 551	-	102 111
Intangible assets	(151 444)	12 835	-	(138 609)
Investment property	479	(8)	-	471
Investments in associates	10	16	-	26
Long-term prepayments	(1 400)	195	-	(1 205)
Trade and other receivables	79	96	-	175
Short-term investments	1 845	(61)	236	2 020
Cash and cash equivalents	(59)	(78)	-	(137)
Short-term prepayments	(40)	5	-	(35)
Long-term loans and borrowings	(783)	(4 462)	-	(5 245)
Long-term finance lease liabilities	116	7	-	123
Other non-current liabilities	25 613	782	-	26 395
Long-term deferred income and government grants	3 010	(158)	-	2 852
Employee benefits liabilities	200	23	-	223
Long-term provisions	93 640	(8 333)	-	85 307
Short-term loans and borrowings	104	(143)	-	(39)
Short-term finance lease liabilities	267	(216)	-	51
Trade and other payables	553	769	-	1 322
Short-term provisions	29 040	(17 294)	-	11 746
Short-term deferred income and government grants	200	(42)	-	158
Derivative financial instruments	3 318	53	(3 067)	304
Tax value of loss carry-forwards recognised	23 761	(14 504)	-	9 257
Valuation adjustment	(27 183)	14 566	(236)	(12 853)
	84 886	**2 599**	**(3 067)**	**84 418**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

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 2010 the amount of tax losses remaining to be utilized amounted to TPLN 40,375 (31 December 2009: TPLN 48,747, 1 January 2009: TPLN 125,058). As at 31 December 2010 the Group recognized deferred tax assets in the amount of TPLN 358 related to tax losses carry forwards. As at 31 December 2009 and 1 January 2009 the Group did not recognize deferred tax assets on the tax losses carry forwards due to uncertainty of utilization of corresponding benefits.

Amount of loss	*Expiry date*
3 436	2011
8 202	2012
14 246	2013
11 436	2014
3 055	2015
40 375	

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

20. Income tax receivables and liabilities

As at 31 December 2010 the income tax receivables amounted to TPLN 1,403 (31 December 2009: TPLN 1,482, 1 January 2009: TPLN 3,360), of which TPLN 1,403 (31 December 2009: TPLN 1,376, 1 January 2009: TPLN 1,376) was the amount due to be settled with future income tax liabilities. Due to uncertain recovery of some of these receivables as at 31 December 2010, an allowance of TPLN 1,391 was recognized (31 December 2009: TPLN 1,371, 1 January 2009: TPLN 1,385).

Income tax liabilities of TPLN 908 (31 December 2009: TPLN 28, 1 January 2009: TPLN 423) represent the difference between payments made for the previous and current year and the amount of tax payable.

21. Trade and other receivables

	31 December 2010	*31 December 2009*	*1 January 2009*
Trade receivables from related parties	9	18	885
Trade receivables from other parties	11 339	10 689	12 982
Receivables from taxes, duties, social and health insurances and other benefits	7 858	20 255	11 440
Other receivables from other parties	697	470	2 412
	19 903	**31 432**	**27 719**

Receivables from taxes, duties, social and health insurance and other benefits consist mainly of amount receivable due to incorrect, according to the Group, decision of the Comptroller of the I Tax Office in Sosnowiec dated 26 August 2008, that determined the excess of input VAT over output VAT for the period of August 2004, as consequence of which the Group paid the tax authority the amount of TPLN 5,952.

On 2 November 2009 the Provincial Administrative Court in Gliwice dismissed the complaint of the Group in respect of the decision of the Director of Tax Chamber in Katowice dated 30 March 2009, which partly kept in effect the aforementioned decision of the Comptroller of the I Tax Office in Sosnowiec dated 26 August 2008. On 10 February 2010 the Group exercised its right for final appeal. The Group considers chances for positive outcome of the dispute as high.

Trade receivables are presented net of allowances for doubtful debts amounting to TPLN 110,556 (31 December 2009: TPLN 114,550, 1 December 2009: TPLN 136,393).

The table below presents ageing of trade and other receivables together with the amount of corresponding allowances.

	31 December 2010	*31 December 2009*	*1 January 2009*
Gross overdue receivables			
up to 1 month	35	227	699
1-6 months	37	42	706
6 months-1 year	30	18	223
over 1 year	117 652	121 618	145 286
	117 754	**121 905**	**146 914**
allowances for overdue and doubtful debts	(110 328)	(114 337)	(136 180)
Net overdue receivables	**7 426**	**7 568**	**10 734**

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

Change in allowances for bad debt was as follows:

	2010	*2009*
Allowances for bad debts as at 1 January	(114 550)	(136 393)
Allowances recognised	(94)	(61)
Allowances reversed	1 838	7 110
Allowances utilised	2 250	14 794
Allowances for bad debts as at 31 December	**(110 556)**	**(114 550)**

The allowances for doubtful debts within trade receivables were recognized due to expected difficulties with collection of amounts due from some customers. The allowances for other receivables concern mainly receivables arisen as a result of loans guarantees granted to entities which were not able to settle their liabilities.

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

Overdue net receivables in amount of TPLN 7,100 are secured on the customer's property, which value exceeds the value of these receivables. Fair value of collateral mentioned, based on expert's evaluations conducted in 2007 and 2011, amounts to PLN 11.9 million.

In 2010, in line with received payments and based on analysis of probability of post balance sheet date retrieval, the Group reversed some allowances for overdue receivables concerning activity discontinued in previous years. Allowances amounting to TPLN 1,838 were reversed, of which TPLN 1,496 concerned Stalexport Wielkopolska Sp. z o.o. w upadłości, TPLN 265 Seba Sp. z o.o. and TPLN 77 other entities.

22. Cash and cash equivalents

	31 December 2010	*31 December 2009*	*1 January 2009*
Cash in hand	48	58	50
Bank balances	9 427	7 022	7 373
Current bank deposits	202 880	123 368	106 855
Restricted bank balances	180	159	152
Cash in transit	280	239	209
Cash and cash equivalents in the consolidated statement of financial position	**212 815**	**130 846**	**114 639**
Bank overdraft	-	-	(1)
Cash and cash equivalents in the consolidated statement of cash flows	**212 815**	**130 846**	**114 638**

Restricted bank balances refer to resources at the disposal of company social contribution fund.

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

23. Equity

a. Share capital

	31 December 2010	*31 December 2009*	*1 January 2009*
Number of shares at the beginning of the period	247 262 023	247 262 023	247 262 023
Number of shares at the end of the period (fully paid)	247 262 023	247 262 023	247 262 023
Nominal value of shares (PLN)	2	2	2
Nominal value of A-series issue	16 682	16 682	16 682
Nominal value of B-series issue	986	986	986
Nominal value of D-series issue	8 000	8 000	8 000
Nominal value of E-series issue	189 856	189 856	189 856
Nominal value of F-series issue	100 000	100 000	100 000
Nominal value of G-series issue	179 000	179 000	179 000
	494 524	**494 524**	**494 524**

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

In 2010 the share capital wasn’t subject to any changes.

The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at shareholders meeting of the Company. All shares entitle the shareholders to Company’s assets in the same extent in case of division.

b. 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 2010, the corresponding losses attributable to owners of the Company amounted to TPLN 377 (2009: TPLN 1,200).

c. 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 3,049 (negative value) in 2010 (2009: TPLN 16,144). This value has been adjusted by change in deferred tax amounting to TPLN 579 (2009: TPLN 3,067 (negative value)), recognised in other comprehensive income.

d. 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. General Meeting may also define a particular aim to which such resources should be assigned.

24. Earnings per share

The calculation of basic earnings per share was performed based on the net profit attributable to shareholders of the Parent Company of TPLN 10,248 (2009: TPLN 3,787) and a weighted average number of ordinary shares outstanding as at 31 December 2010 of 247,262 thousand (31 December 2009: 247,262 thousand).

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

	2010	*2009 (*)*
Profit for the period attributable to shareholders of the Parent Company (in TPLN)	10 248	3 787
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 Parent Company (in PLN)	**0,04**	**0,02**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

As at 31 December 2010, 31 December and 1 January 2009 no factors were determined that would result in dilution of profit per one share.

25. Loans and borrowings

	31 December 2010	*31 December 2009 (*)*	*1 January 2009 (*)*
Non-current portion of secured bank loans	329 876	122 395	65 877
Non-current loans and borrowings	**329 876**	**122 395**	**65 877**
Current portion of secured bank loans	13 627	1 470	1 487
Current loans and borrowings	**13 627**	**1 470**	**1 488**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

On 28 December 2005, a long-term loan agreement was signed by and between Stalexport Autostrada Małopolska S.A. and commercial banks. In 2010 the company made further drawings in the total amount of PLN 230 million. As at 31 December 2010 the nominal value of the loan amounted to PLN 360 million. The credit availability period expired on 30 September 2010.

On 26 October 2009, a Multipurpose credit line agreement was signed by Stalexport Autostrady S.A. and Fortis Bank Polska S.A. that enabled crediting in form of bank overdrafts (up to TPLN 400) and guarantee line (up to TPLN 2,000). On 25 November 2010 the agreement was altered – new provisions allow crediting only in form of overdraft (with TPLN 200 limit). The agreement expires on 25 October 2019.

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

a. Terms and conditions of loans and borrowings repayment

	Currency	Nominal rate	Repayment year	Liabilities at 31 December 2010	Liabilities at 31 December 2009 (*)	Liabilities at 1 January 2009 (*)
Loans						
Bank overdraft	PLN			-	-	1
Banking Consortium	PLN	WIBOR 6M + margin	2020**	343 503	123 865	67 364
Total loans and borrowings				**343 503**	**123 865**	**67 365**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

(**) - payments up to year 2020

b. Collateral established on Group's property

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

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

26. Finance lease liabilities

Repayment schedule of finance lease liabilities

31 December 2010	Minimum lease payments	Interest	Principal
up to 1 year	266	48	218
1 - 5 years	522	43	479
Total	**788**	**91**	**697**

31 December 2009	Minimum lease payments	Interest	Principal
up to 1 year	332	62	270
1 - 5 years	723	77	646
Total	**1 055**	**139**	**916**

1 January 2009	Minimum lease payments	Interest	Principal
up to 1 year	1 521	101	1 420
1 - 5 years	750	90	660
Total	**2 271**	**191**	**2 080**

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

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

27. Employee benefits liabilities

Non-current	***31 December 2010***	***31 December 2009 (*)***	***1 January 2009 (*)***
Retirement pay liabilities	233	224	320
Annuity severance pay liabilities	21	22	18
Jubilee bonuses liabilities	607	569	573
Other employee benefits	1 963	-	-
Total	**2 824**	**815**	**911**
Current			
Retirement pay liabilities	65	74	46
Annuity severance pay liabilities	2	2	2
Jubilee bonuses liabilities	58	72	56
Other employee benefits	-	173	-
Total	**125**	**321**	**104**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

Amounts of future employee benefits liabilities were calculated on the basis of actuarial appraisal model.

As at 31 December 2010 other employee benefits constitute a forecasted bonus payment for which Company's Management Board is eligible based on 3-year incentive scheme endorsed by the Supervisory Board in 2010.

Employee benefits liabilities were calculated according to following assumptions:

	31 December 2010	***31 December 2009***	***1 January 2009***
Discount rate	5.2%-5.5%	5.8%	5.5%
Future remuneration increase	2%-5%	2%-5%	2,5%-4%

28. Other non-current liabilities

	31 December 2010	***31 December 2009***	***1 January 2009***
Liabilities upon guarantees granted	33 564	46 556	59 549
Concession payments	148 720	138 919	132 304
Total	**182 284**	**185 475**	**191 853**

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

According to the Concession Agreement Stalexport Autostrada Małopolska S.A. is obliged to make Concession payments to National Road Fund (acquired liability relating to loan drawn by the Treasury from EBRD). The nominal value of the liability according to appendix 7 of the Concession Agreement amounts to TPLN 222,918.

In the process of preparation of the consolidated financial statements as at the day and for the year ended 31 December 2010 the Group changed the expected schedule of outflows regarding those liabilities. Due to the fact, that the present value of expected cash flows based on the new schedule of outflows (calculated using the previous discount rate) differed by more than 10% from the present value of expected cash flows based on the previous schedule of outflows, the Group derecognized the liability and recognized a new liability for Concession payments. A discount rate of 5.64% was used to discount the new liability (as at 31 December 2009:

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

5.95%). The difference in value of the liability resulting from that operation amounted to TPLN 3,225 and was recognized as financial expense for the period (see note 11).

Repayment schedule for other non-current liabilities

As at 31 December 2010	Total	up to 1 year	1-3 years	3-5 years	over 5 years
Liabilities upon guarantees granted	46 556	12 992	25 985	7 579	-
Concession payments	148 720	-	-	-	148 720
Total	**195 276**	**12 992**	**25 985**	**7 579**	**148 720**

As at 31 December 2009	Total	up to 1 year	1-3 years	3-5 years	over 5 years
Liabilities upon guarantees granted	59 548	12 992	25 985	20 571	-
Concession payments	138 919	-	-	-	138 919
Total	**198 467**	**12 992**	**25 985**	**20 571**	**138 919**

As at 1 January 2009	Total	up to 1 year	1-3 years	3-5 years	over 5 years
Liabilities upon guarantees granted	72 541	12 992	25 985	25 985	7 579
Concession payments	132 304	-	-	-	132 304
Total	**204 845**	**12 992**	**25 985**	**25 985**	**139 883**

29. Deferred income and government grants

	31 December 2010	*31 December 2009*	*1 January 2009*
Non-current			
Deferred rent income (mainly Passengers Service Sites)	12 568	13 400	14 225
Other	108	1 396	1 624
Total	**12 676**	**14 796**	**15 849**
Current			
Deferred rent income (mainly Passengers Service Sites)	825	825	825
Other	7	228	228
Total	**832**	**1 053**	**1 053**

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

30. Provisions

Non-current provisions	Provisions for motorway resurfacing	Provisions for capital expenditures (Phase II)	Other provisions	Total
Balance at 1 January 2009 (*)	**4 646**	**489 150**	**-**	**493 796**
Additions, including:	1 862	20 228	-	**22 090**
- due to discounting	*270*	*20 228*	-	***20 498***
Change of estimates	-	(8 248)	-	**(8 248)**
Reclassifications	-	(58 656)	-	**(58 656)**
Balance at 31 December 2009 (*)	**6 508**	**442 474**	**-**	**448 982**
Balance at 1 January 2010 (*)	**6 508**	**442 474**	**-**	**448 982**
Additions, including:	15 904	20 802	-	**36 706**
- due to discounting	*715*	*20 802*	-	***21 517***
Change of estimates	5 247	111 955	-	**117 202**
Reclassifications	-	(88 192)	-	**(88 192)**
Balance at 31 December 2010	**27 659**	**487 039**	**-**	**514 698**
Current provisions				
Balance at 1 January 2009 (*)	**37 388**	**91 830**	**23 622**	**152 840**
Additions, including:	20 237	1 167	2 385	**23 789**
- due to discounting	*1 446*	*1 167*	-	***2 613***
Change of estimates	-	(28 193)	-	**(28 193)**
Utilisation	(54 496)	(66 196)	(24 574)	**(145 266)**
Reclassifications	-	58 656	-	**58 656**
Balance at 31 December 2009 (*)	**3 129**	**57 264**	**1 433**	**61 826**
Balance at 1 January 2010 (*)	**3 129**	**57 264**	**1 433**	**61 826**
Additions, including:	-	3 154	1 774	**4 928**
- due to discounting	-	*3 154*	-	***3 154***
Change of estimates	-	(15 671)	-	**(15 671)**
Utilisation	(1 917)	(41 183)	-	**(43 100)**
Reversal	(1 212)	-	(53)	**(1 265)**
Reclassifications	-	88 192	-	**88 192**
Balance at 31 December 2010	**-**	**91 756**	**3 154**	**94 910**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

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).

As at 31 December 2010 the Group changed estimates regarding discount rates used for calculation of the present value of provision for resurfacing (as at 31 December 2009 6% rate was used, currently the rates range from 4.25% to 5.24%) and provision for capital expenditures of Phase II (as at 31 December 2009 the rates ranged from 5.07% to 5.78%, currently from 4.25% to 5.24%). As result of those changes the provision for resurfacing increased by TPLN 7,555 in 2010, 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 2,198, which was recognized as an increase of concession intangible assets according to accounting policy described in note 5.22.(iii).b.

As at 31 December 2010 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 works schedule. As result of that changes the provision for resurfacing decreased by TPLN 2,308, which in line with IAS 37 decreased operating expenses for the period. At the same time the provision for capital expenditures (Phase II) increased by TPLN 94,086, which was recognized as an increase of concession intangible assets according to accounting policy described in note 5.22.(iii).b.

Other provisions as at 31 December 2010 comprise mainly:

(i) provision recognised based on the sentence of Competition and Consumer Protection Court in Warsaw in the amount of TPLN 1,300:

In October 2007, the Office of Competition and Consumer Protection commenced an antimonopoly proceeding against Stalexport Autostrada Małopolska S.A. in relation to the suspicion of abuse of dominant position on the market of paid passage of the section of the motorway A-4 Katowice – Kraków, through the imposition of unfair prices for the crossing through the paid section of the motorway in the magnitude as stated in the price list during the time of repairing of this section of the motorway, causing significant hindrance to vehicle traffic. In response to the summons of the Office, the Group submitted relevant information required in relation to the proceedings in progress, and it issued the necessary explanations.

On 25 April 2008, the Office of Competition and Consumer Protection issued a decision, in which it has been recognized that the Stalexport Autostrada Małopolska S.A. breached the art. 9 sect. 2 pt. 1 of the act of law on competition and consumer protection, simultaneously instructing it to relinquish the practices being the subject matter of the antimonopoly proceedings. The Office of Competition and Consumer Protection imposed on the Group a financial penalty in the amount of TPLN 1,300 payable to the State Treasury. The Group launched an appeal to the Competition and Consumer Protection Court in Warsaw. On 10 May 2010 the abovementioned court issued a sentence upholding the decision of the Office of Competition and Consumer Protection. On 28 June 2010 the Group made an appeal to the Appeal Competition and Consumer Protection Court in Warsaw. At the moment the date of the hearing in Appeal Court is unknown.

(ii) provision recognized based on the sentence of the District Court in Katowice dated 18 December 2009 responding to claim lodged by CTL Maczki Bór Sp. z o.o. for compensation for the use of certain lots of land in the motorway lane without valid agreement. The court awarded to CTL Maczki Bór Sp. z o.o. the amount of TPLN 40 plus interest from Stalexport Autostrady S.A. and TPLN 996 plus interest from Stalexport Autostrada Małopolska S.A. Abovementioned interest were also subject to provision. On 25 January 2010 both Stalexport Autostrady S.A. and Stalexport Autostrada Małopolska S.A. appealed against the sentence of the District Court in Katowice to the Appeal Court in Katowice. During the hearing dated 26 May 2010 the Appeal Court asked the District Court to supplement documentation. During the last hearing on 13 October 2010 the Appeal Court announced 27 October 2010 as the date of the pronouncement of the sentence. On 27 October 2010 the date of the pronouncement was postponed again by the Appeal Court and a new date was not set.

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

31. Trade and other payables (short-term)

	31 December 2010	*31 December 2009*	*1 January 2009*
Trade payables to related parties	36	16 577	7 979
Trade payables to other parties	5 259	6 102	6 044
Amounts due to taxes, duties, social and health insurance and other benefits	1 756	1 245	2 842
Payroll liabilities	1 753	1 883	1 490
Guarantees received	500	-	-
Liabilities upon guarantees granted	12 992	12 992	12 992
Other payables and accruals to related parties	9 403	12 497	3 305
Other payables and accruals to other parties	12 245	14 428	14 619
	43 944	**65 724**	**49 271**

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 above-mentioned payables amounted to TPLN 20,633 as at 31 December 2010 (as at 31 December 2009: TPLN 24,797, 1 January 2009: TPLN 16,027).

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

32. Financial instruments

a. Classification of financial instruments

31 December 2010

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

31 December 2009 (*)

	Non-current	Current	Total
Financial assets measured at fair value through profit or loss	-	48 935	48 935
Available-for-sale financial assets	69	5 954	6 023
Non-current deposits	6 987	-	6 987
Cash and cash equivalents	-	130 846	130 846
Hedge derivatives	-	(1 599)	(1 599)
Loans and receivables	-	11 177	11 177
Financial liabilities measured at amortized cost	(308 516)	(66 219)	(374 735)
Total	**(301 460)**	**129 094**	**(172 366)**

1 January 2009 (*)

	Non-current	Current	Total
Financial assets measured at fair value through profit or loss	-	65 697	65 697
Available-for-sale financial assets	69	6 993	7 062
Non-current deposits	4 200	-	4 200
Cash and cash equivalents	-	114 639	114 639
Hedge derivatives	-	(17 461)	(17 461)
Loans and receivables	-	18 219	18 219
Financial liabilities measured at amortized cost	(258 390)	(49 337)	(307 727)
Total	**(254 121)**	**138 750**	**(115 371)**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

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

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

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

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

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

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

b. Effective interest rates and appraisal dates

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

31 December 2010

	Effective rate	Total	< 6 months	> 5 years
Non-current deposits	3.95%	179 417	179 417	-
Cash and cash equivalents	3.78%	212 815	212 815	-
Loans granted	5.64%	612	612	-
Investments in asset management funds - bonds and deposits	4.44%	37 286	37 286	-
Project Loan Agreement	7.05%	343 503	343 503	-
Concession payments	5.64%	148 720	-	148 720
Finance lease liabilities	6.65%	697	697	-
Liabilities upon guarantees granted	5.14%	46 556	46 556	-

31 December 2009 (*)

	Effective rate	Total	< 6 months	> 5 years
Non-current deposits	4.17%	6 987	6 987	-
Cash and cash equivalents	5.24%	130 846	130 846	-
Investments in asset management funds - bonds and deposits	4.30%	36 917	36 917	-
Project Loan Agreement	7.20%	123 865	123 865	-
Concession payments	5.95%	138 919	-	138 919
Finance lease liabilities	5.74%	916	916	-
Liabilities upon guarantees granted	5.20%	59 548	59 548	-

1 January 2009 (*)

	Effective rate	Total	< 6 months	> 5 years
Non-current deposits	5.70%	4 200	4 200	-
Cash and cash equivalents	5.25%	114 639	114 639	-
Investments in asset management funds - bonds and deposits	6.10%	63 898	63 898	-
Other short-term investments	4.60%	1 940	1 940	-
Project Loan Agreement	9.64%	67 365	67 365	-
Concession payments	5.95%	132 304	-	132 304
Finance lease liabilities	13.12%	2 080	2 080	-
Liabilities upon guarantees granted	7.79%	72 541	72 541	-

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

c. Fair value

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, short-term bank deposits and short-term 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 interest rates, based on market 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.

Hierarchy of financial instruments carried at fair value

Financial instruments carried at fair value can be classified 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 4,199 as at 31 December 2010 (31 December 2009: TPLN 4,581, 1 January 2009: TPLN 5,822) and investments in asset management funds measured at fair value in the amount of TPLN 57,943 as at 31 December 2010 (31 December 2009: TPLN 48,935, 1 January 2009: TPLN 65,697), Level 1 method was used.

For the valuation of derivatives carried at fair value in the amount of TPLN 5,269 as at 31 December 2010 (31 December 2009: TPLN 1,599, 1 January 2009: TPLN 17,461), Level 2 method was used.

d. 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.

Cash flows subject to hedge are expected to take 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 23c and 5.21 *Derivative financial instruments, including hedge accounting*).

Liability deriving from the valuation of the hedging instruments as at 31 December 2010 amounts to TPLN 5,269 (31 December 2009: TPLN 1,599, 1 January 2009: TPLN 17,461). The impact of future cash flow hedge accounting identified as effective, was recognized in other comprehensive income.

33. Financial risk management

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or 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 maximum Group's exposure to credit risk:

	31 December 2010	*31 December 2009*	*1 January 2009*
Other long-term investments	180 098	7 056	4 269
Short-term investments	63 999	54 889	74 630
Trade and other receivables	19 903	31 432	27 719
Cash and cash equivalents	212 815	130 846	114 639
Total	**476 815**	**224 223**	**221 257**

b. 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 2010	*31 December 2009*	*1 January 2009*
Investments in asset management funds - shares	4 417	2 105	1 799
Available-for-sale financial assets	4 199	4 581	5 822
Total	**8 616**	**6 686**	**7 621**

c. 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 (the Group's maximum exposure) to the risk of interest rate fluctuations through presentation of financial instruments according to fixed and floating interest rate:

	Current value 31 December 2010	**Current value 31 December 2009 (*)**	**Current value 1 January 2009 (*)**
Fixed interest rate instruments			
Financial assets	202 989	36 137	50 134
Financial liabilities	-	-	-
	202 989	**36 137**	**50 134**
Floating interest rate instruments			
Financial assets	229 806	138 613	128 403
Financial liabilities	(534 814)	(321 778)	(272 802)
	(305 008)	**(183 165)**	**(144 399)**

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

In accordance with provisions of financing agreements concluded on 27 May 2008, SAM S.A. and three banks: WestLB Bank Polska S.A., PEKAO S.A., DEPFA Bank, struck interest rate swaps transactions in relation to Project Loan Agreement. The aim of those transactions was to swap cash flow based on floating interest rate (6M WIBOR) for cash flow based on fixed interest rate. As at 31 December 2010, SAM S.A. owned interest rate swaps hedging against the risk of future interest rates fluctuations in relation to bank loan amounting to PLN 190 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 Credit Agreement.

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

In 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 year period and comparable previous year period.

	Profit or loss for the period		**Equity**	
	increase 100 pb	decrease 100 pb	increase 100 pb	decrease 100 pb
2010				
Floating interest rate instruments	(3 050)	3 050	(3 050)	3 050
Fixed interest rate instruments	(461)	487	(461)	487
Hedge derivatives	-	-	9 864	(9 864)
2009 (*)				
Floating interest rate instruments	(1 832)	1 832	(1 832)	1 832
Fixed interest rate instruments	(316)	1 568	(316)	1 568
Hedge derivatives	-	-	9 515	(9 515)

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

Foreign currency risk

At the end of 2010 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 through presentation of financial instruments by currencies in which they are denominated:

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

31 December 2010	**EUR**	**USD**
Cash and cash equivalents	276	22
Trade and other payables	(411)	-
Statement of financial position exposure	**(135)**	**22**

31 December 2009	**EUR**	**USD**
Cash and cash equivalents	1 011	191
Trade and other payables	(407)	-
Statement of financial position exposure	**604**	**191**

1 January 2009	**EUR**	**USD**
Cash and cash equivalents	921	439
Trade and other payables	(601)	-
Statement of financial position exposure	**320**	**439**

(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 percent 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%
2010	(6)	6	(6)	6
2009	40	(40)	40	(40)

d. Risk of loss of financial liquidity

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 taking suitable actions related to working capital and net financial indebtedness.

The table below shows the maximum Group's exposure to liquidity risk:

31 December 2010

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

31 December 2009 (*)

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
Long term liabilities upon guarantees granted	59 548	(66 779)	(7 979)	(7 805)	(15 104)	(35 891)	-
Concession payments	138 919	(223 870)	-	-	-	-	(223 870)
Secured bank loans	123 865	(187 861)	(3 367)	(3 958)	(12 286)	(51 253)	(116 997)
Finance lease liabilities	916	(1 055)	(200)	(132)	(265)	(458)	-
Trade and other payables	52 732	(52 732)	(52 732)	-	-	-	-
Derivatives inflows/(outflows)							
Interest rate swaps used for hedging	1 599	(1 732)	(585)	(525)	(1 222)	1 293	(693)
	377 579	(534 029)	(64 863)	(12 420)	(28 877)	(86 309)	(341 560)

1 January 2009 (*)

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
Long term liabilities upon guarantees granted	72 541	(96 946)	(8 399)	(9 196)	(17 679)	(46 957)	(14 715)
Concession payments	132 304	(223 870)	-	-	-	-	(223 870)
Secured bank loans	67 365	(118 843)	(2 909)	(2 941)	(5 834)	(29 366)	(77 793)
Finance lease liabilities	2 080	(2 257)	(824)	(699)	(286)	(448)	-
Trade and other payables	36 279	(36 279)	(36 279)	-	-	-	-
Derivatives inflows/(outflows)							
Interest rate swaps used for hedging	17 461	21 541	(252)	627	1 292	9 982	9 892
	328 030	(456 654)	(48 663)	(12 209)	(22 507)	(66 789)	(306 486)

(*) - restated in accordance with the changes of accounting policies, described in note 5.23

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

e. 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 lead to further business development. The Group monitors the changes in ownership, return on equity and debt/equity ratios.

The Group's aim is to achieve return on equity ratio at the level considered satisfactory by the shareholders.

The Parent 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 business year should be assigned for supplementary capital, until this capital reaches at least 1/3 of the share capital.

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

34. Operating leases

Operating lease agreements, where the Group is as a lessee

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

	31 December 2010	*31 December 2009*	*1 January 2009*
up to 1 year	47	1	59
1 -5 years	52	-	16
Total	**99**	**1**	**75**

35. 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 is planned between December 2010 and January 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". The contract was signed with consortium of Pavimental S.p.A. and Pavimental Polska Sp. z o.o. for the total amount of TPLN 103,194. The works have started in 2010 and should be completed by the end of 2012. In 2010 repairs of 8 bridges were completed. The value of completed construction works amounted to TPLN 34,742 (34% of contract value) as at 31 December 2010.

36. Contingent liabilities

Contingent liabilities relate to guarantees granted to related entities amounting to TPLN 15,472 (31 December 2009: TPLN 14,552, 1 January 2009: TPLN 14,371)

Notes to the consolidated financial statements
(all amounts in PLN thousand (TPLN), unless stated otherwise)

37. Transactions with related parties

a. Intergroup receivables and liabilities

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

31 December 2009	Receivables	Loans granted	Payables
Pavimental S.p.A. S.A. Oddział w Polsce	7	-	29 055
Pavimental Polska Sp. z o.o.	11	-	-
Atlantia S.p.A.	-	-	16
Autostrada Mazowsze S.A.	-	-	2
Total	**18**	**-**	**29 073**

1 January 2009	Receivables	Loans granted	Payables
Pavimental S.p.A. S.A. Oddział w Polsce	11	-	11 267
Atlantia S.p.A.	-	-	17
Autostrada Mazowsze S.A.	874	-	-
Total	**885**	**-**	**11 284**

b. Transactions with related parties

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

2009	Revenue	Other income	Cost of acquired goods and services	Capital expenditures and resurfacing works
Pavimental S.p.A. S.A. Oddział w Polsce	6	31	(31)	(106 879)
Pavimental Polska Sp. z o.o.	95	1	-	-
Autostrada Mazowsze S.A.	887	-	-	-
Wycliffe Management Sp. z o.o.	-	-	(86)	-
Total	**988**	**32**	**(117)**	**(106 879)**

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

c. Transactions with key personnel

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

	2010	*2009*
Parent Company		
Management Board	4 514	3 856
Supervisory Board	85	88
Subsidiaries		
Management Boards	1 825	1 988
Supervisory Boards	364	637
Total	**8 602**	**9 719**

In 2010 and 2009 the Group did not grant any loans to the Members of Management Board or Supervisory Board Members of the companies constituting the Group. The Group did not grant to the above mentioned individuals any advance payments or guarantees.

38. Subsequent events

There were no significant subsequent events, that should be disclosed in the consolidated financial statements for 2010.