

**SECURITIES AND STOCK EXCHANGE COMMITTEE**

00-950 Warszawa Plac Powstańców Warszawy 1

**SAQ IV/2004**

for the issuers of securities of manufacturing construction commercial and service activity

According to § 57 passage 2 of the Cabinet Decree of 16.10.200- Journal of Law No 139, item 1569 and of 2002 No 31 item 280

The Management Board of Stalexport Joint Stock Company publishes quarterly report for IV / 2004

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	IN THOUSAND ZLOTYS		IN THOUSAND EUR	
	4 quarters 2004 01.01.2004 31.12.2004	4 quarters 2003 01.01.2003 31.12.2003	4 quarters 2004 01.01.2004 31.12.2004	4 quarters 2003 01.01.2003 31.12.2003
Selected financial data				
I. Net sales revenues	693 332	796 771	153 453	<b>176 347</b>
II. Operating profit (loss)	103 588	79 319	22 927	<b>17 555</b>
III. Gross profit (loss)	12 844	35 032	2 843	<b>7 754</b>
IV. Net profit (loss)	12 869	39 991	2 848	<b>8 851</b>
V. Net cash flows from operating activities	-9 768	41 412	-2 395	<b>10 152</b>
VI. Net cash flows from investing activities	48 395	-830	11 864	<b>-203</b>
VII. Net cash flows from financing activities	-44 033	-42 009	-10 795	<b>-10 299</b>
VIII. Total net cash flows	-5 406	-1 427	-1 325	<b>-350</b>
IX. Total assets	517 351	559 352	126 833	<b>137 130</b>
X. Liabilities and reserves for liabilities	546 321	615 764	133 935	<b>150 960</b>
XI. Long-term liabilities	234 830	222 438	57 570	<b>54 532</b>
XII. Short-term liabilities	207 976	174 438	50 987	<b>42 765</b>
XIII. Shareholders' equity	-28 970	-56 412	-7 102	<b>-13 830</b>
XIV. Share capital	<b>215 524</b>	<b>215 524</b>	<b>52 837</b>	<b>52 837</b>
XV. Number of shares	<b>107 762 023</b>	<b>107 762 023</b>	<b>107 762 023</b>	<b>107 762 023</b>
XVI. Earnings (loss) per ordinary share (in zlotys / EUR)	<b>0,12</b>	<b>0,37</b>	<b>0,03</b>	<b>0,08</b>
XVII. Diluted earnings (loss) per ordinary share (in zlotys / EUR)				
XVIII. Book value per share (in zlotys/ EUR)	<b>-0,27</b>	<b>-0,52</b>	<b>-0,07</b>	<b>-0,13</b>
XIX. Diluted book value per share (in zlotys / EUR)				
XX. Declared or paid-out dividend per ordinary share (in zlotys / EUR)				

**Balance sheet**

	as at 31.12.2004	as at 30.09.2004	as at 31.12.2003	as at 30.09.2003
<b>ASSETS</b>				
<b>I. Fixed assets</b>	<b>340 916</b>	<b>346 066</b>	<b>323 004</b>	<b>353 726</b>
1. Intangible assets	1 013	1 037	1 739	2 023
- of which goodwill				
2. Tangible fixed assets	155 648	155 865	164 848	166 599
3. Long-term receivables	55 800	60 813	2 512	2 116
3.1. From subsidiary and associated companies	50 735	50 735	425	
3.2. From other companies	5 065	10 078	2 087	2 116
4. Long-term investments	128 455	128 351	153 905	182 988
4.1. Real estate	36 658	36 658	36 658	20 644
4.2. Intangible assets				
4.3. Long-term financial assets	91 597	91 493	117 047	150 783
a) in associated companies	89 789	89 789	110 857	144 593
- of which shares in subsidiaries and associated companies valued under the equity method	32	32		
b) in other companies	1 808	1 704	6 190	6 190
4.4. Other long-term investments	200	200	200	11 561
5. Long-term deferred expenses	0	0	0	0
5.1. Deferred income tax				
5.2. Other deferred expenses				
<b>II. Current assets</b>	<b>176 435</b>	<b>145 393</b>	<b>236 348</b>	<b>249 204</b>
1. Inventories	59 864	31 982	31 200	21 282
2. Current receivables	108 838	90 467	185 037	210 278
2.1. From subsidiaries and associated companies	12 930	9 115	84 829	90 074
2.2. From other companies	95 908	81 352	100 208	120 204
3. Short-term investments	6 688	21 486	19 591	16 786
3.1. Short-term financial assets	6 688	21 486	19 591	16 786
a) in subsidiary and associated companies			7 000	60
b) in other companies	18	11 611	515	524
c) cash and cash equivalents	6 670	9 875	12 076	16 202
3.2. Other short-term investments				
4. Short-term deferred expenses	1 045	1 458	520	858
<b>Total Assets</b>	<b>517 351</b>	<b>491 459</b>	<b>559 352</b>	<b>602 930</b>

	as at 31.12.2004	as at 30.09.2004	as at 31.12.2003	as at 30.09.2003
<b>Liabilities</b>				
<b>I. Shareholders' Equity</b>	<b>-28 970</b>	<b>-27 225</b>	<b>-56 412</b>	<b>-75 653</b>
1. Share capital	215 524	215 524	215 524	215 524
2. Not paid-up share capital (negative value)				
3. Own shares in treasury (negative value)				
4. Reserve capital	42 343	42 312	2 634	2 632
5. Revaluation capital	8 457	8 488	8 488	8 490
6. Other reserve capitals	95 979	90 962	81 093	74 099
8. Prior years' profit (loss)	-404 142	-404 142	-404 142	-404 142
9. Net profit (loss)	12 869	19 631	39 991	27 744
10. Net profit write-downs during the financial year (negative value)				
<b>II. Liabilities and reserves for liabilities</b>	<b>546 321</b>	<b>518 684</b>	<b>615 764</b>	<b>678 583</b>
1. Reserves for liabilities	23 289	24 364	65 842	87 399
1.1. Reserve for deferred income tax	725	833	749	5 115
1.2. Provisions for pension and similar benefits	2 186	2 534	2 561	2 807
a) long-term provisions	1 442	1 788	1 858	2 807
b) short-term provisions	744	746	703	
1.3. Other provisions	20 378	20 997	62 532	79 477
a) long-term provisions	10 115	10 282	56 809	79 477
b) short-term provisions	10 263	10 715	5 723	
2. Long-term liabilities	234 830	250 434	222 438	259 493
2.1. To subsidiary and associated companies	4 912	5 385	8 525	8 974
2.2. To other companies	229 918	245 049	213 913	250 519
3. Current liabilities	207 976	140 957	174 438	201 968
3.1. To subsidiary and associated companies	83 299	62 848	25 734	61 128
3.2. To other companies	124 601	77 867	148 164	140 210
3.3. Special funds	76	242	540	630
4. Accrued expenses and deferred income	80 226	102 929	153 046	129 723
4.1. Negative goodwill				
4.2. Other accrued expenses and deferred income	80 226	102 929	153 046	129 723
a) long-term accruals	58 477	65 139	130 218	129 723
b) short-term accruals	21 749	37 790	22 828	
<b>Total Liabilities</b>	<b>517 351</b>	<b>491 459</b>	<b>559 352</b>	<b>602 930</b>
Book value	-28 970	-27 225	-56 412	-75 653
Number of shares	107 762 023	107 762 023	107 762 023	107 762 023
Book value per share (in zlotys)	-0,27	-0,25	-0,52	-0,70
Diluted number of shares				
Book value per share (in zlotys) - diluted				

## OFF-BALANCE SHEET LIABILITIES

	as at 31.12.2004	as at 30.09.2004	as at 31.12.2003	as at 30.09.2003
1. Contingent receivables	0	0	0	0
1.1. From subsidiary and associated companies (due to)	0	0	0	0
- guarantees received				
-				
-				
1.2. From other companies (due to)	0	0	0	0
- guarantees received				
-				
-				
2. Contingent liabilities	288 125	299 109	354 273	360 555
2.1. In favour of subsidiary and associated companies (due to)	0	0	1 393	2 093
- guarantees extended			1 393	1 371
- bills of exchange				722
- other				
2.2. In favour of other companies (due to)	288 125	299 109	352 880	358 462
- guarantees extended	285 825	299 109	351 349	349 643
- letters of credit	2 300		1 531	8 819
-				
-				
- other				
3. Other (due to)	0	0	15 150	15 150
- customs guarantees			15 150	15 150
-				
-				
- other				
<b>Total off-balance-sheet liabilities</b>	<b>288 125</b>	<b>299 109</b>	<b>369 423</b>	<b>375 705</b>

## PROFIT AND LOSS ACCOUNT

	IV quarter 2004 01.10.2004 31.12.2004	4 quarters 2004 01.01.2004 31.12.2004	IV quarter 2003 01.10.2003 31.12.2003	4 quarters 2003 01.10.2003 31.12.2003
<b>I. Net sales revenues</b>	<b>108 284</b>	<b>693 332</b>	<b>175 606</b>	<b>796 771</b>
- of which sales to subsidiary and associated companies	21 532	121 741	25 139	144 884
1. Net sales of products	7 974	77 518	23 146	89 876
2. Net sales of merchandise and raw materials	100 310	615 814	152 460	706 895
<b>II. Cost of products, merchandise and raw materials sold</b>	<b>103 813</b>	<b>648 693</b>	<b>227 993</b>	<b>746 252</b>
- of which sold to subsidiary and associated companies	87	43 332	97 649	199 067
1. Cost of products sold	7 408	72 959	86 382	86 382
2. Cost of merchandise and raw materials sold	96 405	575 734	141 611	659 870
<b>III. Gross profit (loss) on sales (I-II)</b>	<b>4 471</b>	<b>44 639</b>	<b>-52 387</b>	<b>50 519</b>
IV. Distribution expenses	3 175	12 767	-60 415	13 369
V. General administrative expenses	5 762	21 021	4 915	19 819
<b>VI. Profit (loss) on sales (III-IV-V)</b>	<b>-4 466</b>	<b>10 851</b>	<b>3 113</b>	<b>17 331</b>
VII. Other operating income	11 949	105 877	35 350	105 226
1. Gain on disposal of non-financial fixed assets				
2. Subsidies				
3. Other operating income	11 949	105 877	35 350	105 226
VIII. Other operating expenses	2 182	13 140	5 052	43 238
1. Loss on disposal of non-financial fixed assets	4	1 902	-871	5 991
2. Revaluation of non-financial fixed assets	1 236	5 820	5 557	31 510
3. Other operating costs	942	5 418	366	5 737
<b>IX. Operating profit (loss) (VI+VII-VIII)</b>	<b>5 301</b>	<b>103 588</b>	<b>33 411</b>	<b>79 319</b>
X. Financial income	5 053	190 526	30 850	72 277
1. Equity income – dividends		1 637	81	1 913
- of which from subsidiary and associated companies		1 632	81	1 913
2. Interest receivable	2 658	10 879	20 140	30 797
- of which from subsidiary and associated companies	110	821	1 917	10 024
3. Gain on disposal of investments				
4. Revaluation of investments		173 353		9 045
5. Other financial income	2 395	4 657	10 629	30 522
XI. Financial expenses	17 225	281 270	56 380	116 564
1. Interest payable	8 763	31 530	9 114	25 295
- of which to subsidiary and associated companies	<b>1 488</b>	<b>2 465</b>	<b>823</b>	<b>2 879</b>
2. Loss on disposal of investments		<b>163 365</b>	<b>-55</b>	<b>7 106</b>
3. Revaluation of investments		15	<b>45 105</b>	<b>74 777</b>
4. Other financial expenses	<b>8 462</b>	<b>86 360</b>	<b>2 216</b>	<b>9 386</b>
<b>XII. Profit (loss) on ordinary activities (IX+X-XI)</b>	<b>-6 871</b>	<b>12 844</b>	<b>7 881</b>	<b>35 032</b>
<b>XIII. Result of extraordinary items (XIII.1. - XIII.2.)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1. Extraordinary gains				
2. Extraordinary losses				
<b>XIV. Gross profit (loss) (XII+/-XIII)</b>	<b>-6 871</b>	<b>12 844</b>	<b>7 881</b>	<b>35 032</b>
XV. Corporate income tax	-109	-25	-4 366	-4 959
a) current portion				
b) deferred portion	-109	-25	-4 366	-4 959
XVI. Other obligatory profit decreases (loss increases)				
XVII. Share in net profits (losses) of subordinated companies valued under the equity method				
<b>XIX. Net profit (loss) (XIV-XV-XVI+/-XVII)</b>	<b>-6 762</b>	<b>12 869</b>	<b>12 247</b>	<b>39 991</b>
Net profit (loss) (on annual basis)	12 869		39 991	
Weighted average number of ordinary shares	107 762 023		107 762 023	
Earning (loss) per ordinary share (in zlotys)	0,12		0,37	
Diluted weighted average number of ordinary shares				
Earning (loss) per ordinary share (in zlotys) - diluted				

## Changes in shareholders' equity

	IV quarter 2004 01.10.2004 31.12.2004	4 quarters 2004 01.01.2004 31.12.2004	IV quarter 2003 01.10.2003 31.12.2003	4 quarters 2003 01.10.2003 31.12.2003
I. Shareholders' Equity at the beginning of period (opening balance)	-27 225	-56 725	-75 653	-367 352
a) changes in accepted accounting principles (policies)				
b) corrections of material faults				
I. Shareholders' Equity at the beginning of period (opening balance), after restatement to comparative data	-27 225	-56 725	-75 653	-367 352
1. Share capital at the beginning of period	215 524	215 524	215 524	25 668
1.1. Changes in share capital	0	0	0	189 856
a) additions, of which:	0	0	0	189 856
- issuance of shares				189 856
-				
b) reductions, of which:	0	0	0	0
- retirement of shares				
-				
1.2. Share capital at the end of period	215 524	215 524	215 524	215 524
2. Not paid-up share capital at the beginning of period				
2.1. Changes in not paid-up share capital	0	0	0	0
a) additions, of which:	0	0	0	0
-				
-				
b) reductions, of which:	0	0	0	0
-				
-				
2.2. Not paid-up share capital at the end of period	0	0	0	0
3. Own shares in treasury at the beginning of period				
3.1. Changes in own shares in treasury	0	0	0	0
a) additions, of which:	0	0	0	0
-				
-				
b) reductions, of which:	0	0	0	0
-				
-				
<b>3.2. Own shares in treasury at the end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4. Reserve capital at the beginning of period</b>	<b>42 312</b>	<b>2 634</b>	<b>2 632</b>	
4.1. Changes in reserve capital	31	39 709	2	2 634
a) additions, of which:	31	39 709	2	2 634
- issuance of shares over the nominal value				
- distribution of profit (by law)		39 678		
- distribution of profit (in excess of value required by law)				
- re-classification of equity				
- sale of fixed assets	31	31	2	2 634
- other				
b) reductions, of which:	0	0	0	0
- coverage of loss				
correction of closing balance sheets of 2002 after examination				
- re-classification of equity				
<b>4.2. Reserve capital at the end of period</b>	<b>42 343</b>	<b>42 343</b>	<b>2 634</b>	<b>2 634</b>
<b>5. Revaluation capital at the beginning of period</b>	<b>8 488</b>	<b>8 488</b>	<b>8 490</b>	<b>11 122</b>
5.1. Changes in revaluation capital	-31	-31	-2	-2 634
a) additions, of which:	0	0	0	0
-				
- re-classification of equity				
b) reductions, of which:	31	31	2	2 634
- sale or disposal of tangible fixed assets	31	31	2	2 634
-				
- re-classification of equity				
<b>5.2. Revaluation capital at the end of period</b>	<b>8 457</b>	<b>8 457</b>	<b>8 488</b>	<b>8 488</b>

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	IV quarter 2004 01.10.2004 31.12.2004	4 quarters 2004 01.01.2004 31.12.2004	IV quarter 2003 01.10.2003 31.12.2003	4 quarters 2003 01.10.2003 31.12.2003
<b>6. Other reserve capital at the beginning of period</b>	90 962	81 093	74 099	
6.1. Changes in other reserve capital	5 017	14 886	6 994	81 093
a) additions, of which:	5 017	14 886	6 994	81 093
- distribution of profit				
partly execution of the arrangement liabilities conversion				74 099
partly execution of the arrangement liabilities -instalments payment	5 017	14 886	6 994	6 994
settlement of the conversion by the unearned revenues				
b) reductions, of which:	0	0	0	0
transition to reserve capital				
loss coverage				
-				
- re-classification of equity capital				
6.2. Other reserve capital at the end of period	95 979	95 979	81 093	81 093
<b>7. Prior years' profit (loss) at the beginning of period</b>	-384 511	-364 464	-376 398	-404 142
<b>7.1. Prior years' profit at the beginning of period</b>	19 631	39 678		
a) changes in accepted accounting principles (policies)				
b) corrections of material faults				
<b>7.2. Prior years' profit at the beginning of period, after restatement to comparative data</b>	19 631	39 678	0	0
a) additions, of which:	0	0	0	0
prior years' profit distribution				
-				
- re-classification of equity capital				
b) reductions, of which:	0	39 678	0	0
transition to reserve capital		39 678		
social funds				
staff bonuses				
coverage of the prior years' loss				
- dividend				
-				
- re-classification of equity A24				
<b>7.3. Prior years' profit at the end of period</b>	19 631	0	0	0
<b>7.4. Prior years' loss at the beginning of period</b>	404 142	404 142	376 398	404 142
a) changes in accepted accounting principles (policies)				
b) corrections of material faults				
<b>7.5. Prior years' loss at the beginning of period, after restatement to comparative data</b>	404 142	404 142	376 398	404 142
a) additions, of which:	0	0	0	0
- transition of prior years' loss to be covered				
of the closing of balance sheets of 2002 after examination - balance sheet loss				
-				
- re-classification of equity capital				
b) reductions, of which:	0	0	0	0
- loss coverage				
correction of closing balance sheets of 2002 after examination - reserve capital				
- re-classification of equity capital				
<b>7.6. Prior years' loss at the end of period</b>	404 142	404 142	376 398	404 142
<b>7.7. Prior years' profit (loss) at the end of period</b>	-384 511	-404 142	-376 398	-404 142
<b>8. Net profit (loss)</b>	-6 762	12 869	12 247	39 991
a) net profit		12 869	12 247	39 991
b) net loss	6 762			
c) charges on the profit				
<b>II. Shareholders' Equity at the end of period (closing balance)</b>	-28 970	-28 970	-56 412	-56 412
<b>III. Shareholders' Equity adjusted by the proposed distribution of profit (coverage of loss)</b>				

**Cash flow statement ( indirect method )**

	<b>IV quarter 2004 01.10.2004 31.12.2004</b>	<b>4 quarters 2004 01.01.2004 31.12.2004</b>	<b>IV quarter 2003 01.10.2003 31.12.2003</b>	<b>4 quarters 2003 01.10.2003 31.12.2003</b>
A. Cash flows from operating activities - indirect method				
I. Net profit (loss)	-6 762	12 869	12 247	39 991
II. Total adjustments	85	-22 637	-9 263	1 421
1. Share in net (profits) losses of companies valued under the equity method				
2. Depreciation and amortisation	365	6 252	2 465	9 714
3. (Gain) loss on foreign exchange differences				
4. Interest and dividends	2 407	12 023	2 441	8 868
5. (Gain) loss on investing activities	4	164 895	-872	17 360
6. Change in provisions	-109	-25	-4 366	-4 959
7. Change in inventories	-27 897	-28 700	-9 919	-19 193
8. Change in receivables	-13 358	22 918	24 847	38 892
9. Change in current liabilities (excluding loans and bank credits)	57 001	75 989	-56 804	-51 309
10. Change in deferred and accrued expenses	-23 257	-115 873	6 470	-112 957
11. Other adjustments	4 929	-160 116	26 475	115 005
<b>III. Net cash flows from operating activities (I+/-II)</b>	<b>-6 677</b>	<b>-9 768</b>	<b>2 984</b>	<b>41 412</b>



	IV quarter 2004 01.10.2004 31.12.2004	4 quarters 2004 01.01.2004 31.12.2004	IV quarter 2003 01.10.2003 31.12.2003	4 quarters 2003 01.10.2003 31.12.2003
<b>B. Cash flows from investing activities</b>				
<b>I. Cash provided by investing activities</b>	11 592	48 945	23 254	43 519
1. Disposal of intangible assets and tangible fixed assets		2 516	2 050	7 201
2. Disposal of investments in real-estate and intangible assets				
3. From financial assets, of which:	11 592	46 429	21 204	36 318
a) in subsidiary and associated companies	0	11 194	21 202	35 301
- disposal of securities		9 050		9 435
- dividends and shares in profits		1 632	81	1 913
- long-term loans collected		512	20 684	21 284
- interest received			437	2 669
- other income from financial assets				
b) in other companies	11 592	35 235	2	1 017
- disposal of securities		5 500		1 015
- dividends and shares in profits		5		
- long-term loans collected	11 592	28 530		
- interest received				
- other income from financial assets		1 200	2	2
4. Other investing income				
<b>II. Cash used in investing activities</b>	127	550	19 623	44 349
1. Purchases of intangible assets and tangible fixed assets	127	383	3 609	6 109
2. Purchases of investments in real-estate and intangible assets			16 014	36 658
3. For financial assets, of which:	0	167	0	1 582
a) in subsidiary and associated companies	0	152	0	1 582
- acquisition of securities		152		1 522
- long-term loans granted				60
b) in other companies	0	15	0	0
- acquisition of securities		15		
- long-term loans granted				
4. Other investing expenses				
<b>III. Net cash flows from investing activities (I-II)</b>	<b>11 465</b>	<b>48 395</b>	<b>3 631</b>	<b>-830</b>

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	IV quarter 2004 01.10.2004 31.12.2004	4 quarters 2004 01.01.2004 31.12.2004	IV quarter 2003 01.10.2003 31.12.2003	4 quarters 2003 01.10.2003 31.12.2003
C. Cash flows from financing activities				
I. Cash provided by financing activities	0	6 174	0	0
1. Issuance of shares and other capital securities and additional paid-in capital				
2. Bank credits and loans contracted		6 174		
3. Issuance of debt securities				
4. Other financial income				
<b>II. Cash used in financing activities</b>	<b>7 993</b>	<b>50 207</b>	<b>10 741</b>	<b>42 009</b>
1. Acquisition of own shares				
2. Dividends and other payments to shareholders				
3. Profit distribution expenses other than payments to shareholders				
4. Payments of bank credits and loans	5 586	36 547	7 781	27 558
5. Redemption of debt securities				1 000
6. Payments of other financial liabilities				
7. Finance lease commitments paid				
8. Interest paid	2 407	13 660	2 960	13 451
9. Other financial expenses				
<b>III. Net cash flows from financing activities (I-II)</b>	<b>-7 993</b>	<b>-44 033</b>	<b>-10 741</b>	<b>-42 009</b>
D. Total net cash flows (A.III+/-B.III+/-C.III)	-3 205	-5 406	-4 126	-1 427
E. Change in balance-sheet cash and cash equivalents	-3 205	-5 406	-4 126	-1 427
- of which change in cash and cash equivalents due to foreign exchange differences	31	42		
F. Cash and cash equivalents - beginning of period	9 875	12 076	16 202	13 503
G. Cash and cash equivalents - end of period (F+/-D)	6 670	6 670	12 076	12 076
- of which those with restricted availability				

## **Comments to the Report for 4<sup>th</sup> Quarter of 2004.**

The Quarterly Report contains information specified under § 61 Section 3 and 4 Ordinance of the Council of Ministers dated 16<sup>th</sup> October, 2001, - Official Laws Gazette No. 139, Item 1569 and from 2002 No. 31, Item 280.

### **I. Assumed accounting principles, including methods of assets and liabilities assessment, measurement of financial result and preparation of Financial Statement**

Financial data given in the Quarterly Report as at 31<sup>st</sup> December, 2004, are established on the ground of the journal principle of commensurability of income and costs. Evaluation of assets and liabilities and establishment of financial result was prepared according to principles binding in the Accountancy Act of 29<sup>th</sup> September, 1994, (Official Laws Gazette No. 121, Item 591) with successive amendments.

The financial data shown were presented in the Preliminary Annual Report F-01/I-01 as for 31<sup>st</sup> December, 2004.

### **II. Average EURO rates of exchange during the period covered by the Financial Statement established by the National Polish Bank**

Items of Balance Sheet Assets and Liabilities have been converted into EURO according to the National Polish Bank average rate of exchange that amounted to 4.0790 binding on the balance sheet date.

Specific items in the Profit and Loss Account pertaining to 4 quarters of this year have been converted into EURO according to the rate 4.5182, being the arithmetic mean of average exchange rates published by the National Polish Bank, binding on the last day of each month.

Cautious evaluation was carried out of foreign trade liabilities and receivables. Caution evaluation was made according to the exchange rate as at 31.12.2004, the results were negative and amounted to 944 thousand zlotys. This was reflected in the financial result of 4<sup>th</sup> quarter of 2004.

### **III. Comparability of data**

Data given in the Financial Statement SA-Q for the fourth qtr 2004 are comparable with the similar period of the previous year.

#### *Financial results of Stalexport SA*

For 4<sup>th</sup> quarter of this year Stalexport S.A. noted a gross loss of 6 871 thousand zlotys, which comprised:

- loss on sale of goods and services	- 4 466 thousand zlotys
- positive result on other operational activity	9 767 thousand zlotys
- negative result on financial activity	-12 172 thousand zlotys

Gross loss for 4 <sup>th</sup> quarter 2004	6 871 thousand zlotys
Obligatory burdening of financial result	- 108 thousand zlotys

Net loss for 4th quarter 2004	6 763 thousand zlotys
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Established and dissolved revaluating allocations and reserves had a considerable impact on the financial result in the 4<sup>th</sup> quarter.

In the 4<sup>th</sup> quarter of this year the Company increased its financial result with the sum of 9 639 thousand zlotys on account of dissolving:

- revaluating allocation for trade receivables	387 thousand zlotys
- revaluating allocation for conditional receivables (Ferrostal Łabędy)	8 952 thousand zlotys
- reserves for conditional liabilities ( Huta Szczecin )	300 thousand zlotys

Dissolved revaluating allocation and reserves increased the other operating income by the amount of 9,639 thousand zlotys.

The Company Stalexport S.A. in 4<sup>th</sup> quarter of 2004 reduced its financial result by the sum of 1,734 thousand zlotys on account of establishing:

- revaluating allocation for interest arrears	594 thousand zlotys
- revaluating allocation for trade receivables	1 140 thousand zlotys

The established revaluating allocations and reserves increased the other operating costs by the sum of 1,140 thousand zlotys and financial costs by the sum of 594 thousand zlotys.

*Difference in income tax for the current year and previous years*

Taxable income given in the CIT-2 statement for 12 months as specified below:

	( in thousand zlotys)
Gross profit	12 844
- permanent differences – balance	74 508
- temporary differences – balance	- 249 354
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Basis of taxation	-162 002

*Temporary differences concerning the report period*

	Basis	Tax
Surplus – accounting tax	1 156 220	
Balance of temporary differences	1 156 220	

The Company is not establishing any activated tax during the current balance sheet year due to continuing tax loss.

**IV. List of Shareholders having more than 5% of the total number of votes at the General Meeting of Shareholders on 14<sup>th</sup> February, 2005.**

Shareholders having more than 5% of the total number of votes authorizing them to participate in the General Meeting of Shareholders of Stalexport S.A. are as follows:

	No of shares	Percent
Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej	18 022 835	16.72%
Powszechna Kasa Oszczędności Bank Polski S.A.	7 654 779	7.10%
Bank Zachodni WBK S.A.	5 900 325	5.47%

**V. List of shares held by the group of persons managing and supervising the Company as at 14.02.2005.**

Managing persons – 82 430 shares,  
Supervising persons – 7 075 shares.

**VI. Specification of judicial proceedings pending in court as at 31.12.2004.**

Postępowania toczące się przed sądem o znacznej wartości

Item No.	Case No.	File Amount zlotys	Adverse Party	Legal Status
1.	93/00	4 135 542,88	Bike-sport Spółka z o.o. Gliwice Defendant	Adjudging judgement of 19th July, 2001. Enforcement in course
2.	60/03	1 366 061,00	SEBA Spółka z o.o. Defendant	Payment order of 10th December, 2003, with a clause
	73/03	1 366 061,00		Payment order of 27 <sup>th</sup> January, 2003, with clause, directed to court executive officer
	5/04	1 366 061,00		Payment order of 31.03.2004
3.	30/03	11 995 000,00	Centrozap S. A. Katowice Defendant	Payment order of 13.06.2003 enforcement proceedings suspended by virtue of Decision of the District Court in Katowice of 23.03.2004 in connection with the motion for declaring bankruptcy with the possibility of concluding an arrangement
4.	25/03	123 977,16	Partnerzy Spółka z o.o. i Chemko Partnerzy Spółka z o.o. Defendant	Adjudging Judgement of 17.05.2004 Enforcement clause of 09.07.2004 ineffective enforcement, public prosecutor's office notified
5.	25/04	2 006 500,00	Mimex Firma Usługowo-Produkcyjna Mielec Defendant	Payment order of 11.10.2004 Objection to payment order Proceedings in course
6.	9/05/BA	630 270,57	Rinol Polska Spółka z o.o. Defendant	Proceedings in course

Stalexport S.A. has been sued by Inkasso Reform for the sum of 1,110,836.80 PLN. The Plaintiff is claiming damages from Stalexport in connection with actions taken by the court executive officer acting on motion of Stalexport S.A. Proceedings in course.

## **VII. Description of other factors and events influencing the achieved financial results**

### *Basic activity*

1. Income from sales for 4<sup>th</sup> quarter 2004 amounted to 108,3 m zlotys and was by 67,3 m zlotys lower than the results for 4<sup>th</sup> quarter 2003. The main factors that influenced the sale income decrease in the discussed period were:
  - the transfer of the concession for the toll motorway section from Stalexport SA to Stalexport Autostrada Małopolska S.A. – affecting income decrease by 21 m zlotys,
  - the ISPAT has changed its supply policy which resulted in considerable restrictions of iron ore supplies for Katowice and Sendzimir steelworks by Stalexport SA. It resulted in decrease in sales by virtue of imports by 22,5 m zlotys,
  - over and above the average seasonal decrease in demand for steel products and limited working capital which influenced the domestic turnover reduction by 23,8 m zlotys on the average,
  - internal currency strengthening, what resulted in reduction of the foreign turnover in zlotys;
2. There were some changes in the structure of sales in relation to 2003. The prevailing till now position of the domestic turnover in total income from sales was limited by the decrease in sales volume and amounts to 45,6 %, while the export sale was not restrained and its share in total sales increased from 24 % in IVth qtr 2003 to 38,3 % in IVth 2004. The countries of both Americas and the European Union are the main sale directions in exports. The import sales were of minor importance and their share in income from sales amounted to merely 8,8 % in IVth qtr 2004
3. The worked out gross profit on sales, after taking into account the sales costs in IVth qtr 2004, decreased by the sum of 6,7 m zlotys. The decrease in gross margin was caused mainly by the rise in zloty value, which was reflected in decrease in exports margin. Simultaneous the reduction of import sales because of the reduced supplies of iron ore did not allow to compensate the decrease in export margin by virtue of strong zloty. Additionally the decrease in margin volume resulted from the lack of the external financing sources, and the limited working capital did not allow the Company to fully achieve the higher possible turnover.  
Also in 4th qtr 2004 we noted the increase in general costs, because of extending the organisational structure of the Company by new warehouses in Wielkopolska, which was connected with additional personal and exploitation costs, which did occur last year.

The Company has been making efforts to reduce, in the nearest future, the unfavourable influence of the working capital on the results, by selling possessed real estates and by refunding of the incurred investment outlays, due to financial closing of the motorway project. The activities aiming at an increase in working capital, are to take place in the 1<sup>st</sup> half of 2005.

## **VIII. Commentary to the financial results for I – IV quarters of 2004**

During four quarters of 2004 the incomes from sales of the Company amounted to 693.3 m zlotys, which means the turnover decrease by 13 % in comparison with sales achieved in 2003, in the amount of 796,7 m zlotys.

The sale showed high increase dynamics as from the beginning of the year, while in IVth quarter this trend was restrained, and it was caused by the factors discussed in point VII.

As far as the sale margin is concerned ( calculated as gross profit on sales diminished by sale costs ), which at the end of the year amounted to 31,9 m zlotys, the biggest part of it is constituted by export sales - 38,2%, then by domestic turnover - 35,1% and by imports - 12,7%.

The unfavourable influence of the results of IVth quarter on the annual financial data can be reflected in the annual margin on sales which was lower by 5,3 m zlotys in relation to the previous year, while in IVth quarter alone, this decrease amounted to 6,7 m zlotys.

During successive four quarters of 2004 the Company maintain the discipline as far as the general costs are concerned, despite the expenses connected with the expansion of the distribution network. At the end of the year these costs amounted to 21 m zlotys.

Despite the decrease in turnover, mainly because of the reduced working capital, ratio EBIT amounted to 31,7 m zlotys and it increased in relation to the previous year by 2,5 m zlotys. At the end of 2004 the margin EBIT is also favourable at the level of 4,6%, while in 2003 it amounted to 3,7%.

Net profit for four quarters of 2004 amounts to 12,9 m zlotys, which means the decrease in relation to the previous year by 26,8 m zlotys, and it was cause by:

- passive balance of incomes and financial costs in the amount of 90,7 m zlotys (including mainly occurring of liability towards Treasury by virtue of guarantees granted Huta Ostrowiec in the amount of 72,6 m zlotys).
- lower level of income from sales,
- the change in sale structure (decrease in share of imports characterizing the highest margin volume)

#### **IX. Events after balance sheet date.**

The Extraordinary General Meeting of Shareholders on 20.01.2005 passed the resolution regarding the merger of the Company Stalexport S.A. with the subsidiary Stalexport Centrostal Warszawa S. A.