

SECURITIES AND STOCK EXCHANGE COMMITTEE  
00-950 Warszawa Plac Powstańców Warszawy 1

SA-QS 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

25.02.2005  
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Selected financial data	in zlotys		in EUR	
	4 quarters 2004 01.01.2004 31.12.2004	4 quarters 2004 01.01.2003 31.12.2003	4 quarters 2004 01.01.2004 31.12.2004	4 quarters 2004 01.01.2003 31.12.2003
I. Net sales revenues	1 006 228	1 125 657	222 707	253 213
II. Operating profit (loss)	150 883	96 921	33 395	21 802
III. Profit (loss) before taxation	55 566	93 136	12 298	20 951
IV. Net profit (loss)	42 455	83 278	9 397	18 733
V. Net cash flows from operating activities	11 807	102 088	2 895	21 643
VI. Net cash flows from investing activities	6 347	1 745	1 556	370
VII. Net cash flows from financing activities	(50 618)	(83 179)	(12 409)	(17 634)
VIII. Total net cash flows	(32 464)	20 654	(7 959)	4 379
IX.. Total assets	643 730	839 160	157 816	177 901
X. Liabilities and reserves for liabilities	562 723	688 468	137 956	145 955
XI. Long-term liabilities	243 548	278 624	59 708	59 068
XII. Short-term liabilities	192 138	213 574	47 104	45 278
XIII. Shareholders' equity	75 726	124 207	18 565	26 332
XIV. Share capital	215 524	215 524	52 837	45 691
XV. Number of shares	107 762 023	107 762 023	107 762 023	107 762 023
XVI. Earnings (loss) per ordinary share (in zlotys / EUR)	0,39	0,77	0,09	0,17
XVII. Diluted earnings (loss) per ordinary share (in zlotys / EUR)				
XVIII. Book value per share (in zlotys / EUR)	0,70	1,15	0,17	0,24
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
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## ASSETS

I. Fixed assets	364 309	350 726	534 645	536 183
1. Intangible assets	1 298	1 288	4 356	4 879
of which goodwill	-	-	-	-
2. Goodwill of the subordinated entities	33	37	46	49
3. Tangible fixed assets	289 295	274 776	450 251	456 806
4. Long-term receivables	5 660	10 430	2 087	1 984
4.1. From subsidiary and associated companies	595	352	-	-
4.2. From other companies	5 065	10 078	2 087	1 984
5. Long-term investments	58 516	58 565	71 043	63 178
5.1. Real estate	36 658	36 658	36 658	20 644
5.2. Intangible assets	-	-	-	-
5.3. Long-term financial assets	21 858	21 907	34 385	42 534
a) in subsidiary and associated companies	20 030	20 141	28 092	27 123
- of which shares in companies valued under the equity method	3 941	4 078	317	359
- shares in subsidiaries and correlated entities not covered by consolidation	14 706	183	27 775	26 764
b) in other companies	1 828	1 766	6 293	15 411
5.4. Other long-term investments	-	-	-	-
6. Long-term deferred expenses	9 507	5 630	6 862	9 287
6.1. Deferred income tax	9 507	5 630	6 247	8 173
6.2. Other deferred expenses	-	-	615	1 114
II. Current assets	279 421	268 865	304 515	329 817
1. Inventories	90 866	61 278	68 300	62 744
2. Current receivables	164 522	159 009	166 923	204 150
2.1. from subsidiary and associated companies	1 155	3 222	1 596	-
2.2. from other companies	163 367	155 787	165 327	204 150
3. Short-term investments	22 237	45 980	62 016	56 118
3.1. Short-term financial assets	22 237	45 980	61 013	56 118
a) in subsidiary and associated companies	-	-	4 824	9 292
b) in other companies	19	11 442	515	524
c) cash and cash equivalents	22 218	34 538	55 674	46 302
3.2. Other short-term investments	-	-	1 003	-
4. Short-term deferred expenses	1 796	2 598	7 276	6 805
Total Assets	643 730	619 591	839 160	866 000

**LIABILITIES**

I. Shareholders' Equity	75 726	74 193	124 207	74 107
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)	(44)	(44)	(3 449)	(10 568)
4. Reserve capital	113 153	113 121	18 200	16 001
5. Revaluation capital	12 380	12 411	13 323	13 119
6. Other reserve capitals	97 446	92 430	82 560	75 567
7. Differences in rates from re-counting of the subordinated entities	-	-	-	-
a) positive differences in rates	-	-	-	-
b) negative differences in rates	-	-	-	-
8. Prior years' profit (loss)	(405 188)	(405 155)	(285 229)	(304 139)
9. Net profit (loss)	42 455	45 906	83 278	68 603
10. Net profit write-downs during the financial year (negative value)	-	-	-	-
II. Minority capitals	5 253	5 131	25 987	25 057
III. Negative goodwill of the subordinated entities	28	31	498	553
IV. Liabilities and reserves for liabilities	562 723	540 236	688 468	766 283
1. Reserves for liabilities	26 936	27 752	74 396	94 183
1.1. Reserve for deferred income tax	3 444	3 330	3 553	8 307
1.2. Provisions for pension and similar benefits	2 393	2 738	4 939	5 149
a) long-term provisions	1 566	1 913	4 045	4 855
b) short-term provisions	827	825	894	294
1.3. Other provisions	21 099	21 684	65 904	80 727
a) long-term provisions	10 115	10 282	56 809	79 477
b) short-term provisions	10 984	11 402	9 095	1 250
2. Long-term liabilities	243 548	260 675	278 624	293 916
2.1. To subsidiary and associated companies	-	26	-	-
2.2. To other companies	243 548	260 649	278 624	293 916
3. Current liabilities	192 138	142 537	213 574	247 101
3.1. To subsidiary and associated companies	6 954	4 943	763	-
3.2. To other companies	184 958	137 121	211 624	245 479
3.3. Special funds	226	473	1 187	1 622
4. Accrued expenses and deferred income	100 101	109 272	121 874	131 083
4.1. Negative goodwill	-	-	-	-
4.2. Other accrued expenses and deferred income	100 101	109 272	121 874	131 083
a) long-term accruals	77 730	68 890	100 635	130 746
b) short-term accruals	22 371	40 382	21 239	337
Total Liabilities	643 730	619 591	839 160	866 000

Book value	75 726	74 193	124 207	74 107
Number of shares	107 762 023	107 762 023	107 762 023	107 762 023
Book value per share (in zlotys) - basic	0,70	0,69	1,15	0,69
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	500	500	500	1 400
1.1. From subsidiary and associated companies (due to)	500	500	500	1 400
- guarantees received	500	500	500	1 400
-	-	-	-	-
-	-	-	-	-
1.2. From other companies (due to)	-	-	-	-
- guarantees received	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2. Contingent liabilities	290 250	299 359	355 973	367 833
2.1. In favour of subsidiary and associated companies (due to)	2 125	250	1 693	2 313
- guarantees extended	2 125	250	1 693	1 591
-	-	-	-	-
- other	-	-	-	722
2.1. In favour of other entities (due to)	288 125	299 109	354 280	365 520
guarantees extended	285 825	299 109	351 350	351 743
letter of credit opening	2 300	-	2 930	8 857
- other	-	-	-	4 920
3. Other (due to)	25 593	24 093	31 050	39 030
mortgage	13 995	13 995	12 000	14 150
bills of exchange	4 900	4 900	16 550	18 460
- other	6 698	5 198	2 500	6 420
<b>Total off-balance-sheet items</b>	<b>316 343</b>	<b>323 952</b>	<b>387 523</b>	<b>408 263</b>

## Profit and loss account

	4 quarter 2004 01.10.2004 31.12.2004	4 quarters 2004 01.01.2004 31.12.2004	4 quarter 2003 01.10.2003 31.12.2003	4 quarters 2003 01.01.2003 31.12.2003
I. Net sales revenues	173 813	1 006 228	258 451	1 125 657
- of which sales to subsidiary and associated companies	-	4 594	755	1 883
1. Net sales of products	26 507	175 737	62 586	268 300
2. Net sales of merchandise and raw materials	147 306	830 491	195 865	857 357
II. Cost of products, merchandise and raw materials sold	148 845	869 437	236 539	988 778
- of which sold to subsidiary and associated companies	-	-	370	370
1. Cost of products sold	11 262	114 342	48 246	210 297
2. Cost of merchandise and raw materials sold	137 583	755 095	188 293	778 481
III. Gross profit (loss) on sales (I-II)	24 968	136 791	21 912	136 879
IV. Distribution expenses	7 673	31 105	2 412	40 423
V. General administrative expenses	13 576	45 966	10 804	44 222
VI. Profit (loss) on sales (III-IV-V)	3 719	59 720	8 696	52 234
VII. Other operating income	15 995	113 548	9 327	90 584
1. Profit on disposal of non-financial fixed assets	-	470	(2 267)	170
2. Revaluation of non-financial fixed assets	-	-	-	-
3. Other operating costs	15 995	113 078	11 594	90 414
VIII. Other operating expenses	6 886	22 385	9 445	45 897
1. Loss on disposal of non-financial fixed assets	5	1 907	(905)	6 068
2. Subsidies	3 189	8 386	(984)	15 559
3. Other operating costs	3 692	12 092	11 334	24 270
IX. Profit (loss) on operational activity (VI + VII - VIII)	12 828	150 883	8 578	96 921
X. Financial income	5 364	201 247	37 683	66 582
1. Equity income – dividends	-	6	-	-
- of which from subsidiary and associated companies	-	-	-	-
2. Interest receivable	3 459	11 613	26 142	31 625
- of which from subsidiary and associated companies	125	183	4 436	4 652
3. Gain on disposal of investments	-	-	-	-
4. Revaluation of investments	1	172 753	1	2 451
5. Other financial income	1 904	16 875	11 540	32 506
XI. Financial expenses	19 754	140 217	31 101	63 849
1. Interest payable	8 178	32 253	10 708	29 772
- of which to subsidiary and associated companies	-	35	-	-
2. Loss on disposal of investments	-	16 898	378	691
3. Revaluation of investments	-	15	452	4 940
4. Other financial expenses	11 576	91 051	19 563	28 446
<b>XII. Profit (loss) on sales of total or part of shares in subordinated entities</b>	-	<b>(32 782)</b>	-	<b>(11 891)</b>
<b>XIII. Profit (loss) on ordinary activity ( IX + X - XI +/- XII)</b>	<b>(1 562)</b>	<b>179 131</b>	<b>15 160</b>	<b>87 763</b>
XIV. Results of extraordinary events (XIV.1 - XIV.2)	(2)	(123 549)	7	5 159
1. Extraordinary gains	75	149	7	5 212
2. Extraordinary losses	77	123 698	-	53
XV. Write-downs of goodwill of the subordinated entities	21	30	3	12
XVI. Write-downs of negative goodwill of the subordinated entities	4	14	57	226
XVII. Profit (loss) before taxation (XIII +/- XIV - XV + XVI)	<b>(1 581)</b>	<b>55 566</b>	<b>15 221</b>	<b>93 136</b>
XVIII. Corporate income tax	1 599	9 223	632	9 673
a) current portion	5 363	12 489	3 461	13 242
b) deferred portion	<b>(3 764)</b>	<b>(3 266)</b>	<b>(2 829)</b>	<b>(3 569)</b>
XIX. Other obligatory profit decreases (loss increases)	-	-	(3)	-
XX. Share in net profits (losses) of companies valued under the equity method	(149)	(513)	(51)	(92)
XXI. Profits (losses) of minority	(122)	(3 375)	134	(93)
<b>XXII. Net profit (loss) (XVII-XVIII-XIX+/-XX+/- XXI)</b>	<b>(3 451)</b>	<b>42 455</b>	<b>14 675</b>	<b>83 278</b>
Net profit (loss) (on annual basis)	42 455		83 278	
Weighted average number of ordinary shares	107 762 023		107 762 023	
Earning (loss) per ordinary share (in zlotys) - basic	0,39		0,77	
Diluted weighted average number of ordinary shares				
Earning (loss) per ordinary share (in zlotys) - diluted				

## Changes in equity

	4 quarter 2004 01.10.2004 31.12.2004	4 quarters 2004 01.01.2004 31.12.2004	4 quarter 2003 01.10.2003 31.12.2003	4 quarters 2003 01.01.2003 31.12.2003
I. Shareholders' Equity at the beginning of period (opening balance)	74 193	124 207	74 107	(246 070)
a) changes in accepted accounting principles (policy)	-	-	-	-
b) corrections of material faults	-	-	-	-
I. Shareholders' Equity at the beginning of period (opening balance), after restatement to comparative data	74 193	124 207	74 107	(246 070)
1. Share capital at the beginning of period	215 524	215 524	215 524	25 668
1.1. Changes in share capital	-	-	-	189 856
a) additions, of which:	-	-	160	190 016
- issuance of shares	-	-	160	190 016
-	-	-	-	-
b) reductions, of which:	-	-	160	160
- retirement of shares	-	-	160	160
-	-	-	160	160
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	-	-	-	-
a) additions, of which:	(375)	5 638	7 141	7 141
consolidation adjustments re SAD	-	-	-	-
-	(375)	5 638	7 141	7 141
b) reductions, of which:	(375)	5 638	7 141	7 141
-	-	-	-	-
consolidation adjustments re SAD	(375)	5 638	7 141	7 141
2.2. Not paid-up share capital at the end of period	-	-	-	-
3. Own shares in treasury at the beginning of period	(44)	(3 449)	(10 568)	(44)
3.1. Changes in own shares in treasury	-	3 405	7 119	(3 405)
a) additions, of which:	-	3 405	-	-
-	-	-	-	-
consolidation adjustments re SAD	-	3 405	-	-
b) reductions, of which:	-	-	(7 119)	3 405
-	-	-	-	-
-	-	-	(7 119)	3 405
3.2. Own shares in treasury at the end of period	(44)	(44)	(3 449)	(3 449)
4. Reserve capital at the beginning of period	113 121	18 200	16 001	14 411
4.1. Changes in reserve capital	32	94 953	2 199	3 789
a) additions, of which:	32	103 153	(563)	7 606
shares issue above nominal value	-	-	-	-
- distribution of profit (by law)	-	99 128	-	1 132
- distribution of profit (above minimum value required by law)	1	1	-	-
consolidation adjustments, including adjustments connected with excluding from consolidation the companies: Ferostal, Stalexport Wielkopolska and Złomhut	-	3 993	(565)	3 821
-	-	-	-	-
- other	31	31	2	2 653
b) reductions, of which:	-	8 200	(2 762)	3 817
- coverage of loss	-	32	996	3 817
elimination of the additional payments	-	200	-	-
consolidation adjustments, including adjustments connected with excluding from consolidation the companies: Ferostal, Stalexport Wielkopolska and Złomhut	-	7 968	(3 758)	-
4.2. Reserve capital at the end of period	113 153	113 153	18 200	18 200
5. Revaluation capital at the beginning of period	12 411	13 323	13 119	15 599
5.1. Changes in revaluation capital	(31)	(943)	204	(2 276)
a) additions, of which:	-	-	206	377
-	-	-	-	-
consolidation adjustments (re-classification of equity capital)	-	-	206	377
b) reductions, of which:	31	943	2	2 653
- sale or disposal of tangible fixed assets	31	31	2	2 653
-	-	-	-	-
consolidation adjustments, including adjustments connected with excluding from consolidation the companies: Ferostal, Stalexport Wielkopolska and Złomhut	-	912	-	-
5.2. Revaluation capital at the end of period	12 380	12 380	13 323	13 323

	4 quarter 2004 01.10.2004 31.12.2004	4 quarters 2004 01.01.2004 31.12.2004	4 quarter 2003 01.10.2003 31.12.2003	4 quarters 2003 01.01.2003 31.12.2003
6. Other reserve capital at the beginning of period	92 430	82 560	75 567	4 255
6.1. Changes in other reserve capital	5 016	14 886	6 993	78 305
a) additions, of which:	5 016	14 886	6 993	81 238
profit distribution	-	-	-	74 099
partial execution of the arrangement liabilities of Stalexport S.A. instalment payments	5 016	14 886	6 847	6 993
consolidation adjustments ( re-classification of equity capital	-	-	146	146
b) reductions, of which:	-	-	-	2 933
transferring to reserve capital	-	-	-	-
loss coverage	-	-	-	2 933
-	-	-	-	-
consolidation adjustments ( re-classification of equity capital)	-	-	-	-
6.2. Other reserve capital at the end of period	97 446	97 446	82 560	82 560
7. Prior years' profit (loss) at the beginning of period	(405 155)	(285 229)	(304 139)	(44 037)
7.1. Prior years' profit at the beginning of period	25 541	310 845	287 835	21 430
a) changes in accepted accounting principles (polices)	-	-	-	-
b) corrections of material faults	-	-	-	-
7.2 Prior years' profit at the beginning of period, after restatement to comparative data	25 541	310 845	287 835	21 430
a) additions, of which:	45 906	30 099	85 892	298 929
prior years' profit distribution	45 906	3 913	68 603	3 237
-	-	-	-	-
consolidation adjustments ( re-classification of equity capital)	-	26 186	17 289	295 692
b) reductions, of which:	-	315 403	(5 721)	9 514
transition to reserve capital	-	39 731	-	27
social funds	-	-	-	-
-	-	-	-	-
other	-	-	(790)	-
- dividends payment	-	3 184	-	2 500
coverage of the prior years' loss	-	12	-	710
consolidation adjustments ( re-classification of equity capital)	-	272 476	(4 931)	6 277
7.3 Prior years' profit at the end of period	71 447	25 541	379 448	310 845
7.4 Prior years' loss at the beginning of period	430 696	596 074	591 974	65 467
a) changes in accepted accounting principles (polices)	-	-	-	-
b) corrections of material faults	-	-	5 298	5 298
7.5 Prior years' loss at the beginning of the period after restatement to comparative data	430 696	596 074	597 272	70 765
a) additions, of which:	126	3 348	1 182	534 097
transition of prior years' loss to be covered	-	3 082	1 174	348 917
consolidation adjustments ( re-classification of equity capital)	126	266	8	185 180
b) reductions, of which:	93	168 693	2 380	8 788
loss coverage	93	140	2 487	7 035
consolidation adjustments, including adjustments connected with excluding from consolidation the companies: Ferostal, Stalexport Wielkopolska and Zlomhut	-	168 553	(107)	1 753
7.6. Prior years' loss at the end of period	430 729	430 729	596 074	596 074
7.7. Prior years' profit (loss) at the end of period	(359 282)	(405 188)	(216 626)	(285 229)
8. Net profit (loss)	(3 451)	42 455	14 675	83 278
a) net profit	-	42 455	14 675	83 278
b) net loss	3 451	-	-	-
c) charges on the profit	-	-	-	-
II. Shareholders' Equity at the end of period (closing balance)	75 726	75 726	124 207	124 207
III. Shareholders' Equity adjusted by the proposed distribution of profit (coverage of loss)	-	-	-	-

## Consolidated cash flow statement (indirect method)

	4 quarter 2004 01.10.2004 31.12.2004	4 quarters 2004 01.01.2004 31.12.2004	4 quarter 2003 01.10.2003 31.12.2003	4 quarters 2003 01.01.2003 31.12.2003
<b>A. Cash flows from operating activities - indirect method</b>				
I. Net profit (loss)	(3 451)	42 455	14 675	83 278
II. Total adjustments	6 319	(30 648)	(2 565)	18 810
1. Profits (losses) of minority	122	3 375	(134)	93
2. Share in net (profits) losses of companies valued under the equity method	149	513	51	92
3. Depreciation and amortisation	2 168	13 869	9 119	36 758
write-downs of goodwill of the subordinated or negative goodwill of the subordinated entities	17	16	(54)	(214)
4. (Gain) loss on foreign exchange differences	135	400	1 079	769
5. Interest and dividends	2 073	12 356	4 466	15 695
6. (Gain) loss on investing activities	311	165 254	12 563	30 874
7. Change in provisions	54	(92)	(2 527)	(6 139)
8. Change in inventories	(29 573)	(38 943)	(5 595)	(3 150)
9. Change in receivables	(120 880)	(40 905)	89 595	101 657
10. Change in current liabilities (excluding loans and bank credits)	160 072	78 579	(134 979)	(115 812)
11. Change in deferred and accrued expenses	(12 945)	(67 613)	(24 421)	(146 037)
12. Other adjustments	4 633	(157 441)	48 218	104 010
<b>III. Net cash flows from operating activities (I+/-II)</b>	<b>2 868</b>	<b>11 807</b>	<b>12 110</b>	<b>102 088</b>



	4 quarter 2004 01.10.2004 31.12.2004	4 quarters 2004 01.01.2004 31.12.2004	4 quarter 2003 01.10.2003 31.12.2003	4 quarters 2003 01.01.2003 31.12.2003
B. Cash flows from investing activities				
I. Cash provided by investing activities	12 397	58 058	30 371	59 410
1. Disposal of intangible assets and tangible fixed assets	177	4 764	2 728	9 348
2. Disposal of investments in real-estate and intangible assets	-	-	-	-
3. Disposal of financial assets, of which:	10 861	51 935	27 707	50 062
a) in subsidiary and associated companies	19	11 265	27 260	46 975
- disposal of securities	-	9 050	6 288	21 022
- dividends and shares in profits	-	1 632	81	1 913
- long-term loans collected	-	512	20 683	21 283
- interest received	19	71	251	2 757
- other income from financial assets	-	-	(43)	-
b) in other companies	10 842	40 670	447	3 087
- disposal of securities	-	10 935	-	2 605
- dividends and shares in profits	-	5	-	-
- long-term loans collected	11 593	28 530	-	-
- interest received	(751)	-	445	480
- other income from financial assets	-	1 200	2	2
4. Other investing income	1 359	1 359	(64)	-
II. Cash used in investing activities	18 537	51 711	22 644	57 665
1. Purchases of intangible assets and tangible fixed assets	18 147	50 993	5 776	15 833
2. Purchases of investments in real-estate and intangible assets	-	-	17 017	37 661
3. For financial assets, of which:	99	317	9	4 171
a) in subsidiary and associated companies	99	302	-	4 162
- acquisition of securities	99	302	-	4 102
- long-term loans granted	-	-	-	60
b) in other companies	-	15	9	9
- acquisition of securities	-	15	9	9
- long-term loans granted	-	-	-	-
4. Dividends and other shares in profits paid to minority	-	-	-	-
5. Other investing expenses	291	401	(158)	-
III. Net cash flows from investing activities (I-II)	(6 140)	6 347	7 727	1 745

C. Cash flows from financing activities				
I. Cash provided by financing activities	97	26 862	16 196	15 989
1. Issuance of shares and other capital securities and additional paid-in capital	-	-	-	-
2. Bank credits and loans contracted	77	26 806	14 600	14 768
3. Issuance of debt securities	-	-	-	-
4. Other financial income	20	56	1 596	1 221
II. Cash used in financing activities	9 145	77 480	26 661	99 168
1. Acquisition of own shares	-	-	2 188	2 188
2. Dividends and other payments to shareholders	1 632	2 967	103	3 504
3. Profit distribution expenses other than payments to shareholders	-	-	-	-
4. Payments of bank credits and loans	4 942	42 025	18 731	68 361
5. Redemption of debt securities	-	-	-	1 000
6. Payments of other financial liabilities	-	-	17	17
7. Finance lease commitments paid	441	1 781	813	1 671
8. Interest paid	2 294	14 986	3 942	20 605
9. Other financial expenses	(164)	15 721	867	1 822
III. Net cash flows from financing activities (I-II)	(9 048)	(50 618)	(10 465)	(83 179)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(12 320)	(32 464)	9 372	20 654
E. Change in balance-sheet cash and cash equivalents	(12 320)	(32 464)	9 372	20 654
- of which change in cash and cash equivalents due to foreign exchange differences	-	42	-	-
F. Cash and cash equivalents - beginning of period	34 538	54 682	46 302	35 020
G. Cash and cash equivalents - end of period (F+/-D)	22 218	22 218	55 674	55 674
- of which those with restricted availability				

## **Commentary to the consolidated quarterly report of Capital Group of Stalexport SA for the 4<sup>th</sup> quarter of the year 2004**

### **I. Applied accounting principles, including methods of assets and liabilities valuation, measuring the financial result and preparing financial statements.**

Valuation of assets and liabilities and determining the financial result was carried out in accordance with the principles binding in the Accounting Act of 29.09.1994 (Dz. U. No 121 item 591 with successive amendments) called hereinafter the Act and the regulations of Council of Ministers dated 16.10.2001 on current and periodic information provided by issuers of securities ( Dz. U. No 139 item 1569 and of 2002 No 31, item 280 of 2003 No 220, item 2169) and the resolution of Minister of Finance dated 12 December 2001 on detailed rules of preparing financial statements of related companies by entities other than banks and insurance companies (Dz. U. z 2001 r. No 152, item 1729).

**Full consolidation** in the dominant company Stalexport S.A. included the following subsidiaries (in brackets - share of Stalexport S.A. in share capital at the end of the 4<sup>th</sup> quarter of 2004):

- Stalexport Serwis Centrum S.A. Katowice (97,78%)
- Stalexport Centrostal Warszawa S.A.(88,72%)
- Stalexport Centrostal S.A. Lublin (66%)
- Stalexport Autostrada Małopolska S.A. Mysłowice (100%)
- Stalexport Transroute Autostrada S.A. Mysłowice (55%)
- Stalexport Autostrada Dolnośląska S.A. Katowice (100%)

**Consolidation with property right** in the dominant entity Stalexport S.A. included 1 related company: Biuro Centrum Sp. z o.o. Katowice (Stalexport S.A. has got 40.63%).

Detailed information on the Capital Group, individual companies it comprises and principles of consolidation shall be published in the consolidated annual report SA-RS 2004.

### **II. Average exchange rate of EURO in the period covered by the financial statement**

Items of assets and liabilities of the balance sheet were converted into EURO according to the average exchange rate of 4.0790 in force on the balance sheet date and published by the National Polish Bank [NBP].

Individual items of profit and loss account concerning the four quarters of the current year were converted in EURO acc. to the exchange rate 4.5182 zlotys, which constitutes the arithmetic mean of average exchange rates published by NBP and binding on the last day of each month 2004.

### Comparability of data

Data included in the consolidated financial statement SA-QS 4/2004 are comparable with analogical periods of the previous year.

In the fourth quarter of 2004 the Capital Group of Stalexport SA recorded gross loss amounting to 1.581 thousand zlotys that included first of all:

- profit from sale of goods and services	3.719 thousand zlotys
- profit from other operating activities	9.109 thousand zlotys
- negative result on financial activities	- 14.390 thousand zlotys

Gross loss for 4th quarter 2004	1.581 thousand zlotys
Net loss for 4th quarter 2004	3.451 thousand zlotys

Negative financial result of Stalexport SA had decisive effect on the consolidated financial result for the 4<sup>th</sup> quarter of the year 2004, which amounted to 6 762 thousand zlotys.

### III List of shareholders having at least 5 % of total number of votes at General Meeting of Shareholders as at 25.02.2005.

The shareholders holding more than 5% of total number of votes authorized to take part in General Meeting of Shareholders of Stalexport SA are:

	Number of shares	Percent
Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej <i>[National Fund for Environmental Protection and Water Management]</i>	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 %

### IV. List of shares in the possession of group of people managing and supervising the dominant company as at 25.02.2005.

Managing persons	- 82.430 shares
Supervising persons	- 7.075 shares

### V. List of actions pending before the court as at 31.12.2004.

In Stalexport S.A. total value of actions pending before the court amounts to 22,989 thousand zlotys, of which 11,995 thousand zlotys in the court enforcement for shares of Huta Szczecin SA., which was suspended by the decision of the District Court in Katowice dated 23.03.2004 in connection with the bankruptcy petition with the possibility to make an arrangement.

Stalexport S.A. was sued by Inkasso Reform for the amount of 1,111 thousand zlotys. The petitioner demands compensation from the dominant company in connection with actions undertaken by court enforcement officer acting on petition of Stalexport SA. The case is pending.

The detailed list of the pending actions before court, regarding the dominant company was described in the Commentary to the individual financial report for IV quarter 2004.

In 2002 Stalexport Transroute Autostrada S.A. due to the instituted legal anti-monopoly proceedings received a decision of the Chairman of the Antimonopoly Office which inflicted a penalty in the amount of 678 thousand zlotys for application of the practices limiting competition. The company established reserves for the a/m sum burdening the other operating costs of 2002. On 24.03.2004 before District Court in Warsaw a trial was held by the complaint of Stalexport Transroute Autostrada S.A. against the Chairman of the Antimonopoly Office regarding an appeal of STA S.A. against a decision of the Chairman of Antimonopoly Office, no RKT 6/2003 given on 21.03.2003. The Court passed a judgement according to which the appeal lodged by the company was wholly dismissed. The company lodged a cassation in this matter to the Supreme Court.

In other companies constituting the Capital Group the value of actions pending before the court does not exceed the amount of 10% of their share capitals.

#### **VI. Description of important events in the Capital Group Stalexport SA in the period from 01.10. 2004 to 31.12.2004.**

- On 05.10.2004 the dominant company executing the arrangement agreement repaid the fifth quarterly instalment for the major creditors in the total amount of 11,093 thousand zlotys.
- On 22.10.2004 Stalexport S.A. passed the resolution on commencing the works aimed at merging the company Stalexport Centrostal Warszawa S.A. with the dominant company.
- On 04.11.2004 Stalexport Autostrada Małopolska S.A. (Stalexport S.A. subsidiary in 100 %) signed with KN Orlen S.A. an agreement on transferring the rights and duties resulting from z lease agreement, on the strength of which Stalexport Autostrada Małopolska S.A. became the entity leasing Traveller Service Points on the motorway A-4 Katowice-Kraków.
- On 17.12.2004 Stalexport S.A. submitted to the State Treasury, represented by the Silesian voivode, a preliminary purchase offer of PPOWH Centrostal Górnśląski. At the later stage, according to schedule presented by the Silesian voivode, Stalexport S.A. provides for submitting a firm offer.

#### **VIII. Description of other factors and events having an effect on achieved financial results of Capital Group Stalexport SA.**

1. In the 4<sup>th</sup> quarter 2004 income from sale of goods and products of Capital Group of Stalexport SA amounted to 173.813 thousand zlotys and were by 84.638 thousand zlotys lower in comparison with the 4<sup>th</sup> qtr of the previous year. The decline in turnover was caused by:
  - the loss of sales volume in the amount of ca 42 m zlotys of the companies Ferrostal Łabędy and Złomhut (sale of shares) as well as Stalexport Wielkopolska (loss of control because of bankructcy) ,

- Change of the supply policy by ISPAT, which resulted in considerable limitation of supplies of iron ores for Huta Katowice and Huty Sendzimir by Stalexport S.A., causing the decrease in sale by virtue of imports by 22 m zlotys.
- over and above the average seasonal decrease in demand for steel products and limited working capital In other part.

2. The worked out gross profit on sales in the Capital Group in 4th quarter of 2004 decreased by 3,056 thousand zlotys.

The main share in the worked out gross profit margin on sales in the discussed period was produced by the motorway activity.

The increase in traffic density of vehicles on A4 motorway consistent with the worked up long-term prognosis was the sources of the maintaining high profitability of the motorway activity in the 4<sup>th</sup> qtr and in the whole 2004. The achieved revenues allowed to execute capitalising own investments comprising general overhauls and modernisation of the bridges and the overhauls of the road surface. The costs of the investment in the 4<sup>th</sup> qtr of the current year amounted to 17,150 thousand zlotys, in 2004 the investment outlays amounted to 46,978 thousand zlotys.

The decline in gross margin in commercial activity was noted. The decline in gross margin was mainly caused by diminished demand for steel products in the end of the year and an increase in zlotys value, what was reflected in the decrease in export margin. Simultaneously the decrease in import sales, because of the limited iron ore supplies, did not allow to compensate the export margin decline by virtue of strong zloty. The lack of external financing sources also affected the margin volume, and the limited working capital did not allow the Company to fully achieve the higher possible turnover.

3. In the 4th quarter of the current year there was also an increase in general costs caused by expanding the organisational structure in the dominant entity by new trade depots in Wielkopolska and Rzeszów, and it was connected with the necessity to bear the additional personal and exploitation costs.

#### **IX. Events occurring after the date of the consolidated balance sheet.**

- Stalexport S.A. executing the arrangement agreement, on 05.01.2005 paid the sixth quarterly instalment for the major creditors in the amount of 11,167 thousand zlotys.
- On 13.01.2005 the person supervising the dominant company purchased 3,000 shares of Stalexport S.A on the stock exchange market, which was included in point V of this commentary.
- On 20.01.2005 the Extraordinary General Meeting of Shareholders of Stalexport S.A. passed the resolution regarding the merger of the dominant company Stalexport S.A. with the subsidiary Stalexport Centrostal Warszawa S. A.
- As from 3.01.2005 the subsidiary - Stalexport Autostrada Małopolska SA introduced the new tolls on the A4 motorway. The toll for motor-cars was increased from 10 zlotys to 11 zlotys, while for trucks from 22 zlotys to 25 zlotys. The increase in tolls is connected with the rise in VAT tax from 7 % to 22 %. The necessity to increase the tolls did not result in a decline in traffic density within 2 months of the current year.