

Koleje  
Mazowieckie

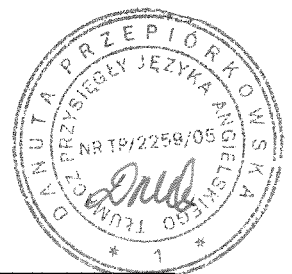
2011 Financial Statements of "Koleje Mazowieckie - KM" sp. z o.o.

Koleje  
Mazowieckie

## CONSOLIDATED FINANCIAL STATEMENTS

of the "Koleje Mazowieckie - KM" sp. z o.o. Group  
for the year 2011

WARSAW, 1 June 2012





## Contents

	Page
1. Introduction to Consolidated Financial Statements	3
2. Notes to Consolidated Financial Statements	7
3. Appendix 1. Consolidated Profit and Loss Account	
4. Appendix 2. Consolidated Balance Sheet	
5. Appendix 3. Consolidated Cash Flow Statement	
6. Appendix 4. Consolidated Statement of Changes in Shareholders' Equity	
7. Appendix 5. Management Report on activities of the Group	





## INTRODUCTION TO CONSOLIDATED FINANCIAL STATEMENTS.

These consolidated financial statements encompass the "Koleje Mazowieckie-KM" sp. z o.o., the Parent Company, and "Koleje Mazowieckie Finance AB" (publ), its Subsidiary with the registered seat in the territory of the Kingdom of Sweden.

The "Koleje Mazowieckie - KM" sp. z o.o. Parent Company is a limited liability company established on 29 July 2004 by the Local Government of the Mazowieckie Province and "PKP Przewozy Regionalne" sp. z o.o. in Warsaw. The Company's registered office is located in: the Mazowieckie Province, the capital city of Warsaw, commune/municipal district of Warsaw – Praga-Południe, at the address of: 1 Lubelska Street, 03-802 Warsaw [Poland].

As at 31 December 2011, the sole Shareholder of the Parent Company was the Mazowieckie Province holding 963 818 shares with the overall value of PLN 481 909 000.00.

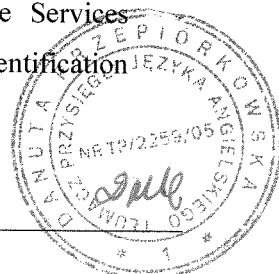
The Parent Company's primary types of activities include:

- As per PKD 2007 [Polish Classification of Activities]: intercity rail passenger transport, 4910Z; and
- As per PKD 2004 [Polish Classification of Activities]: rail transport, 6010Z.

The Parent Company is registered at the District Court for the capital city of Warsaw in Warsaw, 13th Business Division of the National Court Register, under No. KRS 0000222735. It bears the REGON company identification number 015876404 assigned by the Statistical Office in Warsaw on 2 December 2004; and the NIP taxpayer identification number 1132520369 assigned by the Head of the Tax Authority for Warsaw-Praga district on 7 December 2004.

The "Koleje Mazowieckie - KM" Parent Company commenced its activity on 1 January 2005, having obtained the licenses required for undertaking its operating activities.

As of 1 January 2009, the Maintenance Services Department was separated within the organizational structure of the Parent Company. The Department does not keep its own books of account and does not prepare financial statements for external entities; and is not a self-financing entity. The Maintenance Services Department has the status of an employer as defined under provisions of the Polish Labour Code. For this reason, the Maintenance Services Department has the status of a withholding agent and uses its own Taxpayer Identification





Number NIP 1080006429 assigned by the Head of the Second Mazowieckie Province Tax Authority in Warsaw on 25 January 2009.

The Department has the REGON company identification number 015876404-00028 assigned by the Statistical Office in Warsaw on 12 December 2008.

The Department's primary types of activities include:

- As per PKD 2007 [Polish Classification of Activities]: other cleaning 8129Z; and
- As per PKD 2004 [Polish Classification of Activities]: clearing and cleaning of buildings and facilities 7470Z.

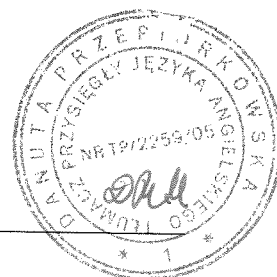
Under its Resolution No. 464/Z/2010 of 15 October 2010, the Management Board of "Koleje Mazowieckie - KM" sp. z o.o., the Parent Company, acquired 5 000 shares representing 100% of the share capital in a company incorporated under the law of and headquartered in the Kingdom of Sweden from Lagrummet AB (SPV) at a price of SEK 515 000, of which SEK 15 000 was the fee of VINCE legal counsellors, with registration No. 556499-3979. The company carries a legal and commercial name of "Koleje Mazowieckie Finance AB" (publ), and is a wholly-owned (100%) subsidiary of "Koleje Mazowieckie - KM" sp. z o. o. The sole material asset of this special purpose vehicle (SPV) is the liability of "Koleje Mazowieckie - KM" sp. z o.o. being its obligation to repay the amounts borrowed under the Bonds.

The registered seat of the SPV is: c/o Matrisen, Box 22059, 104 22 Stockholm, Sweden. The primary type of activities of the SPV is the issuance and/or organisation of issuance of debt securities, directly or indirectly, including any other activities relating to this primary type of activity.

The "Koleje Mazowieckie Finance AB" (publ) Subsidiary issued the following:

- 1) On 7 January 2011: a EUR 40 000 000.00 "step up" bonds, with an increasing coupon of: 5.00% for Q1 2011; 6.00% for Q2; 7.00% for Q3; and 8.00% for Q4.
- 2) On 9 March 2011: a EUR 100 000 000.00 bonds, with a coupon of 6.75% per annum, which also involved refinancing of the "step up" bonds of a total nominal value of EUR 40 000 000.00 (forty million).

The Subsidiary's bonds are traded on a regulated international market of the London Stock Exchange.





Because of the aforementioned transactions it is required that the annual Financial Statements of "Koleje Mazowieckie Finance AB" (publ) are to be consolidated with the annual Financial Statements of "Koleje Mazowieckie - KM" sp. z o.o.

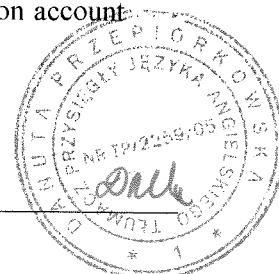
The Consolidated Financial Statements of the "Koleje Mazowieckie - KM" sp. z o.o. Group cover the period from 1 January 2011 to 31 December 2011. This constitutes the seventh financial year in the operations of "Koleje Mazowieckie - KM" sp. z o.o. and the sixth year audited by certified auditors. During its first financial year from 24 November 2004 to 31 December 2005, the Parent Company failed to reach the threshold level that makes the audit of financial statements obligatory.

These annual Financial Statements have been prepared under the assumption that the "Koleje Mazowieckie - KM" Group would continue its current activities into the foreseeable future, with no material reductions in the scope thereof and would neither become liquidated nor declared bankrupt. Moreover, no circumstances are known that would indicate existence of any serious threat to the Group's continuing as a going concern.

In determining the Group's ability to continue its activities, the Management Board of the "Koleje Mazowieckie - KM" sp. z o.o Parent Company takes into consideration all information available as at the day of preparation of the Financial Statements and pertaining to foreseeable future of at least one year from the balance sheet date.

The Financial Statements have been prepared in compliance with the requirements applicable to the keeping of books of account, valuation of assets and liabilities, and measuring the financial result required under the Polish Accounting Act of 29 September 1994, as amended; and under the Regulation of the Polish Minister of Finance of 25 September 2009 on detailed rules of preparation of consolidated financial statements of capital groups by entities other than banks, insurance companies or reinsurance companies (Polish Journal of Laws of 12 October 2009, as amended).

Applying provisions of the Polish Accounting Act, with due consideration to the prudence principle laid down in Article 7 thereof, and in compliance with its adopted Accounting Policies, the "Koleje Mazowieckie - KM" sp. z o.o Group forms provisions and defines assets on account





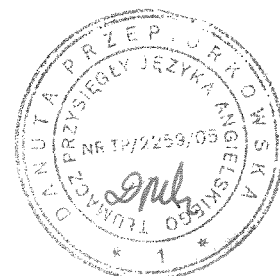
of deferred income tax in order to reflect the timing differences between the book value of assets and liabilities and their tax value deductible in the future. The deferred part disclosed in the Profit and Loss Account represents the difference between provisions for and assets on account of deferred income tax as at the beginning and end of the reporting period.

Assets and liabilities have been valued in accordance with the principles laid down in the Polish Accounting Act, and, moreover:

1. The entity depreciates its fixed assets and intangible assets at rates included in the Annual Depreciation and Amortisation Rates List appended to the Corporate Income Tax Act of 15 February 1992, as amended, with the exception of rolling stock, in respect of which Balance Sheet rates are applied. The Balance Sheet rates for rolling stock are updated annually in reference to the actual rolling stock runs;
2. Balances and outflows of materials and goods covered in the quantitative and qualitative records are valued on the FIFO basis;
3. Deferred income tax provisions and assets are not set off.

The Capital Group prepares Consolidated Financial Statements consisting of:

1. Consolidated Balance Sheet;
2. Consolidated Profit and Loss Account, in the single step format;
3. Additional information comprised of Introduction to the Consolidated Financial Statements and Notes to Financial Statements;
4. Consolidated Cash Flow Statement, with application of indirect method; and
5. Statement of Changes in Consolidated Shareholders' Equity.



**NOTES TO FINANCIAL STATEMENTS****1. ASSETS****1.1. Capital assets as at 31 December 2011 amounted to****PLN 1 231 969 573.69**

of which:

**1.1.1. Intangible assets****PLN 210 997.49****Table 1****Intangible assets - initial value and amortisation [PLN].**

Group of capital assets		Costs of finished development works	Goodwill	Other intangible assets	Advances on account of intangible assets	Total intangible assets
1		2	3	4	5	6
Initial value	Gross opening balance			674 926.75		674 926.75
	Revenues			71 747.37		71 747.37
	Outflows					0.00
	<b>Closing balance</b>	<b>0.00</b>	<b>0.00</b>	<b>746 674.12</b>	<b>0.00</b>	<b>746 674.12</b>
Amortisation	Opening balance			-376 134.39		-376 134.39
	Increases			-159 542.24		-159 542.24
	Decreases					0.00
	<b>Closing balance</b>	<b>0.00</b>	<b>0.00</b>	<b>-535 676.63</b>	<b>0.00</b>	<b>-535 676.63</b>
Revaluation write-off						
<b>Net closing balance</b>		<b>0.00</b>	<b>0.00</b>	<b>210 997.49</b>		<b>210 997.49</b>

Intangible assets include primarily software.

**1.1.2. Tangible assets****PLN 1 184 526 064.84**

of which:

➤ fixed assets

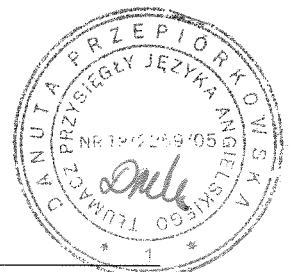
PLN 1 183 926 334.84

➤ fixed assets under construction

PLN 158 940.00

➤ advances on account of fixed assets under construction

PLN 440 790.00





**1.1.2.1. The balance of fixed assets under construction in the amount of PLN 158 940.00**  
consists of:

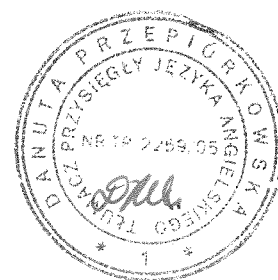
- office building refurbishment design PLN 15 000.00
- construction of a rolling stock wash facility PLN 60 060.00
- operating hall refurbishment – technical documentation PLN 83 880.00

**1.1.2.2. The balance of advances on account of fixed assets under construction in the amount of PLN 440 790.00**  
consists of an advance toward rolling stock refurbishment – assembly of forklift trucks.

**Table 2**

**Fixed assets (including assets under leasing) – initial value and depreciation [PLN].**

Group of fixed assets		Land	Residential and commercial buildings and civil engineering structures	of which residential buildings.	Plant and machinery	Means of transport	Other fixed assets	Total fixed assets
1		2	3	4	5	6	7	8
Initial value	Gross opening balance		1 050 805.44		9 420 364.15	622 845 993.38	1 177 942.91	634 495 105.88
	Transfers		0		0	0	0	0.00
	Revenues		1 562 997.87		6 302 045.00	616 453 979.23	174 650.70	624 493 672.80
	Expenditures		0		-68 640.54	-14 656.64	-22 913.90	-106 211.08
	Closing balance	0	2 613 803.31	0	15 653 768.61	1 239 285 315.97	1 329 679.71	1 258 882 567.60
Depreciation	Opening balance		-88 163.23		-4 688 215.29	-33 957 347.50	-512 109.73	-39 245 835.75
	Transfers							0.00
	Increases		-26 270.13		-1 740 841.63	-33 784 757.21	-231 038.75	-35 782 907.72
	Decreases		0		61 996.45	6 943.45	16 261.70	85 201.60
	Closing balance	0	-114 433.36	0	-6 367 060.47	-67 735 161.26	-726 886.78	-74 943 541.87
Revaluation write-off		0	0	0	-4 706.94	0	-7 983.95	-12 690.89
Net closing balance		0	2 499 369.95	0	9 282 001.20	1 171 550 154.71	594 808.98	1 183 926 334.84







In December 2010, the Local Government of the Mazowieckie Province contributed, as an in-kind contribution, assets valued at PLN 184 530 000.00. The ownership of the 37 double-decker train cars was transferred on 28 December 2010.

In 2011 KM refurbished and procured rolling stock valued at PLN 616 453 979.23, including, among others:

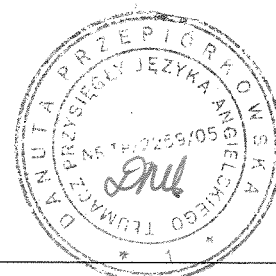
- 11 E583PL (Traxx) steering carriage units valued at PLN 142 541 592.30
- 16 EN76 (Elf) cars valued at PLN 316 111 612.77
- 6 ER75 (Flirt Polska) cars valued at PLN 90 290 000.00

As at 31 December 2009, KM formed revaluation write-offs for unused fixed assets slated for scrapping in the amount of PLN 12 690.89. The write-off was not utilised in 2011.

"Koleje Mazowieckie - KM" uses capital assets under financial lease agreements for balance sheet purposes, on the basis of sub-article 3.4 points 1-7 of the Polish Accounting Act.

**Table 3**  
**Fixed assets under financial leases [PLN].**

Group of fixed assets		Land	Residential and commercial buildings and civil engineering structures	of which residential buildings	Plant and machinery	Means of transport	Other fixed assets	Total FIXED ASSETS
1		2	3	4	5	6	7	8
Initial value	Gross opening balance				4 033 367.42	14 617 031.89		18 650 399.31
	Transfers							0
	Revenues				4 364 400.00	409 065.50		4 773 465.50
	Expenditures					0		0
	Closing balance	0.00	0.00	0.00	8 397 767.42	15 026 097.39	0.00	23 423 864.81
Depreciation	Opening balance				-796 726.17	-2 664 203.24		-3 460 929.41
	Transfers							0
	Increases				-1 175 076.43	-835 177.61		-2 010 254.04
	Decreases					0		0
	Closing balance	0.00	0.00	0.00	-1 971 802.60	-3 499 380.85	0.00	-5 471 183.45
Revaluation write-off						0		0.00
Net closing balance		0.00	0.00	0.00	6 425 964.82	11 526 716.54	0	17 952 681.36





KM differentiates between fixed assets of two distinct groups:

**Group I:**

Fixed assets with the expected useful life of over one year and initial value exceeding PLN 3 500.00.

**Group II:**

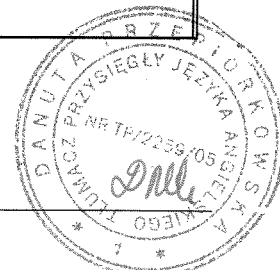
Fixed assets with the expected useful life of over one year and initial value not exceeding PLN 3 500.00, hereinafter referred to as low-value fixed assets. Low-value fixed assets with an initial value not exceeding PLN 3 500, which are booked separately upon their release for use and upon charging of their initial value to depreciation costs, are disclosed in the Balance Sheet records until their liquidation.

**1.1.3.** The KM Group holds no ownership titles to real property, perpetual usufruct of land, cooperative ownership titles to residential premises or any cooperative titles to commercial premises.

**Table 4**

**Assets leased by the Parent Company for the purpose of conducting its operations [PLN].**

No.	Leased asset	Agreement number	Cost of lease in 2011
1	11 rail buses	Mz-081-MBE-79/2008	525 449.96
2	10 Electrical Train Units, "Flirt" type	Mz-081-MEN-182/08 of 12.11.2008	224 013.60
3	2 Electrical Train Units, EW-60	Mz-081-MEN-238/05 of 30.12.2005	108 313.82
4	Rail engines with engine crews	Mz-081-MEE-108/08	9 371 904.47
5	Areas for ticket-office containers at passenger stops of Barcząca, Cegłów, Sosnowe and Koszewnica	C/04/03a/005/00/5555/08 of 14.02.2008	1 864.80
6	Signal box buildings Warsaw Ochota halting station OCH1	C/01/03f/007/00/5555/06 of 15.09.2006	4 632.36
7	Information rooms in platform train dispatcher's building at the Radom station	C/07/05f/048/00/5555/06 of 20.09.2006	5 208.48
8	Rooms for engineer teams in the railway station building in Dęblin	34N5f-208/2007 of 16.06.2007	7 803.99
9	Service room for the company's personnel and general access areas for passengers in station buildings	ND5f-611-9/2/06 of 06.06.2006	3 673 515.02





No.	Leased asset	Agreement number	Cost of lease in 2011
10	Office building – registered office of the company at 1 Lubelska Street	DD5f-611-9/3/06 of 06.06.2006	116 842.68
11	Lease of sites for Park & Ride parking lots and temporary leases of premises and equipment	39/N6/365/2009, 39/N6-157/2008 - Ożarów Mazowiecki, 39N5g/464/07 - Radom, 39N6/154/2008 - Teresin Niepokalanów, 39N6/607/2008 - Siedlce 39/N6-156/2009 - Żyrardów, 39/N6-155/2010 - Celestynów, BWR-U-07/2007, Mz-081-MPG-37/09, 39/N6-158/2008 - Brwinów, 39N6/231/2008 - Mińsk Mazowiecki	286 009.73
12	Service rooms for the company's personnel in the building at 5a Białostocka Street	C/01/03f/004/00/5555/05 of 14.02.2005	7 985.11
13	Plots of land used as the locomotive stabling point, outbuildings, rolling stock repair shops, boiler rooms, turnouts and contact system, technological systems and access roads	M-01-MAN 377/10 of 27.11.2011	5 111 157.00
14	Service room for the company's personnel and general access areas for passengers in station buildings	M-01-MAN-421/10 of 22.12.2010	1 977 451.98
15	Administration facilities at 17 Bliska Street	Mz-081-MAN-172/10 of 17.05.2010	115 715.16
16	Rooms for conductor crews	5RUI/5/2011 of 01.04.2011 M-01-MAN-155/11	3 285.00
17	Ticket sales points at Warszawa Wschodnia Podmiejska	D4i-612-531/2011 of 25.07.2011 M-01-MAN-198/11	24 753.49
18	Garages at 12 Brzeska Street	M-01-MAN-282/11 of 7.09.2011	2 280.00
19	Container at 1 Lubelska Street	M-01-MAN-385/10 of 10.11.2010	6 720.00
20	Rail track at Łowicz	35Nc-TP-2919/2009 of 20.11.2009 Mz081-MET-220/09	12 742.92
21	Administration Building at 12 Brzeska Street	M-01-MAN-219/10 of 10.06.2010	343 935.60
<b>Total</b>			<b>21 931 585.17</b>



**1.1.4. Long-term prepayments & accruals****PLN 47 232 511.36**

of which:

**1.1.4.1. Prepayments/prepaid expenses** include mainly costs of rolling stock inspection repairs for years following the year 2012. These are spread over 36 months according to the actual mileage of the vehicles that, once reached, triggers the inspection repairs.

**Table 5****Specification of long-term prepayments [PLN].**

No.	Settlement titles	Opening balance	Increases	Reclassifications	Decreases	Closing balance
1	Repairs and refurbishment of the rolling stock	10 407 385.73	14 119 191.14	13 820 340.10	27 558 547.38	10 788 369.59
2	Repair of buildings and plant	2 974 831.43	998 892.99	2 998 236.30	6 079 022.26	892 938.46
3	Post-warranty period maintenance repairs	0.00	12 092 933.31	0.00	0.00	12 092 933.31
<b>Total</b>		<b>13 382 217.16</b>	<b>27 211 017.44</b>	<b>16 818 576.40</b>	<b>33 637 569.64</b>	<b>23 774 241.36</b>

**1.1.4.2. Deferred income tax assets**

Deferred income tax assets have been determined in the amount expected to be deducted from income tax in the future, this in the amount of **PLN 23 458 270.00**

due to negative timing differences to result in the future a decrease of the basis for calculation of income tax and the deductible tax loss.

Timing differences relating to the determination of the assets on account of deferred income tax as at 31 December 2011 amounted to **PLN 9 407 119.00**

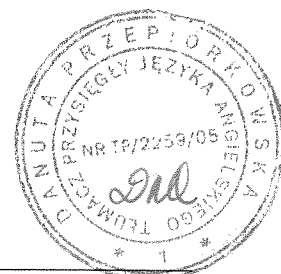




Table 6

**Specification of negative and positive timing differences – deferred income tax assets,  
as at 31 December 2011 [PLN].**

No.	Item of assets or liabilities	BV – book value	TV – tax value	Difference (BV-TV)	Expected year of realisation	Tax rate as in year of realis.	Deferred income tax asset as at 31.12.2011
<b>I.</b>	<b>Assets</b>	<b>7 163 983.73</b>	<b>1 639 344.25</b>	<b>8 256 879.98</b>	<b>x</b>	<b>x</b>	<b>1 568 807</b>
1	Cash receipts – settled via PPO – registered pledge fee	273 224.00	1 639 344.25	1 366 120.25	after 31.12.2011	19%	259 563
2	Write-downs of receivables (to be reclaimed or become tax deductible in the future)	6 890 759.73	0.00	6 890 759.73	after 31.12.2011	19%	1 309 244
<b>II.</b>	<b>Liabilities</b>	<b>117 000 104.13</b>	<b>1 831 030.33</b>	<b>115 207 695.86</b>	<b>x</b>	<b>x</b>	<b>21 889 463</b>
1	Provision for unused holiday leaves	6 825 945.23	0.00	6 825 945.23	after 31.12.2011	19%	1 296 930
2	Provision for awards and costs of Social Insurance contributions	5 575 222.37	1 644 506.25	3 930 716.12	after 31.12.2011	19%	746 836
3	Other provisions and accruals	47 717.29	67 028.32	19 311.03	after 31.12.2011	19%	3 669
4	Foreign exchange gains/losses, as at the balance sheet date	80.76	80.76	0.00	after 31.12.2011	19%	0
5	Foreign exchange gains/losses – bond related, as at the balance sheet date	44 120 000.00		44 120 000.00	after 31.12.2011	19%	8 382 800
6	Provisions for disputed contractual penalties, after netting-off	5 986 548.92		5 986 548.92	after 31.12.2011	19%	1 137 444
7	Provision for financial statement audits, bank guarantees, loan purchase price adjustment	95 876.86	95 876.86	0.00	after 31.12.2011	19%	0
8	Provision for pre-privatisation analysis and recovery cost compensation after accident with PLK	1 083 605.94		1 083 605.94	after 31.12.2011	19%	205 885





No.	Item of assets or liabilities	BV – book value	TV – tax value	Difference (BV-TV)	Expected year of realisation	Tax rate as in year of realis.	Deferred income tax asset as at 31.12.2011
9	Provision for old age and disability pension severance pay, and anniversary awards	37 860 973.00		37 860 973.00	after 31.12.2011	19%	7 193 585
10	Provision for litigation and other disputes	358 294.91		358 294.91	after 31.12.2011	19%	68 076
11	Accrued interest on liabilities	291 078.47	23 538.14	267 540.33	after 31.12.2011		50 833
12	Accrued interest on bonds	14 754 760.38		14 754 760.38	after 31.12.2011	19%	2 803 404
<b>Total</b>		<b>124 164 087.86</b>	<b>3 470 374.58</b>	<b>123 464 575.84</b>	<b>x</b>	<b>x</b>	<b>23 458 270</b>

Timing differences relating to the determination of assets on account of deferred income tax as at 31 December 2011 amounted to **PLN 23 458 270.00**

Change of assets on account of deferred income tax between 1 January 2011 and 31 December 2011 amounted to **PLN 14 051 151.00**

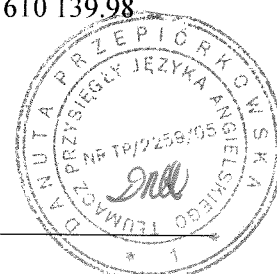
The assets on account of deferred income tax consisted of:

- revaluation write-off of interest and other receivables;
- foreign exchange gains/losses as at the balance sheet date;
- accrued interest;
- provision for unused holiday leaves;
- provision for old age and disability severance pay;
- provision for anniversary awards;
- provision for annual bonuses and other employee benefits; and
- provision for litigation and other provisions.

These are costs that pertain to the year 2011, but which will only be incurred after the year 2011. These reduce the tax base and thus affect the net financial result.

**1.1.5. Inventories** as at 31 December 2011 stood at **PLN 10 093 930.31**  
with such major items as:

- operational reserve in the amount of **PLN 4 483 790.33**
- materials inventory in the amount of **PLN 5 610 139.98**





**1.1.6. Total short-term receivables of the Group in the amount of PLN 97 871 690.95**  
consist of:

**1.1.6.1. Receivables from related entities PLN 44 601 856.53**  
consist of:

- trade receivables of up to 12 months in the amount of PLN 481 856.53
- trade receivables of above 12 months in the amount of PLN 44 120 000.00

**1.1.6.2. Trade receivables from other entities in the amount of PLN 5 198 906.05**  
consist of:

- receivables for transport services from PKP Intercity PLN 1 198 281.97
- receivables for transport services and penalties for delays  
from PKP PLK SA PLN 247 893.90
- receivables for SKM Warsaw rolling stock maintenance PLN 439 803.11
- receivables for contractual penalties from ZNTK Mińsk Maz. PLN 506 049.14
- receivables for contractual penalties from PESA Bydgoszcz PLN 1 039 896.01
- other receivables in the amount of PLN 1 766 981.92

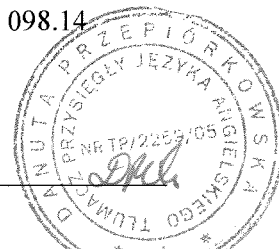
Receivables on account of fare dodger journeys, including additional fees and awarded court costs on the same account, are recognised as other receivables are on revaluation write-offs the moment they arise. As a result, there is no deferred income or standard revaluation write-off cost; and overstatement of balance sheet turnover is avoided.

**1.1.6.3. Receivables on account of taxes, grants, customs duties, social and health insurance, and other benefits in the amount of PLN 43 428 686.20**  
consist of:

- receivables from the Tax Office on account of VAT PLN 40 166 947.44
- receivables from the Tax Office on account of income tax PLN 3 222 077.00
- other, incl. settlements with ZUS [Social Security Institution] PLN 39 661.76

**1.1.6.4. Other receivables PLN 4 642 242.17**  
including:

- settlements related to separate accounting  
pertaining to ZFŚS [In-House Social Benefits Fund],  
loans – in the amount of PLN 4 248 098.14





➤ other settlements

PLN 394 144.03

**1.1.6.5. Age of short-term trade receivables****Table 7****Short-term trade receivables by age, as at 31 December 2011 [PLN].**

<b>I</b>	<b>Short-term trade receivables by age</b>	<b>Receivable amount</b>
<b>1.</b>	<b>Current receivables, of which:</b>	<b>50 436 748.13</b>
a)	from related parties	44 601 856.53
b)	from other parties	5 834 891.60
<b>2.</b>	<b>Overdue receivables, of which:</b>	<b>27 055 046.70</b>
a)	from related parties	0.00
b)	from other parties	27 055 046.70
	up to 90 days	3 877 436.93
	91-180 days	4 722 724.50
	181-360 days	5 567 654.88
	over 360 days	12 887 230.39
	<b>Total gross value</b>	<b>77 491 794.83</b>
<b>3</b>	<b>Revaluation write-downs</b>	<b>27 691 032.25</b>
<b>4</b>	<b>Net value, of which:</b>	<b>49 800 762.58</b>
a)	from related parties	44 601 856.53
b)	from other parties	5 198 906.05
<b>II</b>	<b>Short-term trade receivables claimed at court and through enforcement proceedings</b>	<b>Receivable amount</b>
<b>1.</b>	<b>Receivables claimed at court</b>	<b>10 378 023.43</b>
A	from other parties	10 378 023.43
<b>2.</b>	<b>Receivables in enforcement proceedings</b>	<b>6 002 588.23</b>
A	from other parties	6 002 588.23
<b>3</b>	<b>Revaluation write-downs</b>	<b>16 380 611.66</b>
<b>4</b>	<b>Net value</b>	<b>0.00</b>

**1.1.7. Cash balance of the Group** as at 31 December 2011 stood at  
of which:

**PLN 85 025 225.46**

- cash in hand
- cash at bank, on the Group's bank accounts
- funds in transit (cash receipts)

PLN 2 345.35

PLN 225 488.87

PLN 2 544 919.89







- cash on the O/N investment/deposit account PLN 82 182 143.31
- cash on the ZFŚS [In-House Social Benefits Fund] bank account PLN 70 328.04

**1.1.8. Short-term prepayments PLN 29 543 335.01**

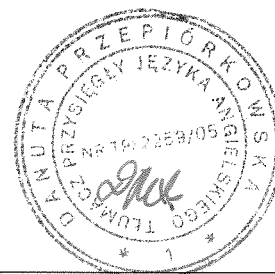
of which:

**1.1.8.1. Short-term prepaid expenses PLN 25 640 723.21**

**Table 8**  
**Short-term prepaid expenses [PLN].**

No.	Settlement item	Opening balance	Increases	Reclassifications	Decreases	Closing balance
1	Service uniforms	23 787.68	1 240 044.87	0.00	835 996.06	427 836.49
2	Telecommunications services	68 819.54	66 618.04	0.00	68 819.54	66 618.04
3	Technical supervision charges	0.00	430 372.15	0.00	430 372.15	0.00
4	Passage performances	2 191 365.32	3 163 473.01	0.00	3 012 744.84	2 342 093.49
5	Subscription, annual website access	11 400.00	0.00	0.00	11 400.00	0.00
6	Insurance	0.00	949 384.16	0.00	0.00	949 384.16
7	Repairs and refurbishment of the rolling stock	13 711 382.00	16 983 161.30	13 820 340.10	3 392 300.56	13 481 902.64
8	Repair of buildings and plant	3 482 708.20	3 424 063.44	2 998 236.30	894 836.64	3 013 698.70
9	Post-warranty period maintenance repair costs	0.00	6 908 597.54		2 158 214.83	4 750 382.71
10	Lease and rental – EU grants for locomotives, to be settled in 2012	0.00	608 806.98	0.00	0.00	608 806.98
11	Write-offs to ZFŚS [In-House Social Benefits Fund]	0.00	3 060 501.81	0.00	3 060 501.81	0.00
<b>Total</b>		<b>19 489 462.74</b>	<b>36 835 023.30</b>	<b>16 818 576.40</b>	<b>13 865 186.43</b>	<b>25 640 723.21</b>

Due to entries being made directly under item 6 with omission of items 4 and 5 of the Profit and Loss Account, no change in product balance is registered.

**1.1.8.2. VAT suspended for settlement in future periods PLN 3 902 611.80**

## 2. LIABILITIES

### 2.1. Amount and structure of share capital

Share capital of the Parent Company at its incorporation amounted to PLN 50 000 divided into 100 equal indivisible shares, with a face value of PLN 500, which had been taken up as follows:

- 51 shares of total value of PLN 25 500 were taken up by the Mazowieckie Province; and
- 49 shares of total value of PLN 24 500 were taken up by "PKP Przewozy Regionalne" sp. z o.o.

Share capital was increased as follows:

- By Resolution No. 16/NZW/2005 of the Extraordinary Shareholders' Meeting of "Koleje Mazowieckie - KM" sp. z o.o. of 3 November 2005 by PLN 2 163 500.00, of which PLN 1 060 000.00 as contribution in kind;
- By Resolution No. 18/NZW/2006 of the Extraordinary Shareholders' Meeting of "Koleje Mazowieckie - KM" sp. z o.o. of 30 October 2006 by PLN 20 000 000.00;
- By Resolution No. 4/NZW/2008 of the Extraordinary Shareholders' Meeting of "Koleje Mazowieckie - KM" sp. z o.o. of 5 February 2008 by PLN 50 000 000.00;
- By Resolution No. 12/NZW/2008 of the Extraordinary Shareholders' Meeting of "Koleje Mazowieckie - KM" sp. z o.o. of 24 June 2008 by PLN 175 500 000.00, which was a contribution in kind in its entirety;
- By Resolution No. 4/NZW/2009 of the Extraordinary Shareholders' Meeting of "Koleje Mazowieckie - KM" sp. z o.o. of 21 April 2009 by PLN 49 665 500.00;
- By Resolution No. 30/ZW/2010 of the Extraordinary Shareholders' Meeting of "Koleje Mazowieckie - KM" sp. z o.o. of 20 October 2010 by PLN 184 530 000.00, which was a contribution in kind in its entirety.



### Table 9

**Shareholders' equity increases [PLN].**

No.	Resolution of the Shareholders' Meeting of "Koleje Mazowieckie - KM" sp. z o.o.	Shareholders' equity increase date	Contribution in kind	Cash contribution	Shareholders' equity at the date of increase
1	Shareholders' equity as at Company incorporation				50 000.00
2	Resolution 16/NZW/2005	03.11.2005	1 060 000.00	1 103 500.00	2 213 500.00
3	Resolution 18/NZW/2006	30.10.2006		20 000 000.00	22 213 500.00
4	Resolution 4/NZW/2008	05.02.2008		50 000 000.00	72 213 500.00
5	Resolution 12/NZW/2008	24.06.2008	175 500 000.00		247 713 500.00
6	Resolution 04/NZW/2009	21.04.2009		49 665 500.00	297 379 000.00
7	Resolution 30/ZW/2010	20.10.2010	184 530 000.00		481 909 000.00
	<b>Total increases of shareholders' equity</b>		<b>361 090 000.00</b>	<b>120 769 000.00</b>	<b>481 859 000.00</b>

In total, the capital was increased by PLN 481 859 000.00, up to the amount of PLN 481 909 000.00 and is currently divided into 963 818 equal and indivisible shares, with the face value of PLN 500, wholly taken up by the Mazowieckie Province.

### 2.1.1. Shareholding structure

**Table 10**

## Shareholding structure

<i><b>SHAREHOLDER - MEMBER</b></i>	<b>Value of shares</b>	<b>Number of shares</b>	<b>% structure</b>
<b>Mazowieckie Province</b>	481 909 000.00	963 818	<i><b>100%</b></i>
<b>Total share capital</b>	<b>481 909 000.00</b>	<b>963 818</b>	<i><b>100%</b></i>

**2.2. Shareholder's equity in the amount of**  
**consists of:**

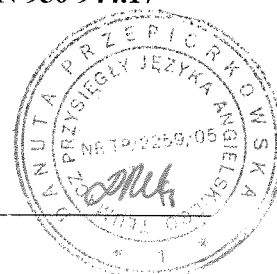
**PLN 508 547 855.78**

### 2.2.1. Share capital

**PLN 481 909 000.00**

Share capital fully contributed and registered.

### 2.2.2. Revaluation reserve, at consolidation

**PLN 950 944.17**

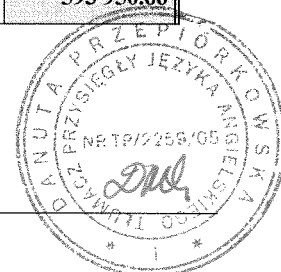
**2.2.3. Reserve capital (profit for the years 2005–2010)****PLN 11 206 827.94**

of which:

- profit for 2005 (Resolution No. 03/ZZW/2006 of 29 June 2006) PLN 1 093 220.23
- profit for 2006 (Resolution No. 03/ZZW/2007 of 27 June 2007) PLN 217 753.73
- profit for 2007 (Resolution No. 17/ZW/2008 of 24 June 2008) PLN 540 977.52
- profit for 2008 (Resolution No. 12/ZW/2009 of 29 June 2009) PLN 617 518.25
- profit for 2009 (Resolution No. 09/ZW/2010 of 29 June 2010) PLN 715 568.36
- profit of earlier years (Resolution No. 10/ZW/2010 of 29 June 2010) PLN 3 211 203.67
- profit of earlier years (Resolution No. 08/ZW/2011 of 28 June 2011) PLN 4 810 586.18

**2.2.4. Group's profit of the current year****PLN 14 481 083.67****2.3. Liabilities and provisions against liabilities of the Group****PLN 945 955 899.64****2.3.1 Balance of provisions:****Table 11****Specification of the formed provisions against liabilities [PLN].**

No.	Settlement title	Opening balance	Increases	Reclassifications	Decreases	Closing balance
1	Provision for unused holiday leaves, short-term	5 094 187.35	1 731 757.88	0.00	0.00	6 825 945.23
2	Provision for old age and disability pension severance pay, long-term	11 909 000.00	0.00	0.00	-421 174.00	11 487 826.00
3	Provision for old age and disability pension severance pay, short-term	1 498 000.00	0.00	0.00	-296 122.00	1 201 878.00
4	Provision for anniversary awards, short-term	2 499 000.00	389 848.00	0.00	0.00	2 888 848.00
5	Provision for anniversary awards, long-term	17 909 000.00	4 373 421.00	0.00	0.00	22 282 421.00
6	Provision for other employee benefits	3 718 060.00	3 930 716.12	0.00	-3 718 060.00	3 930 716.12
7	Provision for deferred income tax	9 818 005.00	10 654 593.00	0.00		20 472 598.00
8	Provision for Social Insurance contributions to be paid	1 992 587.01	1 826 393.22	0.00	-1 992 587.01	1 826 393.22
9	Provision for litigation incl. employee cases, with interest	200 156.50	414 156.16	0.00	-20 362.00	593 950.66





No.	Settlement title	Opening balance	Increases	Reclassifications	Decreases	Closing balance
10	Provisions for disputed contractual penalties	0.00	5 986 548.92	0.00	0.00	5 986 548.92
11	Other provisions, incl. for audit of financial statements	108 898.89	41 750.00	0.00	-95 876.86	54 772.03
12	Provision for pre-privatisation analysis and post-accident recovery costs	0.00	1 083 605.94	0.00	0.00	1 083 605.94
<b>Total</b>		<b>54 746 894.75</b>	<b>30 432 790.24</b>	<b>0.00</b>	<b>-6 544 181.87</b>	<b>78 635 503.12</b>

**2.3.1.1. Provision for deferred income tax**

KM established this provision up to the full income tax amount payable in the future,

this being

**PLN 20 472 598.00**

in view of the positive timing differences, being those that increase the income tax base in the future.

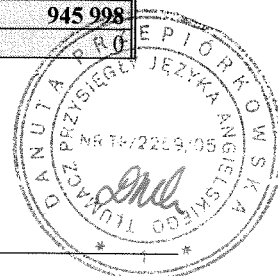
Timing differences relating to the determination of provision for deferred income tax as at 31 December 2010 amounted to

**PLN 9 818 005.00**

**Table 12**

**Specification of positive and negative timing differences at determination of deferred income tax provision, as at 31 December 2011 [PLN].**

No.	Item of assets or liabilities	BV – book value	TV – tax value	Difference (BV-TV)	Tax rate	Deferred income tax provision as at 31.12.2010
<b>I.</b>	<b>Assets</b>	<b>1 280 670 246.27</b>	<b>1 177 953 498.13</b>	<b>102 771 576.88</b>	<b>x</b>	<b>19 526 600</b>
1	Accounting depreciation of capital assets at a rate slower than tax depreciation	1 199 342 427.60	1 176 377 962.82	22 964 464.78	19%	4 363 248
2	Receivables on account of interest	2 253 028.36	0.00	2 253 028.36	19%	428 075
3	Other: insurance-related compensations	500 000.00	500 000.00	0.00	19%	0
4	Revenues from fare dodger journeys, unpaid	4 408 213.88	1 033 979.88	3 374 234.00	19%	641 104
5	Foreign exchange gains/losses, as at the balance sheet date	1 869 667.04	14 141.06	1 855 525.98	19%	352 550
6	Future receivables, accruals basis income for coverage of charged FX differences	44 120 000.00		44 120 000.00	19%	8 382 800
7	Bond issue commission fee, a tax deductible expense	0.00	27 414.37	27 414.37	19%	5 209
8	Repair costs under accrued expenses	28 176 909.39	0.00	28 176 909.39	19%	5 353 613
<b>II.</b>	<b>Liabilities</b>	<b>4 832 601.38</b>	<b>9 811 535.27</b>	<b>4 978 933.89</b>	<b>x</b>	<b>945 998</b>
1	Other: payer's remuneration	3 650.01	3 650.01	0.00	19%	





No.	Item of assets or liabilities	BV – book value	TV – tax value	Difference (BV-TV)	Tax rate	Deferred income tax provision as at 31.12.2010
2	Operational lease liability (principal payments + upfront fee, VAT not deducted); subject of balance sheet depreciation in 2011	4 828 951.37	9 807 885.26	4 978 933.89	19%	945 997
<b>Total</b>		<b>1 285 502 847.65</b>	<b>1 187 765 033.40</b>	<b>107 750 510.77</b>	<b>x</b>	<b>20 472 598</b>

Timing differences relating to the determination of provision for deferred income tax as at **31 December 2011** amounted to **PLN 20 472 598.00**

**Change in the provision for deferred income tax in the period from 1 January 2011 to 31 December 2011 reflected in the Profit and Loss Account** **PLN 10 654 593.00**

Provision on account of deferred income tax primarily consists of:

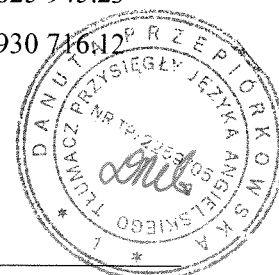
- the difference in the tax account and the accounting value of capital assets, including extended accounting depreciation compared to tax depreciation of the rolling stock with economic useful life longer than assumed under its tax account depreciation rate;
- revenue on account of fare dodger journeys, together with the accrued interest in an amount equivalent to 50% of the total of such receivables, recognised under revenues for 2005, the subject of a revaluation write-off in the year 2010;
- the difference in value of repair cost booked as accrued tax deductible costs for tax purposes and the same cost booked over time for accounting purposes; e.g. over 36 months in the case of mandatory rolling stock inspection repairs;
- the difference in value of a leasing-related liability between operational lease expense booked for tax purposes and financial lease expense as depreciated on the Balance Sheet; and
- future amounts receivable, accrued income from the Mazowieckie Province for coverage of forex differences on bonds, pursuant to the Agreement.

#### 2.3.1.2. Provision for employee pensions and similar benefits

**PLN 48 617 634.35**

consisted of:

- provision for old age and disability severance pay **PLN 12 689 704.00**
- provision for anniversary awards **PLN 25 171 269.00**
- provision for unused holiday leaves **PLN 6 825 945.23**
- provision for other employee benefits **PLN 3 930 716.12**





In accordance with the calculation conducted by an authorized actuary, the increase in provisions relating to anniversary (jubilee) awards and old age and disability severance pay in the year 2011 totalled PLN 4 045 973.00 and pertained to:

- |   |                  |
|---|------------------|
| ➤ decrease in old age and disability severance pay by | PLN 717 296.00   |
| ➤ increase in anniversary awards by                   | PLN 4 763 269.00 |

**2.3.1.3. Other provisions, in the amount of** **PLN 9 545 270.77**

include:

- |  |                  |
|--|------------------|
| ➤ provision for liabilities on account of Social Insurance contributions on remunerations paid in January 2012 in accordance with the deadline under the Polish Labour Code and included in the costs of the year 2011 | PLN 1 826 393.22 |
| ➤ provisions for disputed contractual penalties  | PLN 5 986 548.92 |
| ➤ provisions for employee litigation cases and other disputes  | PLN 593 950.66   |
| ➤ provisions for pre-privatisation analysis and damage removal costs   | PLN 1 083 605.94 |
| ➤ other provisions, including audit of financial statements  | PLN 54 772.03    |

**2.3.1.4. Increase of provisions in the year 2011** **PLN 23 888 608.37**

pertained to changes in the balance of provisions for:

- |   |                   |
|---|-------------------|
| ➤ old age and disability severance pay                            | PLN 4 045 973.00  |
| ➤ unused holiday leaves   | PLN 1 731 757.88  |
| ➤ deferred income tax   | PLN 10 654 593.00 |
| ➤ disputed contractual penalties                                  | PLN 5 986 548.92  |
| ➤ other employee benefits   | PLN 212 656.12    |
| ➤ future liabilities on account of Social Insurance contributions | -PLN 166 193.79   |
| ➤ employee litigation and other disputes incl. interest           | PLN 393 794.16    |
| ➤ other provisions  | PLN 1 029 479.08  |

**2.4. The Group's long-term liabilities in the amount of** **PLN 488 442 917.85**

include:

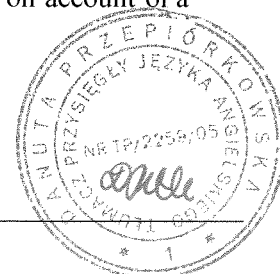
**2.4.1. Liabilities to related entities** **PLN 746 768.00**

relating to loans from the Provincial Environmental Protection and Water Management Fund (WFOŚiGW).

**2.4.2. Liabilities of the Group to other entities** **PLN 487 696 149.85**

of which:

- |  |
|--|
| ➤ on account of issuance of debt securities, liabilities of EUR 100 million on account of a bonds issued by Koleje Mazowieckie Finance AB (publ) |
|--|





in the amount of

**PLN 440 486 849.88**

- commission and discount on issued bonds, adjusting  
the value of received cash funds in the amount of

**-PLN 5 208 997.53**

The purpose of the bond issue was to raise cash for capital expenditures on rolling stock and refinancing of "step up" bonds of total nominal value of EUR 40 000 000.00 (forty million) issued on 7 January 2011.

The "Koleje Mazowieckie - KM" sp. z o.o. Parent Company issued ordinary bonds of total nominal value of EUR 100 000 000.00 (one hundred million) with interest of 6.75% per year to its Subsidiary, Koleje Mazowieckie Finance AB (publ.). The issue price was equivalent to 99.486% due to the discount applied. The Company incurred commission costs to the bank that acted as the lead manager.

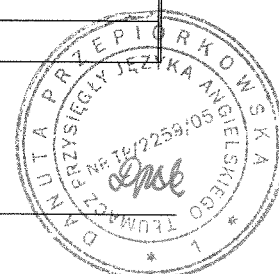
- other financial liabilities (financial leasing) **PLN 8 790 192.26**  
adjusted by accrued interest in the amount of **PLN 152 722.18**

- other long-term liabilities arising from procurement of  
rolling stock on instalment basis (hire purchase) **PLN 43 628 105.24**  
with assignment of receivables to SG Equipment. As at 31 December 2011,  
this obligation drawn in the year 2009, with a 10-year instalment repayment tenor  
amounted to PLN 47 399 987.84. Its maturity profile is as follows:

- up to 1 year **PLN 3 771 882.60**
- above 1 year and up to 3 years **PLN 7 543 765.20**
- above 3 years and up to 5 years **PLN 7 543 765.20**
- above 5 years **PLN 28 540 574.84**

**Table 13****Loan and credit facility liabilities [PLN].**

No.	Counterparty	Loan/ Credit facility	Amount (PLN)	Short-term liabilities, due in 2012	Long-term liabilities, due after 2012
1	Loan No. 22/07/OH/P from WFOŚiGW	Loan	2 320 755.34		
2	Loan repayment in 2007		-193 410.34		
3	Loan repayment in 2008		-425 469.00		
4	Loan repayment in 2009		-425 469.00		







No.	Counterparty	Loan/ Credit facility	Amount (PLN)	Short-term liabilities, due in 2012	Long-term liabilities, due after 2012
5	Loan repayment in 2010		-425 469.00		
6	Loan repayment in 2011		-464 148.00		
7	<b>Loan balance as at 31 December 2011</b>	<b>Loan</b>	<b>386 790.00</b>	<b>386 790.00</b>	<b>0.00</b>
8	Loan No. 23/07/OH/P from WFOŚiGW	Loan	1 350 000.00		
9	Loan repayment in 2007		-112 500.00		
10	Loan repayment in 2008r.		-247 500.00		
11	Loan repayment in 2009		-247 500.00		
12	Loan repayment in 2010		-247 500.00		
13	Loan repayment in 2011		-270 000.00		
14	<b>Loan balance as at 31 December 2011</b>	<b>Loan</b>	<b>225 000.00</b>	<b>225 000.00</b>	<b>0.00</b>
15	Loan No. 1/09/OH/P from WFOŚiGW	Loan	2 381 472.00		
16	Loan repayment in 2009		-425 260.00		
17	Loan repayment in 2010		-425 260.00		
18	Loan repayment in 2011		-510 312.00		
19	<b>Loan balance as at 31 December 2011</b>	<b>Loan</b>	<b>1 020 640.00</b>	<b>510 312.00</b>	<b>510 328.00</b>
20	Loan No. 6/09/OH/P from WFOŚiGW	Loan	1 000 000.00		
21	Loan repayment in 2009		-145 440.00		
22	Loan repayment in 2010		-181 800.00		
23	Loan repayment in 2011		-218 160.00		
24	<b>Loan balance as at 31 December 2011</b>	<b>Loan</b>	<b>454 600.00</b>	<b>218 160.00</b>	<b>236 440.00</b>
<b>Total loans</b>			<b>2 087 030.00</b>	<b>1 340 262.00</b>	<b>746 768.00</b>
25	Overdraft facility from Bank Handlowy SA in the amount of PLN 45 million	<b>Working capital facility</b>	<b>10 118 087.08</b>	<b>10 118 087.08</b>	
<b>Total loan and credit facility liabilities</b>			<b>12 205 117.08</b>	<b>11 458 349.08</b>	<b>746 768.00</b>

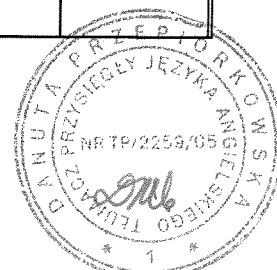


**Table 14****Maturity profile of financial obligations on account of loans and credit facilities [PLN].**

No.	Specification	As at 31.12.2011	Period to maturity			
			up to 1 year	above 1 year and up to 3 years	above 3 years and up to 5 years	above 5 years
1	Loan No. 22/07/OH/P from WFOŚiGW	386 790.00	386 790.00	0.00	0.00	0.00
2	Loan No. 23/07/OH/P from WFOŚiGW	225 000.00	225 000.00	0.00	0.00	0.00
3	Loan No. 1/09/OH/P from WFOŚiGW	1 020 640.00	510 312.00	510 328.00	0.00	0.00
4	Loan No. 6/09/OH/P from WFOŚiGW	454 600.00	218 160.00	236 440.00	0.00	0.00
5	Overdraft facility from Bank Handlowy SA in the amount of PLN 45m	10 118 087.08	10 118 087.08	0.00	0.00	0.00
<b>Total</b>		<b>12 205 117.08</b>	<b>11 458 349.08</b>	<b>746 768.00</b>	<b>0.00</b>	<b>0.00</b>

**Table 15****Maturity profile of financial obligations on account of financial leasing  
as at 31 December 2011 [PLN].**

No.	Lessor	Assets under leasing	As at 31.12.2011	Period to maturity			
				up to 1 year	above 1 year and up to 3 years	above 3 years and up to 5 years	above 5 years
1	BPH Leasing, ENERGO-UTECH	3 EMU EN 57	6 935 631.01	1 264 454.04	2 514 769.92	2 514 769.92	641 637.13
2	SG Equipment, LONGIN BIELAK	Passenger cars	294 701.21	81 049.96	151 366.24	62 285.01	
3	ENERGO-UTECH	Substructure lathe	479 166.55	354 166.55	125 000.00		
4	MTL ASCO	2 forklift trucks	110 490.00	28 260.00	56 520.00	25 710.00	
5	SG Equipment	3 lorries	232 579.76	67 033.56	99 340.86	66 205.34	
6	ENERGO-UTECH, KEN Technologie	2 agreements for computer hardware	417 475.46	252 221.38	165 254.08		
7	Bank Millenium	tractor	129 231.50	31 015.56	62 031.12	36 184.82	





No.	Lessor	Assets under leasing	As at 31.12.2011	Period to maturity			
				up to 1 year	above 1 year and up to 3 years	above 3 years and up to 5 years	above 5 years
8	Wincor Nixdorf	2 agreements for mobile cash registers	4 040 436.00	1 618 596.00	2 421 840.00		
	<b>Total</b>		<b>12 639 711.49</b>	<b>3 696 797.05</b>	<b>5 596 122.22</b>	<b>2 705 155.09</b>	<b>641 637.13</b>

**2.5. Short-term liabilities of the Group (by maturity)****PLN 236 827 760.88**

of which:

**2.5.1. To related parties****PLN 4 863 092.61**

- trade payables

PLN 4 701 109.84

of which due to:

- Local Government of the Mazowieckie Province PLN 2 944 278.30
- Provincial Environmental Protection and Water Management Fund PLN 1 340 262.00
- Przewozy Regionalne sp. z o.o. PLN 410 173.44
- Mazowiecki Zarząd Nieruchomości [regional property administration] PLN 6 396.10

- other liabilities

PLN 161 982.77

**2.5.2. To other Group entities (settled on a running basis)****PLN 227 765 240.62**

of which:

**2.5.2.1. On account of loan and credit facilities****PLN 10 118 087.08**

relating to a current account overdraft facility.

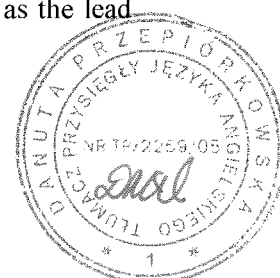
**2.5.2.2. On account of a debt securities issue in the amount of****PLN 21 542 998.37**

including:

- interest accrued on the issued bonds in the amount of PLN 24 340 859.24  
Coupon bearing interest at 6.75% per year is calculated on bonds issued in total nominal value of EUR 100 000 000 (one hundred million).

- commission and discount on the bond issue that adjusts the value of proceeds (in the short term) in the amount of -PLN 2 797 860.87

The issue price was equivalent to 99.486% of the nominal value due to the discount applied. The Company incurred commission costs to the bank that acted as the lead manager.



**2.5.2.3. Other financial liabilities** **PLN 63 305 018.11**

include payment obligations on account of:

- financial leasing PLN 3 465 990.95  
*after adjustment for accrued interest in the amount of* *PLN 230 806.10*
- reverse factoring PLN 59 835 632.94
- other PLN 3 394.22

**2.5.2.4. Trade payables** **PLN 31 359 030.92**

include payment obligations to:

- PKP PLK S.A. (including rail track access fees) PLN 11 870 568.22
- PKP Intercity (including transport services) PLN 5 468 834.07
- Przewozy Regionalne – Biuro Kontroli Dochodów Olsztyn  
(including transport services) PLN 394 222.61
- PKP Energetyka (including traction power) PLN 3 472 484.63
- ZNTK Mińsk Mazowiecki (rolling stock repairs) PLN 3 441 708.50
- PKP S.A. Oddział Gospodarowania Nieruchomościami PLN 744 573.52
- Odlewnia Żeliwa – Bydgoszcz PLN 527 670.00
- ZW Renoma PLN 487 920.49
- Stadler Polska sp. z o.o. PLN 520 679.70
- TK Telekom sp. z o.o. PLN 154 170.45
- WINCOR NIXDORF SP Z O.O. PLN 140 672.00
- AVISTA PLN 124 274.11
- Przedsiębiorstwo Budowlano – Handlowe "Z. Niziński" PLN 378 066.05
- other payables under PLN 100 000 each in the amount of PLN 3 633 186.57

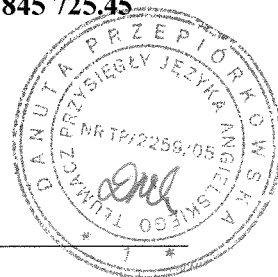
**2.5.2.5. Liabilities on account of taxes, customs duties, insurance** **PLN 7 651 388.14**

include liabilities on account of:

- personal income tax PLN 2 084 489.00
- settlements with PFRON [Rehabilitation of Citizens with Disabilities Fund]  
PLN 214 976.00
- settlements with the Social Insurance Institution (ZUS) PLN 5 351 923.14

**2.5.2.6. Payroll creditors** **PLN 7 845 725.45**

paid out within the Polish Labour Code proscribed timescales, i.e. by 10 January 2012.



**2.5.2.7. Other payables** **PLN 85 942 992.56**

include payment obligations on account of:

- assignment to SG; relates to procurement of EMU from ZNTK **PLN 3 771 882.60**
  - return of specific subsidy to the Ministry of Infrastructure **PLN 489.00**
  - other: settlements with ZFŚS [In-House Social Benefits Fund],
  - bonds and deposit security instruments **PLN 135 927.73**
  - capital expenditure liabilities on procurement of fixed assets **PLN 82 034 693.23**
- include payment obligations to:
- PESA Bydgoszcz **PLN 79 780 843.91**
  - NEWAG **PLN 606 079.46**
  - Przedsiębiorstwo Napraw Infrastruktury **PLN 966 675.41**
  - PKP Energetyka **PLN 397 151.03**
  - other payables **PLN 283 943.42**

**2.5.3. ZFŚS [In-House Social Benefits Fund] as at 31 December 2011** **PLN 4 199 427.65**

As at 31 December 2011, the Group had no overdue liabilities.

**2.6. Total accruals of the Group** **PLN 142 049 717.79**

consist of:

**2.6.1. Short-term deferred income** **PLN 10 971 747.40****2.6.2. Long-term deferred income** **PLN 131 077 970.39**

pertain to:

- fee for a registered pledge established for 10 years **PLN 1 366 120.25**
- EU grants received from the Mazovian Unit of EU Programmes Implementation under the Mazowieckie Province Regional Operational Programme, Measure 3.2 Regional Public Transport **PLN 129 711 850.14**

Total amount of EU grants received from the Mazovian Unit of EU Programmes Implementation included in both short- and long-term deferred income stands at **PLN 138 219 029.63**



**Table 16****Accruals**

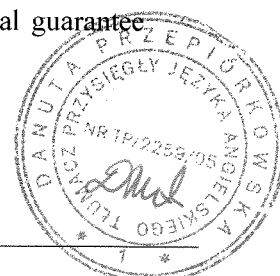
No.	Settlement title	Opening balance	Increases	Decreases	Closing balance
1	Contractual penalties for default and other	2 886 968.42	13 076 731.63	14 142 655.33	1 821 044.72
2	Receivables on criminal damage of rolling stock; incl. adjudicated by court	50 771.19	7 148.56	6 396.38	51 523.37
3	Fee for registered pledge established for a duration of 10 years	1 879 999.76	-190 655.06	323 224.45	1 366 120.25
4	Other; rights to travel cost concessions	462 905.47	9 422 273.96	9 293 179.61	591 999.82
5	EU grant	76 757 668.95	66 842 603.47	5 381 242.79	138 219 029.63
<b>Total</b>		<b>82 038 313.79</b>	<b>89 158 102.56</b>	<b>29 146 698.56</b>	<b>142 049 717.79</b>

2.7. As at 31 December 2011, accruals totalling PLN 48 617 634.35 and pertaining to provisions for anniversary awards, old age and disability severance pay, unused paid holiday time and other employee benefits, were disclosed in the liabilities of Balance Sheet under *provisions against liabilities as provision for retirement and similar benefits*; as per sub-article 39.2a of the Polish Accounting Act.

2.8. In 2011, the Parent Company "Koleje Mazowieckie - KM" sp. z o. o. granted to its Subsidiary, Koleje Mazowieckie Finance AB registered in Sweden, an unconditional and irrevocable guarantee relating to an Eurobond issue of EUR 100 million. The EUR 100 million bonds are unsubordinated and constitute the issuer's unconditional obligation. The bonds are secured with a guarantee granted by the Parent Company. The guarantee is valid for 10 additional years counting from the due date of any amount payable under the bonds. The guarantee amount is limited to EUR 150 million and covers all the bond-related payments (principal and interest), which total EUR 133.75 million.

2.8.1. The Parent Company has the following contingent liabilities:

- arising from claims and litigations pertaining to business law and labour law-related matters provisioned for in the amount of PLN 1 816 008.25;
- bank guarantees of repayment of four loans granted by WFOŚiGW, with a total guarantee value of PLN 3 487 998.00;





- blank bills of exchange as a security against performance of agreements co-financed out of the European Regional Development Fund: PLN 83 068 022.54 and PLN 79 623 677.68;
- blank bills of exchange as a security against leasing obligations in the amount of PLN 22 933 641.64;
- blank bills of exchange as a security against obligations on account of loans, with balance as at 31 December 2011 of PLN 2 087 030.00; and
- power of attorney to use current account credit facility funds in the amount of PLN 45 000 000.00.

**2.8.2.** As at 31 December 2011 the Parent Company's assets, i.e. five Electric Traction Units acquired on instalment basis, were pledged, with the registered pledge value amounting to PLN 53 435 000.00.

As at 31 December 2011, with the exception of the aforementioned registered pledge, there are no other security instruments, be it mortgages or tax liens, established on the Parent Company's assets to secure its obligations. No assets are under administration of any third party.



**3. Information on selected personnel matters**

**3.1.** As at 31 December 2011 the Parent Company's workforce stood at 2 611, employed under a contract of employment basis.

**Table 17**

**Employment structure by occupational groups, as at 31 December of 2011 and 31 December 2010.**

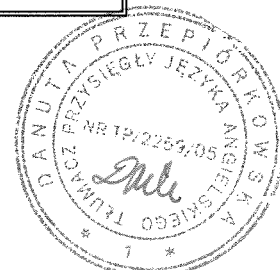
Occupational groups	Year 2011	Year 2010
White collar	249	246
Ticket collector teams	530	509
Cashiers and inquiry clerks	302	321
Engineer teams	534	508
Rolling stock operation and maintenance	553	557
Train dispatchers, switch-men, handlers	64	63
Additional service staff	156	152
Maintenance Services Department	223	230
<b>Total</b>	<b>2 611</b>	<b>2 586</b>

**3.2.** The remuneration, together with a share in profit, paid and due in respect of the year 2011 to members of the Parent Company's managing and supervisory bodies, as well as the loans and similar benefits granted in 2011 to members of the KM's managing and supervisory bodies, with interest rates and due dates, are summarized in the table below:

**Table 18**

**Remuneration of the Company's managing and supervisory bodies.**

No.	Specification	Managing bodies	Supervisory bodies	Total
1.	Remunerations	876 046.18	173 030.40	1 049 076.58
2.	Loans and other similar benefits	1) 3 120.00 2) 7 000.00	-	10 120.00
3.	Interest rate	3.5%	x	x
4.	Loan due dates	1) August 2013 2) January 2015	x	x







#### **4. Entity authorised to audit the stand-alone and consolidated Financial Statements in respect of the year 2011.**

Authorised by the body duly entitled to appoint the entity that would audit its stand-alone and consolidated Financial Statements (Resolution of the Supervisory Board No. 26/RN/2011 of 28 September 2011), on 5 December 2011 "Koleje Mazowieckie - KM" sp. z o.o. concluded agreement No. M-01-MFF-382/11 **for provision of auditing services with BDO sp. z o.o.**, with a registered seat in Warsaw (postal code: 02-676) at 12 Postępu Street, an entity entered on the list of entities authorized to audit financial statements (maintained by the National Chamber of Auditors [KIBR]) under No. 3355, being a VAT taxpayer with a taxpayer identification number NIP: 108 000 42 12.

Net remuneration of the entity authorised to audit Financial Statements in respect of the year 2011 amounted to PLN 63 750 net. The agreement did not cover other certification services, tax advisory services etc.



**5. Notes to the Profit and Loss Account**

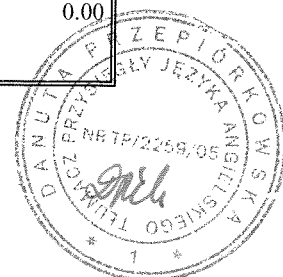
**5.1.** The Parent Company's primary activity consist in rail transport. The service is provided domestically; no export services are offered.

**5.1.1.** The primary activity of the Subsidiary consists in financial operations involving issuance or organisation of issuance of debt securities, directly or indirectly, and all other actions relating to that primary activity. The first bond issue took place in January 2011 and the second one in March 2011. The bonds are traded on the international regulated market, being the London Stock Exchange.

**5.2. Net revenue from sales and equivalents****PLN 581 587 527.61**

**Table 19**  
**Net revenues from sales [PLN].**

No.	Specification	Year 2011	Year 2010
1.	Sale of tickets and entitlements for passage discounts	257 282 346.00	236 249 007.91
2.	Revenues from the Mazowieckie Province on account of an agreement for organisation and financing of railway passenger transport in the Mazowieckie Province: subsidy received	214 500 000.00	193 500 000.00
3.	Revenues from the Mazowieckie Province for financing of railway passenger transport in the Mazowieckie Province: subsidy to be reimbursed	- 2 944 278.30	335 190.99
4.	Sales of services to other companies	62 201 855.35	57 600 430.93
5.	Subsidy from the Polish Ministry of Transport	28 289 874.06	24 400 157.00
6.	Net revenue from the sale of goods and materials	2 006 081.67	979 406.48
7.	Other revenues	20 251 648.83	14 882 770.38
8	Compensation from the Mazowieckie Province to cover financial costs relating to valuation of bonds as at the balance sheet date, in compliance with Agreement No. 1/NI/IT-I/12 of 10 April 2012.	*44 120 000.00	0.00
<b>Total revenues</b>		<b>625 707 527.61</b>	<b>527 946 963.69</b>
9	Compensation from the Mazowieckie Province to cover financial costs relating to valuation of bonds as at the balance sheet date, in compliance with Agreement No. 1/NI/IT-I/12 of 10 April 2012, recognised under financial costs	- 44 120 000.00	0.00





<b>Total, presentation in the Profit and Loss Account</b>	<b>581 587 527.61</b>	<b>527 946 963.69</b>
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- *Item 8, Compensation from the Mazowieckie Province to cover financial costs relating to valuation of bonds as at the balance sheet date is presented in the Profit and Loss Account as netted off against financial costs relating to foreign exchange gains/losses calculated on the obligation on account of the bonds issued in the amount of EUR 100 million. KM executed Agreement No. 1/NI/IT-I/12 with the Office of the Mazowieckie Province dated 10 April 2012 regulating settlement of financial obligations on account of the issued bonds.*

**5.2.1. In the year 2011 the KM received subsidies totalling PLN 309 632 477.53**

which included subsidies of:

**5.2.1.1.** Local Government of the Mazowieckie Province; under the Annual Agreement No. 2/NI.IT.I/D/2011 of 14 February 2011 for provision of public services consisting in regional railway passenger transport within the Mazowieckie Province (decision No. 1434/PP/423-8/05 of the Head of the Tax Authority for Warsaw-Praga district of 23 September 2005), in the amount of

**PLN 214 500 000.00**

**5.2.1.2.** The Ministry of Transport, Construction and Maritime Economy, on account of rides at statutory reduced fares pursuant to the Ordinance issued by the Minister of Finance on 6 February 2007 (Polish Journal of Laws of 20 February [2007] No. 27, item 179) pertaining to a specific subsidy for domestic passenger transport, in the amount of

**PLN 28 289 874.06**

"Koleje Mazowieckie - KM" sp. z o.o. calculates the revenue foregone on account of acceptance of statutory entitlements to reduced fares, which is fully compensated by the Ministry of Transport, Construction and Maritime Economy. The amount of this specific subsidy to all railway carriers is specified annually in the Budget Act; and

**5.2.1.3.** Mazovian Unit of EU Programmes Implementation under the 2007–2013 Mazowieckie Province Regional Operational Programme, Measure 3.2 – Regional Public Transport, received in 2011 in the amount of

**PLN 66 842 603.47**

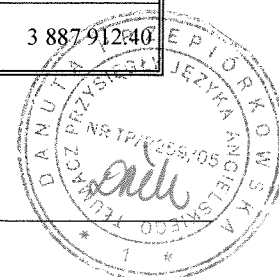
**5.3. Other operating revenues of the Group**

**PLN 19 663 410.61**

**Table 20**

**Other operating revenues [PLN].**

No.	Specification	Year 2011	Year 2010
1	Additional charges for fare dodger journeys, paid	4 139 166.71	3 470 724.53
2	Contractual penalties and damages	8 171 438.56	3 887 912.40



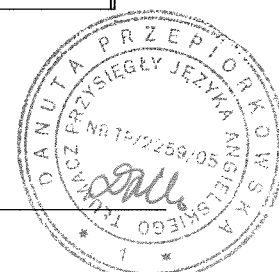


No.	Specification	Year 2011	Year 2010
3	Disputed contractual penalties and damages, provisioned for	* 5 986 548.92	0.00
4	Damages received under property insurance policies	307 774.08	725 013.06
5	Damages received under third party insurance policies	35 888.23	170 865.51
6	Preventive grants from PZU [insurance company]	40 000.00	50 000.00
7	EU grant for rolling stock refurbishment	5 381 242.79	4 557 126.92
8	Handling fees related to fare dodger journeys	66 545.70	49 153.31
9	Revenue from exceeded business telephone call limits	234 015.62	273 643.11
10	Release of provisions and reimbursement of court fees	247 484.40	335 013.25
11	Reimbursement of court fees and bailiff fees	774 832.74	464 806.03
12	Revenue from establishment of a registered pledge	153 370.31	120 000.24
13	Revenue from exercised tender security deposit of a counterparty	0.00	302 300.00
14	Other revenues	111 651.47	74 346.83
<b>Total other operating revenues</b>		<b>25 649 959.53</b>	<b>14 480 905.19</b>
15	Disputed contractual penalties and damages, provisioned for (item 3), presented under other operating costs	- 5 986 548.92	0.00
<b>Total, presentation in the Profit and Loss Account</b>		<b>19 663 410.61</b>	<b>14 480 905.19</b>

**5.4. Financial revenues****PLN 6 536 546.75**

**Table 21**  
**Financial revenues [PLN].**

No.	Specification	Year 2011	Year 2010
1	Interest on cash at bank	4 863 303.30	2 307 101.01
2	Interest accrued and paid on receivables	1 205 639.27	564 426.95
3	Release of a revaluation provision for interest	467 604.18	159 717.70





No.	Specification	Year 2011	Year 2010
4	Foreign exchange gains	14 078 039.63	21 649.73
<b>Total financial revenues</b>		<b>20 614 586.38</b>	<b>3 052 895.39</b>
5	Foreign exchange gains presented under financial costs	- 14 078 039.63	-21 649.73
<b>Total, presentation in the Profit and Loss Account</b>		<b>6 536 546.75</b>	<b>3 031 245.66</b>

5.5. Revenues from ordinary business activities [PLN] are presented in the table below:

Table 22

Specification	Year 2011	Year 2010
<b>Total revenues from ordinary business activities</b>	<b>671 967 848.20</b>	<b>545 480 764.27</b>
<b>Total revenues from ordinary business activities, presentation in the Profit and Loss Account</b>	<b>607 787 484.97</b>	<b>545 459 114.54</b>

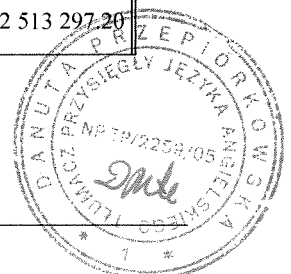
5.6. Operating costs of the Group

PLN 550 301 068.51

Table 23

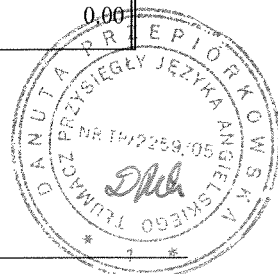
Operating costs [PLN].

No.	Specification	Year 2011	Year 2010
1.	<b>Depreciation</b>	<b>35 942 449.96</b>	<b>17 306 292.48</b>
2.	<b>Consumption of materials and energy</b>	<b>96 326 450.34</b>	<b>109 617 357.29</b>
2.1.	- consumption of materials	11 907 469.81	11 756 392.79
2.2.	- consumption of power for electrical trains	77 580 154.99	91 713 109.20
2.3.	- consumption of electricity for other purposes	1 541 558.43	1 521 052.56
2.4.	- consumption of other energy	870 751.00	992 956.84
2.5.	- consumption of traction fuel	3 194 623.72	2 513 297.20





No.	Specification	Year 2011	Year 2010
2.6.	- consumption of fuel for other purposes	1 231 892.39	1 120 548.70
<b>3.</b>	<b>Third party services</b>	<b>248 198 140.18</b>	<b>241 903 251.35</b>
3.1.	- costs of track access fees to PKP PLK	107 383 786.24	103 292 520.29
3.2.	- rolling stock rental costs	1 466 584.37	12 032 315.65
3.3.	- costs of electrical train servicing by PKP CARGO	8 154 290.50	10 711 572.06
3.4.	- costs of ticket sales effected by Agents	8 223 999.94	8 262 657.70
3.5.	- costs of cleaning of electrical train units	277 254.59	640 380.87
3.6.	- transport services	1 038 997.40	1 182 900.26
3.7.	- telecommunication services	2 035 746.43	2 129 877.31
3.8.	- repair services	24 060 484.12	21 353 714.24
3.9.	- rents	11 701 903.32	9 676 778.53
3.10.	- banking services	250 262.39	249 676.19
3.11.	- travel document check-up services	4 496 438.70	4 063 625.66
3.12.	- on-board physical security services	0.00	0.00
3.13.	- other third party services	16 905 079.79	10 219 818.93
3.14.	- purchase of transport from other companies	62 203 312.39	58 087 413.66
<b>4.</b>	<b>Taxes and charges</b>	<b>3 258 952.93</b>	<b>3 083 863.83</b>
4.1.	- liabilities on account of PFRON [Rehabilitation of Citizens with Disabilities Fund]	2 531 876.00	2 415 564.87
4.3.	- other taxes and fees	727 076.93	668 298.96
<b>5.</b>	<b>Remunerations</b>	<b>117 485 552.48</b>	<b>113 869 146.52</b>
5.1.	- remunerations	117 485 552.48	113 869 146.52
<b>6.</b>	<b>Social insurance and other employee benefits</b>	<b>37 952 954.47</b>	<b>33 287 674.94</b>
6.1.	- insurance premiums	20 651 976.66	19 934 286.85
6.2.	- provision for paid holiday leaves	1 731 757.88	0.00

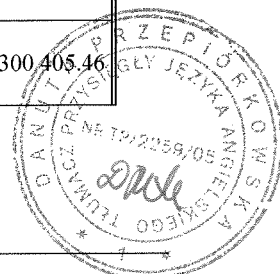




No.	Specification	Year 2011	Year 2010
6.3.	- provision for retirement allowances and other employee benefits	1 213 822.55	2 391 331.76
6.4.	- provision for anniversary awards	4 763 269.00	2 363 616.92
6.5.	- minimum write-off to the account of ZFŚS [In-House Social Benefits Fund]	3 331 194.68	3 164 138.74
6.6.	- other benefits to employees, including benefits under work health and safety regulations	2 786 163.92	1 939 674.94
6.7.	- costs of employee medical insurance coverage	766 579.00	335 079.00
6.8.	- discounts on account of transport services to employees' spouses and children	1 105 679.68	1 212 923.05
6.9.	- discounts on account of transport services to employees and recipients of old age and disability pensions	1 602 511.10	1 946 632.68
<b>7.</b>	<b>Other costs by type</b>	<b>9 130 863.08</b>	<b>6 068 495.66</b>
7.1.	- business travel	388 526.44	302 741.63
7.2.	- daily allowances of train engineer and service teams	2 571 045.83	2 479 316.32
7.3.	- costs of material and property insurance	4 784 049.15	2 156 520.17
7.4.	- other costs by type	1 387 241.66	1 129 917.54
<b>8.</b>	<b>Cost of goods and materials sold</b>	<b>2 005 705.07</b>	<b>957 131.57</b>
<b>Total</b>		<b>550 301 068.51</b>	<b>526 093 213.64</b>

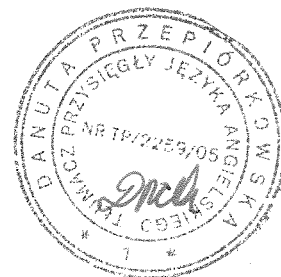
**5.7. Other operating costs****PLN 5 392 964.36****Table 24****Other operating costs [PLN].**

No.	Specification	Year 2011	Year 2010
1.	Revaluation write-off for receivables	1 794 296.05	4 120 606.42
2.	Damages, penalties and fines on account of defects of goods and services delivered	557 282.00	355 122.42
3.	Costs liquidated from insurance policies	79 372.25	1 773 173.59
4.	Court fees and enforcement costs	1 203 885.05	1 053 378.38
5.	Fees for release of address data – costs of collection of receivables under fare dodger journeys	291 106.61	300 405.46





No.	Specification	Year 2011	Year 2010
6.	Value of liquidated materials	225 531.67	207 354.08
7.	Waste disposal costs	-	44 947.92
8.	Costs re-billed on to employees on account of exceeded phone call limits	89 329.22	273 643.11
9.	Provision for employee litigations and other litigation cases	157 713.09	0.00
10.	Provision for disputed items: contractual penalties	5 986 548.92	153 373.50
11.	Provision for 2011 cost accruals	954 308.94	-
12.	Other costs	40 139.48	6 603.51
<b>Total other operating costs</b>		<b>11 379 513.28</b>	<b>8 262 225.89</b>
13.	Disputed other operating income on account of contractual penalties and damages, provisioned for: presented under other operating costs	- 5 986 548.92	0.00
<b>Total other operating costs, presentation in the Profit and Loss Account</b>		<b>5 392 964.36</b>	<b>8 262 225.89</b>





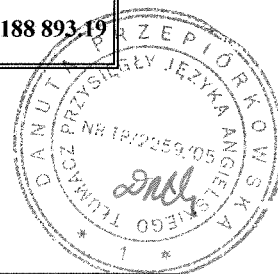
**5.8. Financial costs of the Group****PLN 32 536 557.43****Table 25**  
**Financial costs [PLN].**

No.	Specification	Year 2011	Year 2010
1.	Interest calculated on liabilities and other interest	701 316.09	198 658.13
2.	Revaluation write-off for interest	1 074 972.07	1 418 165.33
3.	Bond issue costs	49 338.35	17 033.55
4.	Interest on loan and credit facility	236 765.75	471 946.01
5.	Interest on bonds	25 615 609.58	-
6.	Commission on bonds	2 345 700.00	-
7.	Irrecoverable receivables: interest	427 492.87	-
8.	Financial leasing: interest	905 253.23	703 392.05
9.	Foreign exchange losses	59 378 149.12	24 258.59
<b>Total financial costs</b>		<b>90 734 597.06</b>	<b>2 833 453.66</b>
10.	Financial revenues from foreign exchange gains as presented under financial costs	- 14 078 039.63	-21 649.73
11.	Accrued income from compensation from the Mazowieckie Province to cover financial costs relating to valuation of bonds as at the balance sheet date, in compliance with Agreement No. 1/NI/IT-I/12 of 10 April 2012.	- 44 120 000.00	0.00
<b>Total financial costs, presentation in the Profit and Loss Account</b>		<b>32 536 557.43</b>	<b>2 811 803.93</b>

**5.9. Costs of ordinary business activities of the Group [PLN] are presented in the table below:**

**Table 26**

Specification	Year 2011	Year 2010
<b>Total costs of ordinary business activities</b>	<b>652 292 062.83</b>	<b>537 188 893.19</b>





<b>Total costs of ordinary business activities, presentation in the Profit and Loss Account</b>	<b>588 230 590.30</b>	<b>537 167 243.46</b>
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**5.10.** Data on revenues and costs on account of sale of assets, as well as financial revenues and costs on account of foreign exchange gains/losses, and all equivalent revenues and costs are disclosed on the net basis:

- Financial revenues on account of foreign exchange gains are disclosed under other financial costs;
- Other operating revenues from provisioned disputed contractual penalties are disclosed under other operating costs;
- Accrued income from the compensation from the Mazowieckie Province to cover financial costs relating to valuation of bonds as at the balance sheet date, in compliance with Agreement No. 1/NI/IT-I/12 of 10 April 2012 are disclosed under financial costs; and
- Profit on the sale of non-financial capital assets did not occur in the year 2011.

**5.11. Realised gross profit of the Group before deducting income tax** **PLN 19 556 894.67**

**5.12. The Group closed the year 2011 with a net profit of** **PLN 14 481 083.67**

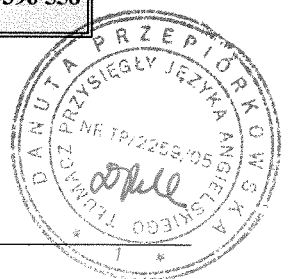
## 6. Deferred income tax

As a corporate legal entity that complies with provisions of the Polish Accounting Act, and particularly the prudence principle defined in Article 7 thereof, the Parent Company established a deferred income tax provision and determined a deferred income tax asset.

**Table 27**

**Changes in deferred income tax in the year 2011 [PLN].**

Deferred income tax		As at 31.12.2010	As at 31.12.2011	Changes in the course of the year 2011
<b>I.</b>	Provisions for temporary differences in deferred income tax (+)	9 818 005	20 472 598	10 654 593
<b>II.</b>	Deferred income tax asset (-)	-9 407 119	-23 458 270	-14 051 151
<b>III.</b>	<b>Total deferred tax</b>			<b>- 3 396 558</b>





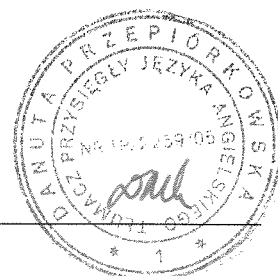
<b>IV.</b>	<b>Current tax</b>	<b>8 472 369</b>
<b>V.</b>	<b>Income tax disclosed in the Profit and Loss Account</b>	<b>5 075 811</b>

7. The table below presents conversion of the financial result into corporate income tax base and determination of net financial result.

Table 28

## Conversion of the Parent Company's financial result into corporate income tax base

No.	Specification	Year 2011	Year 2010
<b>I.</b>	<b>Total revenues</b>	<b>671 969 960.86</b>	<b>545 480 764.27</b>
1.	Tax adjustment of revenues	17 109 522.63	77 313 872.03
a.	Taxable revenue increases	70 304 672.84	83 396 120.15
b.	Taxable revenue decreases (-)	(53 195 150.21)	(6 082 248.12)
<b>II.</b>	<b>Taxable revenues</b>	<b>689 079 483.49</b>	<b>622 794 636.30</b>
<b>III.</b>	<b>Total costs</b>	<b>652 353 620.84</b>	<b>537 188 893.19</b>
1.	Tax adjustments in tax-deductible costs	(317 498 033.26)	(235 981 804.76)
a.	increases in tax-deductible costs	45 483 705.92	23 842 036.75
b.	decreases in tax-deductible costs (-)	(362 981 739.18)	(259 823 841.51)
<b>IV.</b>	<b>Tax-deductible costs</b>	<b>334 855 587.58</b>	<b>301 207 088.43</b>
<b>V.</b>	<b>Income/Loss (II-IV)</b>	<b>354 223 895.91</b>	<b>321 587 547.87</b>
<b>VI.</b>	<b>Non-taxable income (revenue) and deductions</b>	<b>(309 632 477.53)</b>	<b>(299 214 952.87)</b>
a.	Non-taxable income (revenue) (-)	(309 632 477.53)	(299 214 952.87)
<b>VII.</b>	<b>Amounts increasing/reducing the tax base</b>	<b>-</b>	<b>(5 730 212.60)</b>
a.	tax loss of the preceding year: 50%	-	(5 730 212.60)
<b>VIII.</b>	<b>Tax base</b>	<b>44 591 418.38</b>	<b>16 642 382.40</b>
<b>IX.</b>	<b>Applicable tax rate, in %</b>	<b>19%</b>	<b>19%</b>
<b>X.</b>	<b>Income tax due in respect of the financial year; as per the CIT-8 form</b>	<b>8 472 369.00</b>	<b>3 162 053.00</b>
<b>XI.</b>	<b>Provisions established for positive timing differences (+)</b>	<b>10 654 593.00</b>	<b>768 032.00</b>
<b>XII.</b>	<b>Asset established for deferred income tax (-)</b>	<b>(14 051 151.00)</b>	<b>(2 418 278)</b>
<b>XIII.</b>	<b>Gross financial result as per Profit and Loss Account (+/-)</b>	<b>19 616 340.02</b>	<b>8 291 871.08</b>
<b>XIV.</b>	<b>Income tax and other encumbrances of gross financial result as disclosed in the Profit and Loss Account</b>	<b>5 075 811.00</b>	<b>1 511 807.00</b>
<b>XV.</b>	<b>Net financial result (+/-)</b>	<b>14 540 529.02</b>	<b>6 780 064.08</b>



**7.1. Non-taxable income (revenue) (-) disclosed in line VI.a** **PLN 309 632 477.53**

pertains to subsidies received from:

**7.1.1. Local Government of the Mazowieckie Province, as per annual Agreement No. 2/NI.IT.I/D/2011 of 14 February 2011 on public service provision** **PLN 214 500 000.00**

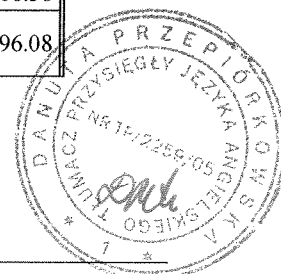
**7.1.2. Ministry of Transport, Construction and Maritime Economy, on account of rides at statutory reduced fares** **PLN 28 289 874.06**

**7.1.3. Mazovian Unit of EU Programmes Implementation under the Mazowieckie Province Regional Operational Programme, Measure 3.2 – Regional Public Transport** **PLN 66 842 603.47**

**Table 29**

**Adjustments to tax-deductible costs of the Parent Company under tax accounts, cost decreases [PLN].**

No.	Specification	Decreases in tax-deductible costs in the year 2011	Decreases in tax-deductible costs in the year 2010
1.	Recorded yet unpaid interest	726 946.02	23 546.25
2.	Recorded yet unpaid interest on bonds	24 259 122.74	-
3	Foreign exchange gains/losses at valuation of foreign currency liabilities as at the balance sheet date (bonds)	44 120 000.00	-
4.	Revaluation write-downs of receivables, including VAT	3 551 982.98	4 577 656.51
5.	Provisions established for certain future liabilities, including:	14 807 420.43	8 675 596.72
a.	provision for unused holiday leaves	1 731 757.88	-
b.	provision for severance pays on account of retirement and for anniversary awards	4 045 973.00	4 754 948.68
c.	provision for employee benefits for the year 2011	1 931 118.60	3 718 060.00
d.	other provisions	157 713.09	202 588.04
e.	provision for disputed contractual penalties	5 986 548.92	-
f.	provision for the cost of a pre-privatisation analysis: agreement with SWM	954 308.94	-
6.	Damages and other penalties	427 985.00	348 063.26
7.	Post-accident recovery costs: to PLK	129 297.00	-
8.	VAT sanctions	158 087.50	111 766.38
9.	Value of liquidated fixed assets, materials and goods	225 531.67	676 496.08



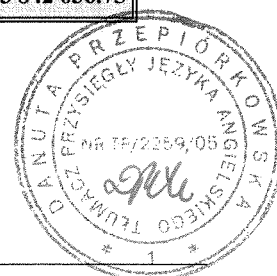


No.	Specification	Decreases in tax-deductible costs in the year 2011	Decreases in tax-deductible costs in the year 2010
10.	Balance sheet depreciation of financial leases	1 368 778.21	1 069 566.23
11.	Write-offs to PFRON [Rehabilitation of Citizens with Disabilities Fund]	2 531 876.00	2 415 564.87
12.	Bond issue costs recognised as tax value of a fixed asset	1 411 924.74	-
13.	Other non-tax-deductible costs – including transport services to spouses and children	1 146 825.94	1 234 797.97
14.	Entertainment and hospitality costs	555 661.90	371 255.71
15.	Foreign currency gains/losses, as at the balance sheet date	-	80.76
16.	Accrued costs, including adjustment of rolling stock rental fee	-	(47 717.29)
17.	Other non-tax-deductible costs	51 640.60	13 860.97
18.	Costs covered from subsidies provided by local government and the central budget	242 789 874.06	217 900 157.00
19.	Costs of repairs incurred in the years 2005–2010 and charged to costs of the year 2011	17 262 052.10	17 896 023.17
20.	Depreciation of items financed from EU grants	7 456 732.29	4 557 126.92
<b>Total cost adjustments</b>		<b>362 981 739.18</b>	<b>259 823 841.51</b>

Table 30

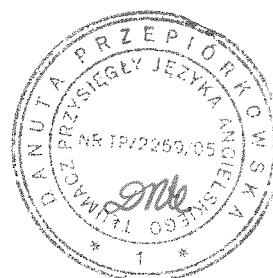
**Adjustments to tax-deductible costs of the Parent Company under tax accounts, cost increases [PLN].**

No.	Specification	Increases in tax-deductible costs in the year 2011	Increases in tax-deductible costs in the year 2010
1.	Actual costs of locomotive rental booked to prepayments	608 806.98	-
2.	Other actually incurred costs	545 846.49	-
3.	Employee benefits, actual payments	1 644 506.25	2 006 166.98
4.	Costs on account of operating leases for tax purposes	2 535 494.49	2 342 729.16
5.	Difference between tax account and balance sheet depreciation	25 288 018.41	5 274 866.77
6.	Repair costs incurred in 2011 not charged to costs; following from prepayments	14 861 033.30	14 218 273.84
<b>Total cost adjustments</b>		<b>45 483 705.92</b>	<b>23 842 036.75</b>



**Table 31****Adjustments to Parent Company revenue for income tax purposes [PLN].**

No.	Specification	Increase in taxable income	Decrease in taxable income	Increase in taxable income	Decrease in taxable income
		2011		2010	
1.	Accrued interest on receivables	-	1 037 588.20	-	333 816.12
2.	Release of provisions against items not treated previously as tax-deductible	-	106 364.33	-	173 320.36
3.	Payer's remuneration	3 650.01	-	3 063.59	3 650.01
4.	Revenues on account of fare dodger journeys recognized in 2005 on accruals basis	-	-	6 680.30	-
5.	Current year's revenues recognized on accruals basis	500 000.00	-	191 580.63	500 000.00
6.	Revenues due from the Mazowieckie Province	-	44 120 000.00	-	335 190.99
7.	Compensation returned to the Mazowieckie Province after settlement	2 944 278.30	-	-	-
8.	Foreign exchange gains/losses	14 141.06	1 925 865.37	-	14 141.06
9.	Release of a revaluation write-off for items previously not treated as tax-deductible	-	470 865.76	-	165 002.66
10.	EU grants received in 2011: credited to bank account	66 842 603.47	5 381 242.79	81 314 795.87	4 557 126.92
11.	Revenues received in 2011 booked to deferred income: registered pledge fee	-	153 223.76	1 879 999.76	-
<b>Total revenue adjustments for income tax purposes</b>		<b>70 304 672.84</b>	<b>53 195 150.21</b>	<b>83 396 120.15</b>	<b>6 082 248.12</b>





## 8. Notes to Consolidated Cash Flow Statement

As at 31 December 2011, the "Koleje Mazowieckie-KM" sp. z o.o. Group generated positive cash flows on operating activities and financing activities, and negative cash flows on its investing activities.

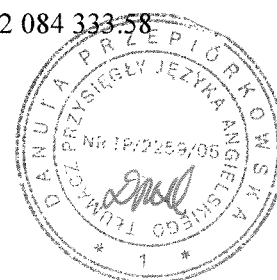
**8.1.** The amount of (+) **PLN 57 254 727.52** disclosed as operating cash flows consists of **net profit of PLN 14 481 083.67** adjusted further by the following items:

- depreciation **PLN 35 942 449.96**
- foreign exchange losses and losses at valuation for consolidation purposes **PLN 47 732 966.67**
- net profit adjustment on account of financial activity **PLN 29 103 328.56**  
including loan and credit facility interest (PLN 236 765.75), fixed assets leasing interest (PLN 905 253.23) and bond interest (PLN 27 961 309.58)
- loss on investing activity **PLN 21 009.48**
- increase in provisions for liabilities, against the balance as at 31 December 2010 **PLN 23 888 608.37**
- increase in inventories **PLN 3 557 798.65**
- increase in receivables **PLN 54 047 762.31**
- decrease in the balance of short-term payables, excluding loans and credit facilities, which are disclosed under financial activity, against the balance as at 31 December 2010 **PLN 40 287 118.18**
- increase in prepayments and accruals **PLN 3 977 959.95**

**8.2.** The negative amount of (-) **PLN 534 222 124.93** disclosed as net cash flows from investing activity includes primarily all capital expenditures towards refurbishment and procurement of rolling stock.

The net increase in intangible assets and tangible assets of **PLN 534 222 124.93** includes:

- procurement of 6 ER75 EMUs **PLN 90 290 000.00**
- procurement of 11 EU47 locomotives **PLN 122 604 431.94**
- procurement of 12 ER76 EMUs **PLN 249 243 359.41**
- other investments **PLN 72 084 333.58**

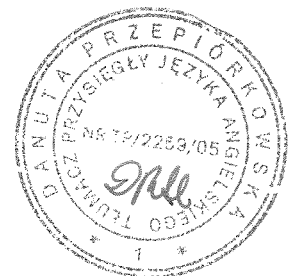




**8.3.** The amount of (+) **PLN 508 481 362.85** disclosed as net cash flows from financial activity includes:

➤ bond issue proceeds	<b>PLN 553 940 000.00</b>
➤ financial receipts at acquisition of EU grant funds for refurbishment of rolling stock and procurement of 11 locomotives	<b>PLN 66 842 603.47</b>
• EU grant for procurement of 11 locomotives	<b>PLN 40 419 788.07</b>
• EU grant for rolling stock refurbishment	<b>PLN 26 422 815.40</b>
➤ receipts from reverse factoring	<b>PLN 59 835 632.94</b>
➤ receipts from drawing on an overdraft facility	<b>PLN 10 118 087.08</b>
➤ redemption of bonds issued in January 2011	<b>PLN 159 024 000.00</b>
➤ expenses at repayment of loans and credit facilities	<b>PLN 8 014 344.40</b>
➤ payments under financial lease contracts	<b>PLN 3 100 103.91</b>
➤ payment of interest on loans and credit facilities, bonds and on fixed assets under lease	<b>PLN 12 116 512.33</b>

The described situation is characteristic of young companies expanding their business.







## 9. Information on transactions with related entities

The "Koleje Mazowieckie - KM" sp. z o.o. Parent Company has prepared its Consolidated Financial Statements in respect of the year 2011 together with its Subsidiary "Koleje Mazowieckie Finance AB" (publ), with a registered seat in the territory of the Kingdom of Sweden.

Also, for purposes of preparation of its stand-alone Financial Statements, the Parent Company recognises the following as its related parties: the Local Government of the Mazowieckie Province, which is the sole shareholder (100%) of the Parent Company, and its related companies, i.e. Przewozy Regionalne sp. z o.o. [regional railway company], Warszawska Kolej Dojazdowa sp. z o.o. [suburban railway company], the Provincial Environmental Protection and Water Management Fund (WFOŚ) in Warsaw, Mazowiecki Zarząd Nieruchomości [Mazovian real property management company] and Mazowiecka Spółka Taborowa [Mazovian rolling stock company].

**Table 32**

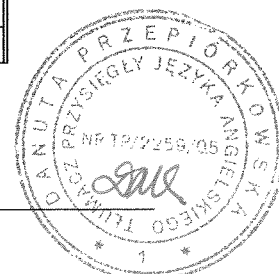
**Receivables from and liabilities to related parties, as at 31 December 2011 [PLN].**

No.	Name of party	Net balances as at 31.12.2011	
		Receivables	Liabilities
1.	Local Government of the Mazowieckie Province	44 120 000.00	2 944 278.30
2.	Przewozy Regionalne sp. z o.o.	481 856.53	410 173.44
3.	Warszawska Kolej Dojazdowa sp. z o.o.	0.00	0.00
4.	Provincial Environmental Protection and Water Management Fund (WFOŚ) in Warsaw	0.00	2 087 030.00
5.	Mazowiecki Zarząd Nieruchomości	0.00	6 396.10
6.	Mazowiecka Spółka Taborowa sp. z o.o.	0.00	0.00
	<b>Total</b>	<b>44 601 856.53</b>	<b>5 447 877.84</b>

**Table 33**

**Revenues from related parties in the year 2011 [PLN].**

No.	Name of party	Year 2011
		Revenue
1.	Local Government of the Mazowieckie Province	256 061 184.04
2.	Przewozy Regionalne sp. z o.o.	6 564 440.16
3.	Warszawska Kolej Dojazdowa sp. z o.o.	22.60
4.	Provincial Environmental Protection and Water Management Fund (WFOŚ) in Warsaw	0.00
5.	Mazowiecki Zarząd Nieruchomości	10 046.50





No.	Name of party	Year 2011
		Revenue
6.	Mazowiecka Spółka Taborowa sp. z o.o.	0.00
	<b>TOTAL</b>	<b>262 635 693.30</b>

**Table 34****Transactions of sale and purchase between related parties [PLN].**

No.	Name of party	Transactions in the year 2011	
		Sales	Purchases
1.	Local Government of the Mazowieckie Province	259 073 205.01	3 547 315.23
2.	Przewozy Regionalne sp. z o.o.	2 934 454.00	4 495 758.98
3.	Warszawska Kolej Dojazdowa sp. z o.o.	0.00	987.08
4.	Provincial Environmental Protection and Water Management Fund (WFOŚ) in Warsaw	0.00	0.00
5.	Mazowiecki Zarząd Nieruchomości	12 357.20	736 943.72
6.	Mazowiecka Spółka Taborowa sp. z o.o.	0.00	519 490.46
	<b>Total</b>	<b>262 020 016.21</b>	<b>9 300 495.47</b>



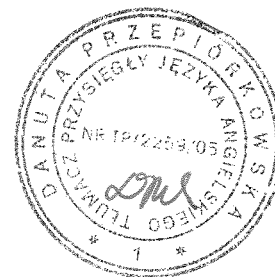


## 10. Significant events after the balance sheet date impacting the situation of the Group

The "Koleje Mazowieckie - KM" sp. z o.o. Parent Company is in the process of finalising an EU grant award procedure with the Mazovian Unit of EU Programmes Implementation under the 2007–2013 Mazowieckie Province Regional Operational Programme, Measure 3.2 – Regional Public Transport that will constitute refinancing of its procurement of 16 EMU trains in the amount of **PLN 182.99 million**.

All other significant events that occurred after the balance sheet date and that pertain to the year 2011 were disclosed in the 2011 books of account.

*[underneath: name stamps and signatures of President of Management Board, three Members of Management Board, per procura Head of Financial and Economic Office; the same stamps and signatures are found under subsequent tables with financial information]*



Line	Line item	Amount for the year (PLN and gr (PLN 1/100))	
		current [year]	current [year]
1	2	3	4
<b>A.</b>	<b>Net revenue from sales and sales equivalent, of which:</b>	<b>581 587 527,61</b>	<b>527 946 963,69</b>
	- from related parties	218 515 693,30	201 595 975,72
I.	Net revenue from the sale of finished products	579 581 445,94	526 967 557,21
II.	Change in finished products	0,00	0,00
III.	Cost of producing goods for the entity's own needs	0,00	0,00
IV.	Net revenue from the sale of goods and materials	2 006 081,67	979 406,48
<b>B.</b>	<b>Operating costs</b>	<b>550 301 068,51</b>	<b>526 093 213,64</b>
I.	Depreciation	35 942 449,96	17 306 292,48
II.	Consumption of materials and energy	96 326 450,34	109 617 357,29
III.	Third party services	248 198 140,18	241 903 251,35
IV.	Taxes and charges	3 258 952,93	3 083 863,83
V.	Remunerations	117 485 552,48	113 869 146,52
VI.	Social insurance and other benefits	37 952 954,47	33 287 674,94
VII.	Other costs by type	9 130 863,08	6 068 495,66
VIII.	Cost of goods and materials sold	2 005 705,07	957 131,57
<b>C.</b>	<b>Sales profit (loss) (A-B)</b>	<b>31 286 459,10</b>	<b>1 853 750,05</b>
<b>D.</b>	<b>Other operating revenue</b>	<b>19 663 410,61</b>	<b>14 480 905,19</b>
I.	Profit on the sale of non-financial capital assets	0,00	0,00
II.	Subsidies	5 381 242,79	4 557 126,92
III.	Other operating revenue	14 282 167,82	9 923 778,27
<b>E.</b>	<b>Other operating costs</b>	<b>5 392 964,36</b>	<b>8 262 225,89</b>
I.	Loss on the sale of non-financial capital assets	0,00	0,00
II.	Revaluation of non-financial assets	1 952 009,14	4 120 606,42
III.	Other operating costs	3 440 955,22	4 141 619,47
<b>F.</b>	<b>Operating profit (loss) (C+D-E)</b>	<b>45 556 905,35</b>	<b>8 072 429,35</b>
<b>G.</b>	<b>Financial revenue</b>	<b>6 536 546,75</b>	<b>3 031 245,66</b>
I.	Dividends and shares in profits, of which:	0,00	0,00
	- from related parties	0,00	0,00
II.	Interest, of which:	6 068 942,57	3 031 245,66
	- from related parties	0,00	0,00
III.	Profit from the sale of investments	0,00	0,00
IV.	Revaluation of investments	0,00	0,00
V.	Other	467 604,18	0,00
<b>H.</b>	<b>Financial costs</b>	<b>32 536 557,43</b>	<b>2 811 803,93</b>
I.	Interest, of which:	27 458 944,65	2 792 161,52
	- to related parties	25 615 609,56	104 410,12
II.	Loss on the sale of investments	0,00	0,00
III.	Revaluation of investments	0,00	0,00
IV.	Other	5 077 612,78	19 642,41
<b>I.</b>	<b>Profit (loss) on ordinary activities (F+G-H)</b>	<b>19 556 894,67</b>	<b>8 291 871,08</b>
<b>J.</b>	<b>Extraordinary gains/losses (J.I. - J.II.)</b>	<b>0,00</b>	<b>0,00</b>
I.	Extraordinary gains	0,00	0,00
II.	Extraordinary losses	0,00	0,00
<b>K.</b>	<b>Gross profit (loss) (I +/- J)</b>	<b>19 556 894,67</b>	<b>8 291 871,08</b>
<b>L.</b>	<b>Income tax</b>	<b>5 075 811,00</b>	<b>1 511 807,00</b>
<b>M.</b>	<b>Other mandatory reductions of profit (increases of loss)</b>	<b>0,00</b>	<b>0,00</b>
<b>N.</b>	<b>Net profit (loss) (K-L-M)</b>	<b>14 481 083,67</b>	<b>6 780 064,08</b>

Warsaw, 1 June 2012

(Location and date of preparation)

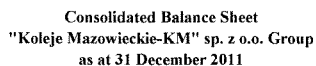
Full name of person in charge of bookkeeping

Full names and signatures of the Company Management Board



PLN

Line	Assets	Closing balance	
		current [year]	preceding [year]
1	2	3	4
<b>A.</b>	<b>Capital assets</b>	<b>1 231 969 573,69</b>	<b>654 644 050,95</b>
<b>I.</b>	<b>Intangible assets</b>	<b>210 997,49</b>	<b>298 792,36</b>
1.	Costs of finished development works	0,00	0,00
2.	Goodwill	0,00	0,00
3.	Other intangible assets	210 997,49	298 792,36
4.	Advances on account of intangible assets	0,00	0,00
<b>II.</b>	<b>Tangible assets</b>	<b>1 184 526 064,84</b>	<b>631 555 922,43</b>
1.	Tangible assets	1 183 926 334,84	595 236 579,24
	a) Land (including in perpetual usufruct)	0,00	0,00
	b) Residential and commercial buildings and civil engineering structures	2 499 369,95	962 642,21
	c) Plant and machinery	9 282 001,20	4 727 441,92
	d) Means of transport	1 171 550 154,71	588 888 645,88
	e) Other fixed assets	594 808,98	657 849,23
2.	Fixed assets under construction	158 940,00	379 808,01
3.	Advances on account of fixed assets under construction	440 790,00	35 939 535,18
<b>III.</b>	<b>Long-term receivables</b>	<b>0,00</b>	<b>0,00</b>
1.	From related parties	0,00	0,00
2.	From other parties	0,00	0,00
<b>IV.</b>	<b>Long-term investments</b>	<b>0,00</b>	<b>0,00</b>
1.	Real estate	0,00	0,00
2.	Intangible assets	0,00	0,00
3.	Long-term financial assets	0,00	0,00
	a) in related parties	0,00	0,00
	b) in other parties	0,00	0,00
4.	Other long-term investments	0,00	0,00
<b>V.</b>	<b>Long-term prepayments and accruals</b>	<b>47 232 511,36</b>	<b>22 789 336,16</b>
1.	Deferred income tax assets	23 458 270,00	9 407 119,00
2.	Other prepayments and accruals	23 774 241,36	13 382 217,16
<b>B.</b>	<b>Current assets</b>	<b>222 534 181,73</b>	<b>169 401 362,78</b>
<b>I.</b>	<b>Inventories</b>	<b>10 093 930,31</b>	<b>6 536 131,66</b>
1.	Materials	10 093 930,31	6 533 895,63
2.	Semi-finished products and work in progress	0,00	0,00
3.	Finished products	0,00	0,00
4.	Goods for resale	0,00	0,00
5.	Advances for deliveries	0,00	2 236,03
<b>II.</b>	<b>Short-term receivables</b>	<b>97 871 690,95</b>	<b>43 823 928,64</b>
1.	Receivables from related parties	44 601 856,53	2 119 828,26
	a) trade receivables, with due dates:	44 601 856,53	0,00
	- within 12 months	481 856,53	2 119 828,26
	- in more than 12 months	44 120 000,00	0,00
	b) other	0,00	0,00
2.	Receivables from other parties	53 269 834,42	41 704 100,38
	a) trade receivables, with due dates:	5 198 906,05	6 990 547,75
	- within 12 months	5 198 906,05	6 990 547,75
	- in more than 12 months	0,00	0,00
	b) tax, subsidies, customs duties, social and health insurance and other receivables	43 428 686,20	30 791 213,50
	c) other	4 642 242,17	3 922 339,13
	d) receivables claimed in court	0,00	0,00
<b>III.</b>	<b>Short-term investments</b>	<b>85 025 225,46</b>	<b>53 511 260,02</b>
1.	Short-term financial assets	85 025 225,46	53 511 260,02
	a) in related parties	0,00	0,00
	- shares	0,00	0,00
	- other securities	0,00	0,00
	- loans extended	0,00	0,00
	- other short-term financial assets	0,00	0,00
	b) in other parties	0,00	0,00
	- shares	0,00	0,00
	- other securities	0,00	0,00
	- loans extended	0,00	0,00
	- other short-term financial assets	0,00	0,00
	c) cash and other cash assets	85 025 225,46	53 511 260,02
	- cash in hand and at bank	298 162,26	51 690 159,21
	- other cash	84 727 063,20	1 821 100,81
	- other cash assets	0,00	0,00
2.	Other short-term investments	0,00	0,00
<b>IV.</b>	<b>Short-term prepayments and accruals</b>	<b>29 543 335,01</b>	<b>65 530 042,46</b>
<b>Total assets</b>		<b>1 454 503 755,42</b>	<b>824 045 413,73</b>



Line	Liabilities and equity	Closing balance	
		current [year]	preceding [year]
1	2	3	4
A.	Shareholders' equity	508 547 855,78	493 097 805,44
I.	Share capital	481 909 000,00	297 379 000,00
II.	Unpaid share capital (negative value)	0,00	0,00
III.	Treasury shares (negative value)	0,00	0,00
IV.	Reserve capital	0,00	0,00
V.	Revaluation reserve	950 944,17	-18 022,50
VI.	Other reserves	11 206 827,94	6 396 241,76
VII.	Profit (loss) from previous years	0,00	-1 969 477,90
VIII.	Net profit (loss)	14 481 083,67	6 780 064,08
IX.	Advance distributions of net profit (negative value)	0,00	0,00
X.	Share capital in registration	0,00	184 530 000,00
B.	Liabilities and provisions against liabilities	945 955 899,64	330 947 608,29
I.	Provisions against liabilities	78 635 503,12	54 746 894,75
1.	Provision for deferred income tax	20 472 598,00	9 818 005,00
2.	Provision for retirement benefits and similar benefits	48 617 634,35	42 627 247,35
	- long-term	33 770 247,00	29 818 000,00
	- short-term	14 847 387,35	12 809 247,35
3.	Other provisions	9 545 270,77	2 301 642,40
	- long-term	0,00	0,00
	- short-term	9 545 270,77	2 301 642,40
II.	Long-term liabilities	488 442 917,85	57 714 999,43
1.	To related parties	746 768,00	2 087 030,00
2.	To other parties	487 696 149,85	55 627 969,43
	a) loans and credit facilities	0,00	0,00
	b) debt securities	435 277 852,35	0,00
	c) other financial liabilities	8 790 192,26	8 227 981,59
	d) other	43 628 105,24	47 399 987,84
III.	Short-term liabilities	236 827 760,88	136 447 400,32
1.	To related parties	4 863 092,61	57 412 394,17
	a) trade payables, with due dates:	4 701 109,84	2 251 074,17
	- within 12 months	4 701 109,84	2 251 074,17
	- in more than 12 months	0,00	0,00
	b) other	161 982,77	55 161 320,00
2.	To other parties	227 765 240,62	75 820 708,03
	a) loans and credit facilities	10 118 087,08	6 551 724,40
	b) debt securities	21 542 998,37	0,00
	c) other financial liabilities	63 305 018,11	2 337 381,76
	d) trade payables, with due dates:	31 359 030,92	33 726 789,57
	- within 12 months	31 359 030,92	33 726 789,57
	- in more than 12 months	0,00	0,00
	e) advances received for deliveries	0,00	0,00
	f) bills of exchange	0,00	0,00
	g) tax, customs duties, insurance and other benefits	7 651 388,14	6 436 327,05
	h) payroll creditors	7 845 725,45	7 517 423,36
	i) other	85 942 992,56	19 251 061,89
3.	Special funds	4 199 427,65	3 214 298,12
IV.	Accruals	142 049 717,79	82 038 313,79
1.	Negative goodwill	0,00	0,00
2.	Other accruals	142 049 717,79	82 038 313,79
	- long-term	131 077 970,39	74 296 073,84
	- short-term	10 971 747,40	7 742 239,95
Total liabilities and equity:		1 454 503 755,42	824 045 413,73

Full names and signatures of the Company Management Board

for the period of 1 January to 31 December 2011

PLN

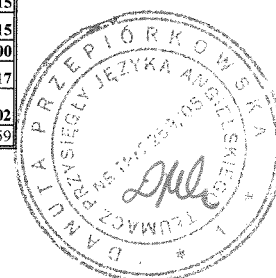
Verse	Consolidated Cash Flow Statement	Financial year	
		current [year]	preceding [year]
	(indirect method)		
1	2	3	4
<b>A</b>	<b>Operating cash flows</b>	<b>57 254 727,52</b>	<b>41 046 007,37</b>
I.	Net profit (loss)	14 481 083,67	6 780 064,08
II.	Total adjustments	<b>42 773 643,85</b>	<b>34 265 943,29</b>
1.	Depreciation	35 942 449,96	17 306 292,48
2.	Foreign exchange gains (losses)	47 732 966,67	-18 022,50
3.	Interest and shares in profits (dividends)	29 103 328,56	1 175 338,06
4.	Profit (loss) on investment activities	21 009,48	0,00
5.	Change in provisions	23 888 608,37	7 448 158,94
6.	Change in inventories	-3 557 798,65	-963 213,79
7.	Change in receivables	-54 047 762,31	-9 853 987,55
8.	Change in short-term liabilities, excluding loans and credit facilities	-40 287 118,18	64 417 375,09
9.	Change in prepayments and accruals	3 977 959,95	-45 245 997,44
10.	Other adjustments	0,00	0,00
III.	Net operating cash flows (I + II)	<b>57 254 727,52</b>	<b>41 046 007,37</b>
<b>B</b>	<b>Investment cash flows</b>	<b>-534 222 124,93</b>	<b>-128 417 771,38</b>
I.	Income	0,00	0,00
1.	Disposal of intangible and tangible capital assets	0,00	0,00
2.	Disposal of investments in real estate and intangible assets	0,00	0,00
3.	From financial assets, of which:	0,00	0,00
a)	in related parties	0,00	0,00
b)	in other entities	0,00	0,00
-	disposal of financial assets	0,00	0,00
-	dividends and shares in profits	0,00	0,00
-	repayment of long-term loans	0,00	0,00
-	interest	0,00	0,00
-	other income from financial assets	0,00	0,00
4.	Other investment income	0,00	0,00
II.	Costs	<b>534 222 124,93</b>	<b>128 417 771,38</b>
1.	Acquisition of intangible and tangible assets	534 222 124,93	93 613 613,99
2.	Investments in real estate and intangible assets	0,00	0,00
3.	On financial assets, of which:	0,00	0,00
a)	in related parties	0,00	0,00
b)	in other entities	0,00	0,00
-	acquisition of financial assets	0,00	0,00
-	long-term loans	0,00	0,00
4.	Other investment expenses	0,00	34 804 157,39
III.	Net investment cash flows (I-II)	<b>-534 222 124,93</b>	<b>-128 417 771,38</b>
<b>C.</b>	<b>Financial cash flows</b>	<b>508 481 362,85</b>	<b>75 544 104,86</b>
I.	Income	<b>690 736 323,49</b>	<b>81 314 795,87</b>
1.	Net income from the issue of shares and other capital instruments and additional contributions to capital	0,00	0,00
2.	Loans and credit facilities	10 118 087,08	0,00
3.	Issues of debt securities	553 940 000,00	0,00
4.	Other financial income	126 678 236,41	81 314 795,87
a.	Interest on deposits, cash at bank	0,00	0,00
b.	Subsidies	66 842 603,47	81 314 795,87
c.	Reverse factoring	59 835 632,94	0,00
II.	Costs	<b>182 254 960,64</b>	<b>5 770 691,01</b>
1.	Acquisition of treasury shares	0,00	0,00
2.	Dividends and other payments to shareholders	0,00	0,00
3.	Distribution of profit other than payments to shareholders	0,00	0,00
4.	Repayment of loans and credit facilities	8 014 344,40	2 314 511,68
5.	Redemption of debt securities	159 024 000,00	0,00
6.	Other financial liabilities	0,00	0,00
7.	Finance lease payments	3 100 103,91	2 257 755,81
8.	Interest	12 116 512,33	1 198 423,52
9.	Other financial costs	0,00	0,00
III.	Net financial cash flows (I-II)	<b>508 481 362,85</b>	<b>75 544 104,86</b>
<b>D.</b>	<b>Total cash flows (A.III + B.III + C.III)</b>	<b>31 513 965,44</b>	<b>-11 827 659,15</b>
<b>E.</b>	<b>Net change in cash balances, including:</b>	<b>31 513 965,44</b>	<b>-11 827 659,15</b>
-	change in cash balances relating to foreign exchange gains/losses	0,00	0,00
<b>F.</b>	<b>Cash at beginning of period</b>	<b>53 511 260,02</b>	<b>65 338 919,17</b>
<b>G.</b>	<b>Cash at end of period (F + D)</b>	<b>85 025 225,46</b>	<b>53 511 260,02</b>
	of which - restricted cash	70 328,04	595 681,59

Warszawa 1 June 2012

Location and date of preparation

Full name of person in charge of bookkeeping

Full names and signatures of the Company Management Board



in respect of the year 2011

PLN

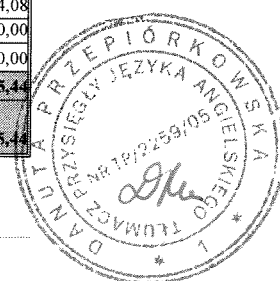
Verse	Specification	Financial year	
		Year 2011	Year 2010
<b>I.</b>	<b>Shareholder's equity at beginning of period (OB)</b>	<b>297 379 000,00</b>	<b>297 379 000,00</b>
	- adjustment of errors		
<b>Ia.</b>	<b>Adjusted shareholders' equity at beginning of period (OB)</b>	<b>297 379 000,00</b>	<b>297 379 000,00</b>
1.	Share capital at beginning of period	297 379 000,00	297 379 000,00
1.1.	Changes in share capital	184 530 000,00	184 530 000,00
	a) increases (relating to)	184 530 000,00	184 530 000,00
	- contributions	184 530 000,00	184 530 000,00
	b) decreases (relating to)	0,00	0,00
1.2.	Share capital at end of period	481 909 000,00	297 379 000,00
1.3.	Share capital in registration at end of period	0,00	184 530 000,00
<b>2.</b>	<b>Unpaid share capital at beginning of period</b>		
2.1.	Changes in unpaid share capital	0,00	0,00
	a) increases (relating to)	0,00	0,00
	b) decreases (relating to)	0,00	0,00
2.2.	Unpaid share capital at end of period	0,00	0,00
<b>3.</b>	<b>Treasury shares at beginning of period</b>		
	a) increases	0,00	0,00
	b) decreases	0,00	0,00
3.1.	Treasury shares at end of period	0,00	0,00
<b>4.</b>	<b>Reserve capital at beginning of period</b>		
4.1.	Changes in reserve capital	0,00	0,00
	a) increases (relating to)	0,00	0,00
	b) decreases (relating to)	0,00	0,00
4.2.	Reserve capital at end of period	0,00	0,00
<b>5.</b>	<b>Revaluation reserve at beginning of period</b>	<b>-18 022,50</b>	<b>0,00</b>
5.1.	Changes in revaluation reserve	0,00	0,00
	a) increases (at Group consolidation)	968 966,67	0,00
	b) decreases (at Group consolidation)	0,00	-18 022,50
5.2.	Revaluation reserve at end of period	950 944,17	-18 022,50
<b>6.</b>	<b>Other reserves at beginning of period</b>	<b>6 396 241,76</b>	<b>2 469 469,73</b>
6.1.	Changes in other reserves	6 396 241,76	2 469 469,73
	a) increases (relating to)	4 810 586,18	3 926 772,03
	- distribution of profit for the year	4 810 586,18	3 926 772,03
	b) decreases (relating to)	0,00	0,00
	- transfer to share capital - entry in KRS	0,00	0,00
6.2.	Other reserves at end of period	11 206 827,94	6 396 241,76
<b>7.</b>	<b>Profit (loss) from previous years at beginning of period</b>	<b>4 810 586,18</b>	<b>3 211 203,67</b>
7.1.	Profit from previous years at beginning of period	4 810 586,18	3 926 772,03
	- adjustment of errors	0,00	0,00
7.2.	Adjusted profit from previous years at beginning of period	4 810 586,18	3 926 772,03
	a) increases (relating to)	0,00	0,00
	b) decreases (relating to)	4 810 586,18	3 926 772,03
	- transfer of profit to reserve capital	4 810 586,18	3 926 772,03
7.3.	Profit from previous years at end of period	0,00	0,00
7.4.	Loss from previous years at beginning of period	0,00	0,00
	- adjustment of errors	0,00	0,00
7.5.	Adjusted loss from previous years at beginning of period	0,00	0,00
	a) increases (relating to)	0,00	0,00
	b) decreases (relating to)	0,00	0,00
7.6.	Loss from previous years at end of period	0,00	-1 969 477,90
7.7.	Profit (loss) from previous years at end of period	0,00	-1 969 477,90
<b>8.</b>	<b>Net financial result</b>	<b>14 481 083,67</b>	<b>6 780 064,08</b>
	a) net profit	14 481 083,67	6 780 064,08
	b) net loss	0,00	0,00
	c) advance distributions of profit	0,00	0,00
<b>II.</b>	<b>Shareholders' equity at end of period (CB)</b>	<b>508 547 855,78</b>	<b>493 097 805,44</b>
<b>III.</b>	<b>Shareholders' equity after proposed distribution of profit (coverage of loss)</b>	<b>508 547 855,78</b>	<b>493 097 805,44</b>

Warsaw, 1 June 2012

Location and date of preparation

Full name of person in charge of bookkeeping

Full names and signatures of the Company Management Board







I, the undersigned Danuta Przepiórkowska, a certified translator registered at the Polish Ministry of Justice, license no. TP/2259/05, have checked this translation from the Polish language versus its scanned original Polish version to the best of my ability within the available time frame and hereby certify that the foregoing translation conforms with the said document in the Polish language, as presented to me. All pages of the scanned original except page 1 and 2 are initialled, unless signed and stamped.

Please note: Readers are advised to bear in mind the differences in accounting systems and in financial/legal terminologies across various countries and languages. Translator's notes are given in square brackets.

Warsaw, 23 July 2012  
Entry No. 143a/2012

Danuta Przepiórkowska  
Certified Translator of Polish, English and Russian  
Al. KEN 98, 02-777 Warsaw, Poland

*Danuta Przepiórkowska*

