

Auditor's Report
on the review of the financial statements
for the period from 1 January 2005 to 30 June 2005

For the Supervisory Board of **Stalexport S.A.**

We have reviewed the accompanying financial statements of **Stalexport S.A.** in Katowice, consisting of:

- an introduction,
- the balance sheet prepared as at 30 June 2005, showing total assets and liabilities of **516.137.401,70 zł**,
- the profit and loss account for the period from 1 January 2005 to 30 June 2005, showing a net profit of 1.012.491,76 zł,
- statement of changes in shareholders' equity, showing an increase in shareholders' equity of **6.732.397,70 zł**,
- the cash flow statement for the period from 1 January 2005 to 30 June 2005, showing a net cash decrease of 404.558,87 zł,
- notes to the financial statements.

The Management Board of the Company is responsible for the preparation of the financial statements.

Our responsibility was to perform a review of these financial statements.

We conducted our review in accordance with the provisions of the Accounting Act and professional auditing standards issued by the Polish National Chamber of Certified Auditors. The standards require us to plan and perform the review in a manner enabling us to obtain reasonable assurance that the financial statements are free of material misstatements.

We conducted the review mainly by analyzing the data in the financial statements, examining the books of account and using information provided by the management and employees in charge of the Company's finances and accounting.

The scope and methodology of interim reviews differs significantly from that of the audits based on which opinions are issued on the truth and fairness of annual financial statements. For this reason we are unable to issue such an opinion on the accompanying financial statements.

We draw your attention to the fact that value of the Company's equity continues to be negative despite the fact that it had increased by the value of the liabilities cancelled in the composition proceeding, as well as the net profit earned in the reviewed period. Nonetheless, the financial statements have been prepared on a going concern basis.

The Company's continuation of operations in future years is still dependent on the realization of the provisions of the settlement and restructuring agreements concluded with the creditors. In the reviewed period the Company fulfilled its settlement obligations as scheduled.

The fact that it will take longer than expected for the Company's previous investments in the construction of a highway to yield a return constitutes an additional threat to the repayment of the future settlement installments.

We would like to inform you that the balance of the guarantees issued on investment credits amounts to 279.938.725,82 zł. If the investment process at this entity is not completed successfully, the guarantees granted to the entity may become due and payable.

Subject to the above, our review did not disclose the need for the introduction of any material changes that would be necessary for the interim financial statements to present truly and fairly the Company's financial position as at 30 June 2005 and its financial result for the period from 1 January 2005 to 30 June 2005, as provided for in International Accounting Standards, International Financial Reporting Standards and the applicable European Commission Decrees, and for issues not regulated by the above standards – in the Accounting Act dated 29 September 1994 (2002 Journal of Laws No. 76, item 694) and related regulations, as well as in the Council of Ministers' Decree dated 21 March 2005 on the current and periodic information submitted by the issuers of securities (2005 Journal of Laws No. 49, item 463).

Katowice, 26 September 2005

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02-676 Warszawa
Registration No. 523
Katowice Branch
ul. Drzymały 15
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Halina Żur-Zuber
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Explanatory information to financial report as at 30.06.2005.

Issuer: Stalexport Joint Stock Company, with registered office in: 40-085 Katowice, ul. Mickiewicza 29 Judicial Domestic Register KRS no 16854.

Core business: wholesale of metals and metal ores - PKD 5152.

The annual report for 1st half 2005 was drawn up under the assumption of continuation of the business activity.

The financial report for 1st half 2005 was drawn up according to the all binding International Accounting Standards and International Standards of Financial Reporting binding as at 30.06.2005. 01.01.2005 is the day of change to International Accounting Standards.

The principles of accounting policy accepted by the Company

Long-term assets

Tangible fixed assets

The fixed assets comprise the assets components according to the net purchase prices (without VAT tax) the period of use of which exceeds 1 year and the right of perpetual usufruct of land, the co-operative ownership right to an apartment, the land in perpetual usufruct.

Fixed assets are amortised the moment they are accepted for usage.

Land is not amortised. The costs of overhaul and modernisation not increasing the beginning use value of given component of fixed assets, debit the costs of period in which they were born.

The company amortised tangible fixed assets by straight line method in the period of economic use.

Fixed assets which are the subject of financial leasing, are shown in the balance sheet on a par with other components of fixed assets and they are subject to amortisation according to the same principles.

The value of tangible fixed assets evaluated as at 30.06.2005 does depart from their fair value. The Company applies the depreciation rates according to the principles resolved in Act of 15.02.1992 on income tax from legal persons /Journal on Laws No.54 of 2000, item 654 with later amendments/, and it recognised that they are consistent with economic period of their applied use.

For the co- operative ownership right to an apartment one has adopted the amortization according to the rate of 2.5% and for the right of perpetual usufruct of land the rate of 5%.

Intangible assets

Intangible fixed assets with determined period of use are subject to amortisation via straight line method in the period of their economic use.

Negative goodwill

Negative goodwill resulted from merger of the Company Stalexport S. A. and Stalexport Centrostal Warszawa S. A.

Negative goodwill was fixed on the basis of fair value of assets, liabilities and contingent liabilities of the taken over Company and on the day of the merger it amounted to 1 191 547,65 zloty.

As on the balance sheet day, i.e. on 30.06.2005 it was corrected in the amount of 533 809,28 zloty by disclosed differences between fixed fair value of assets and liabilities, and their actual(true) and factual value.

Considering the complexity of assets and liabilities of the taken over Company, Stalexport S. A. assumes further adjustment of goodwill, which will finally be determined as at 31.12.2005 in accordance with International Standards of Financial Reporting no 3 § 62.

Long-term receivables

Long-term receivables are evaluated at the purchase prices, considering the principles of a careful evaluation, thus decreased by the updating write offs.

Long-term receivables in the Company are covered by restructuring agreements which determine the re-payment conditions and their discount, the value of which is included in financial incomes.

Long-term investments

The components of long-term financial assets are evaluated at purchase prices considering the adjustment for permanent loss of value, which as at 30.06.2005 amounted to 73 701 thousand zloty and regarded:

- the updating write offs of the value of long-term financial asset of subordinated entities 50 926 thousand zloty
- other entities in the amount of 22 775 thousand zloty

The Company did not establish updating write offs for long-term financial assets in the 1st half 2005.

Investment real estates are maintained so as to obtain incomes from lease or accrual of their value. They are evaluated as on the balance sheet day according to their fair value. Revenues and costs connected with determining their fair value are assigned to profit and loss account in the period their originated.

Assets available for sale

Assets available for sale is the group of assets for which the Company's management have been looking for purchasers and it is probable that the assets will be sold within one year or their are immediately available for sale.

Assets by virtue of deferred income tax

The Company Stalexport S. A., considering the high tax loss and the lack of expectations for occurring tax profit in the current year, does not establish write offs for assets by virtue of deferred income tax. As a result of merger with Stalexport Centrostal Warszawa S. A. Stalexport S. A. took over the assets by virtue of deferred income tax, these assets will be settled till 31.12.2005 r.

Short-term assets

Inventories

Inventories comprise:

- goods in warehouses evaluated at purchase prices
- goods to arrive evaluated at purchase prices
- finished products at manufacturing costs
- merchandise evaluated at purchase prices
- advances for supplies shown in value of prepayments made

The method „ first in, first out” was accepted as the method of disposal of inventories. If the purchase price or the technical manufacturing cost is higher than anticipated sale price the Company establish updating write offs which correct the manufacturing cost.

Moreover the Company establish updating write offs for inventories lying more than a year.

Short-term receivables

Short-term receivables are shown in value due for payment considering careful evaluation, i.e. diminished by the updating write-offs which resulted from carried out analysis of executing these receivables and from decisions made by the Management Board of the Company.

The amounts of established write-offs updating the receivables are assigned to other revenues and costs of activity.

Receivables in foreign values are shown according to the nominal value, calculated to zloty according to average rate of National Bank of Poland as at 30.06.2005. Negative rate differences which occurred in connection with an evaluation as on the balance sheet day was included in costs of financial transactions, while positive rate differences were included in financial incomes.

Short-term investments

Short-term investments comprise:

- securities which are shown in purchase prices according to the method first in – first out and are subject to re-valuation as on the balance sheet day according to stock exchange listing as on 30.06.2005 given by Warsaw Stock Exchange,
- short-term loans shown in the amount due for payment.

Cash and its equivalent

Cash comprises cash at bank and on hand. They are shown according to nominal value, and in foreign currencies calculated according to binding average rate of National Bank of Poland as on 30.06.2005. Positive rate differences increase financial incomes and negative rate differences increase financial costs.

Short-term interperiod settlements

Short-term interperiod settlements comprise subscription costs, energy costs and other.

Liabilities

Long-term liabilities

Liabilities comprise:

- receivables by virtue of credits and loans – are shown at purchase prices corresponding fair price of received cash, arrangement liabilities – were recorded in connection with concluded by Stalexport S. A. agreement with creditors after taking into consideration of 40 % depreciation resulting from concluded arrangement agreement,
- leasing liabilities – are activated on the day the leasing begins according to the lower of two values: fair values of the subject of leasing or current value of minimum leasing charges,
- liabilities towards State Treasury in the amount due for payment according to the concluded agreement,
- deferred income tax reserve – established for put down interests on receivables, on evaluation of land in perpetual usufruct and other evaluation of assets,
- reserves for other liabilities – established when the Company has legal duty resulting from the past events and when it is probable that this duty fulfilment result in outflow of means and that reliable evaluation of the amount of this liability can be made,

- long-term interperiod settlements – comprise 40 % of depreciation of liabilities in connection with the concluded agreement, which is settled for reserve capital and financial result, the moment the arrangement instalment is repaid.

Short-term liabilities

These liabilities are shown in the amount due for payment, and in foreign currency are calculated according to binding average rate of National Bank of Poland as at 30.06.2005.

Negative rate differences were included in costs of financial transactions, while positive rate differences were included in financial incomes.

Short-term liabilities comprise:

- credits and loans which were granted for one year,
- liabilities by virtue of trade account receivable – liabilities with maturity up to one year,
- other liabilities – liabilities by virtue of customs, taxes, insurances and other benefits prepayments received, bill of exchange liabilities, by virtue of investments and other,
- reserves for liabilities and short-term interperiod settlements – refer to the same items as the items mentioned in long-term liabilities, but with the execution period of one year.

Disclosure regarding key changes in connection with adaptation of the accounting principles to international accounting standards / international standards of financial reporting (MSR/MSSF)

Adaptation of the accounting principles to MSR/MSSF did not affect the financial result of the Company as well as the equity capital. The changed principles affected only the presentation of particular assets and liabilities of the balance sheet, profit and loss account, what was shown in attached tables of changes.

SECURITIES AND STOCK EXCHANGE COMMITTEE

Semi-annual report SA-P 2005

according to § 93 passage 1, point 2 of the Decree of the Cabinet dated 21st March 2005 - Journal on Laws no 49, item 463

(for issuers of securities of manufacturing, construction, commercial or service activity)

for the financial half of the financial year covering the period from 01.01.2005 to 30.06.2005

and for the half of the previous financial year covering the period from 01.01.2004 to 30.06.2004

30.09.2005

(date of publishing)

STALEXPORT Joint Stock Company		
(full name of the issuer)		
STALEXPORT SA		metal sector 17
(abridged name of issuer)		(sector acc. to Securities Stock Exchange classification in Warsaw)
40-085		Katowice
(postal code)		(city)
Mickiewicza		29
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634-01-34-211	271936361	www.stalexport.com.pl
(NIP- Tax Identification No.)	REGON- statistical No.)	(WWW)

BDO Polska Sp. z o.o.

(entity entitled to carry out the examination)

The semi-annual report contains :

- x The report of the entity entitled to carry out the examination of the financial reports from reviewing the semi-annual financial report
- x Semi-annual financial report
 - x Introduction
 - x Balance sheet
 - x Profit and loss account
- x Management Board report
- x List of changes in equity capital
- x Cash flow account
- x Additional information and explanations

SELECTED FINANCIAL DATA	thousand EURO			
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
I. Net incomes from sale of products, goods and materials	242 707	438 916	59 480	107 564
II. Profit (loss) on operating activity	5 429	93 917	1 330	23 016
III. Gross profit (loss)	407	11 463	100	2 809
IV. Net profit (loss)	1 012	11 455	248	2 807
V. Net cash flows from operating activity	6 808	-3 919	1 668	-960
VI. Net cash flows from investment activity	5 686	25 960	1 393	6 362
VII. Net cash flows from financial activity	-12 899	-21 014	-3 161	-5 150
VIII. Net cash flows in total	-405	1 027	-100	252
IX. Assets in total	516 137	619 014	127 754	153 218
X. Liabilities and reserves for liabilities	538 368	658 135	133 256	162 901
XI. Long-term liabilities	352 559	395 173	87 265	97 813
XII. Short-term liabilities	185 809	262 962	45 991	65 088
XIII. Equity capital	-22 231	-39 121	-5 502	-9 683
XIV. Stock capital	215 524	215 524	53 346	53 346
XV. Number of shares	107 762 023	107 462 023	107 762 023	107 762 023
XVI. Profit (loss) per one ordinary share (in zlotys/EUR)	0,01	0,11	0,00	0,03
XVII. Diluted profit (loss) per one ordinary share (in zlotys/EUR)				
XVIII. Book value per one share (in zlotys/EUR)	-0,21	-0,36	0,00	-0,09
XIX. Diluted book value per one share (in zlotys/EUR)				
XX. Declared or paid dividend per one share (in zlotys/EUR)				

Balance sheet

	note	30.06.2005	2004	30.06.2004
ASSETS				
I. Long-term assets		345 757	335 916	349 420
1. Fixed assets	1	48 846	26 240	154 684
2. Intangible assets including:	2	218	210	1 150
- goodwill				
3. Long-term receivables	3	972	50 800	60 817
4. Long-term investments	4	161 394	128 455	130 570
4.1 real estates		83 603	36 658	36 658
4.1 intangible assets				
4.3 long-term financial assets		77 591	91 597	93 712
a) in related entities, including:		75 780	89 789	92 008
- stocks or shares in subsidiary entities evaluated via the method of ownership rights		32	32	32
shares in subsidiary and correlated entities not covered by consolidation		232		
b) in other entities		1 811	1 808	1 704
4.4 Other long-term investments		200	200	200
5. Assets available for sale	5	130 226	130 211	2 199
6. Assets by virtue of the deferred income tax	6	4 101		
7. Long-term interperiod settlements	7			
II. Short-term assets		170 380	181 601	269 594
1. Inventories	8	48 189	59 864	50 939
2. Short-term receivables	9	113 896	113 981	190 474
3. Short-term investments	10	271	19	13 550
4. Cash and its equivalent	11	6 273	6 678	13 103
5. Short-term interperiod settlements	12	1 751	1 059	1 528
Assets in total		516 137	517 517	619 014

	note	30.06.2005	2004	30.06.2004
LIABILITIES				
I. Equity capital		-22 231	-28 963	-39 121
1. Stock capital	13	215 524	215 524	215 524
2. Due payments for the stock capital (negative value)				
3. Own shares (negative value)	14	-428		
4. Inventory capital	15		42 343	42 312
5. Capital from updating evaluation	16	8 457	8 457	8 488
6. Other reserve capitals	17	6 147	95 979	87 242
7. Profit (loss) from previous years		-252 943	-404 142	-404 142
8. Net profit (loss) per the shareholders of the Company		1 012	12 876	11 455
9. Deductions from net profit within the financial year (negative value)	18			
II. Long-term liabilities		352 559	368 059	395 173
1. Credits and loans	19	99 373	100 110	116 744
2. Liabilities by virtue of financial leasing	19	1 216		0
3. Liabilities by virtue of trade account receivable	19			
4. Other liabilities	19	182 341	197 190	143 520
5. Reserve by virtue of the deferred income tax	20	9 472	725	758
6. Reserves for other liabilities	21	11 115	11 557	15 791
7. Long-term interperiod settlements	22	49 042	58 477	118 360
III. Short-term liabilities		185 809	178 421	262 962
1. Credits and loans	23	21 956	12 542	13 753
2. Liabilities by virtue of financial leasing	23			
3. Liabilities by virtue of trade account receivable	23	115 016	125 005	129 053
4. Other liabilities	23	15 825	8 118	84 117
5. Reserves for liabilities	24	10 604	11 007	11 760
6. Short-term interperiod settlements	25	22 408	21 749	24 279
Liabilities in total		516 137	517 517	619 014

Book value		-22 231	-28 963	-39 121
Number of shares		107 762 023	107 762 023	107 762 023
Book value per one share (in zloty)		(0,21)	(0,27)	(0,36)
Diluted number of shares				
Diluted book value per one share in zloty				

Profit and loss account

	note	30.06.2005	30.06.2004
I. Net incomes from the sale of products, goods and materials, including:		242 707	438 916
1. Net incomes from the sale of products	27	21 447	54 438
2. Net incomes from the sale of goods and materials	28	221 260	384 478
II. Costs of sold goods, products and materials, including:		226 063	408 762
1. Cost of manufacturing sold products	29	19 618	52 015
2. Value of sold goods and materials		206 445	356 747
III. Gross profit (loss) on sales (I - II)		16 644	30 154
IV. Other operating incomes	30	17 241	87 254
V. Sales costs	29	5 313	7 129
VI. Costs of general management	29	15 021	9 646
VII. Other operating incomes	31	8 122	6 716
VIII. Profit (loss) from operating activity (II + IV - V- VI - VII +/- VIII)		5 429	93 917
IX. Financial incomes	32	11 144	164 067
1. Dividends and shares in profits		1 471	1 213
2. Interests		5 791	2 090
3. Profit from investment sale		324	
4. Updating the investment value		65	158 146
5. Other		3 493	2 618
X. Financial costs	33	16 166	246 521
1. Interests		14 599	14 069
2. Loss from investment sale			155 453
3. Updating the investment value			15
4. Other		1 567	76 984
XI. Gross profit (loss) (IX + X - XI +/- XII)		407	11 463
XII. Income tax	34	-605	8
a) current part			
b) deferred part		-605	8
XIII. Net profit (loss) (XIII - XIV +/- XVI) including:		1 012	11 455

Net profit (loss)		2 434	37 943
Average weighted number of ordinary shares		107 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)	35	0,02	0,35
Average weighted diluted number of ordinary shares			
Diluted profit (loss) per one ordinary share (in zloty)			

Changes in equity capital

	30.06.2005	2004	30.06.2004
I. Equity capital at the beginning of the period (Opening Balance - OB)	-28 963	-56 725	-56 725
a) changes of adopted principles of the accounting (policy)			
b) corrections of basic errors			
I.a. Equity capital at the beginning of the period (OB), after squaring with comparabe data	-28 963	-56 725	-56 725
1. Stock capital at the beginning of the period	215 524	215 524	215 524
1.1. Changes of stock capital	0	0	0
a) increases (by virtue)	0	0	0
- share issuance (issuing shares)			
increase in basic capital			
b) decreases (by virtue of)	0	0	0
- amortization (of shares)			
decrease in basic capital			
1.2. Stock capital at the end of the period	215 524	215 524	215 524
2. Due payments for stock capital at the beginning of the period			
2.1. Changes of due payments for stock capital	0	0	0
a) increases (by virtue)	0	0	0
- consolidated adjustments re SAD			
b) decreases (by virtue of)	0	0	0
-settlement of due payments			
- consolidated adjustments			
2.2. Due payments for stock capital at the end of the period	0	0	0
3. Own shares at the beginning of the period			
3.1. Changes of own shares	-428	0	0
a) increases (by virtue of)	-570	0	0
- issuing for minority shareholders	-570		
- consolidated adjustments			
b) decreases (by virtue of)	-142	0	0
- issuing for minority shareholders	-142		
- consolidated adjustments			
3.2. Own shares at the end of the period	-428	0	0
4. Stock capital at the beginning of the period	42 343	2 634	2 634
4.1. Changes of inventory capital	-42 343	39 709	39 678
a) increases (by virtue of)	0	39 709	39 678
- share issuing above the nominal value			
- from the profit distribution (statutory)		39 678	39 678
- from the profit distribution (above the minimum value statutory required)			
-consolidated adjustments			
- other			
- sale of fixed assets		31	
b) decreases (by virtue of)	42 343	0	0
- loss coverage	42 343		
-sale, liquidation of fixed assets			
-consolidated adjustments			
4.2. Inventory capital at the end of the period	0	42 343	42 312
5. Capital from updating the evaluation at the beginning of the period	8 457	8 488	8 488
5.1. Capital changes from updating the evaluation	0	-31	0
a) increases (by virtue of)	0	0	0
- consolidated adjustments			
b) decreases (by virtue of)	0	31	0
- disposal of fixed assets		31	
- consolidated adjustments			
5.2. Capital from updating the evaluation at the end of the period	8 457	8 457	8 488

	30.06.2005	2004	30.06.2004
6. Other reserve capitals at the beginning of the period	95 979	81 093	81 093
6.1. Changes of other reserve capitals	-89 832	14 886	6 149
a) increases (by virtue of)	6 147	14 886	6 149
- profit distribution			
- executing arrangement commitments instalment re-payments	6 147	14 886	6 149
- consolidated adjustments			
b) decreases (by virtue of)	95 979	0	0
- re-booking for inventory capital			
- loss coverage	95 979		
- other			
- consolidated adjustments			
6.2. Other reserve capitals at the end of the period	6 147	95 979	87 242
7. Profit (loss) from previous years at the beginning of the period	-391 266	-364 464	-364 464
7.1. Profit from previous years at the beginning of the period	12 876	39 678	39 678
a) changes of the adopted principles of the accounting (policy)			
b) corrections of basic errors			
7.2. Profit from previous years at the beginning of the period, after squaring with comparable data	12 876	39 678	39 678
a) increases (by virtue of)	0	0	0
- profit distribution from previous years			
- other			
- consolidated adjustments			
b) decreases (by virtue of)	12 876	39 678	39 678
- transferred for inventory capital	12 876	39 678	39 678
- The Institutional Social Benefit Fund			
- payment of dividends			
- other			
- consolidated adjustments			
7.3. Profit from previous years at the end of the period	0	0	0
8.4. Loss from the previous years at the beginning of the 7eriod	404 142	404 142	404 142
a) changes of the adopted principles of the accounting (policy)			
b) corrections of basic errors			
7.5. Loss from the previous years at the beginning of the period, after squaring with comparable data	404 142	404 142	404 142
a) increases (by virtue of)	0	0	0
- loss transfer from previous years for coverage			
- other			
- consolidated adjustments			
b) decreases (by virtue of)	151 199	0	0
- loss coverage from profit	151 199		
- consolidated adjustments			
7.6. Loss from previous years at the end of the period	252 943	404 142	404 142
7.7. Profit (loss) from previous years at the end of the period	-252 943	-404 142	-404 142
9. Net result per shareholders of the Company	1 012	12 876	11 455
a) net profit per Company's shareholders	1 012	12 876	11 455
b) net loss per Company's shareholders			
b) deductions from profit			
II. Equity capital at the end of the period (Closing balance)	-22 231	-28 963	-39 121
III. Equity capital after taking into consideration the proposed profit distribution (loss coverage)			

Consolidated cash flow (indirect method)

	30.06.2005	30.06.2004
A. Net cash flows from operating activity - indirect method		
I. Net profit (loss) per shareholders of the Company	1 012	11 455
II. Corrections in total:	5 796	-15 374
1. Share in net profits (losses) of subordinated entities evaluated via the method of ownership rights		
2. Depreciation, of which	1 098	4 812
3. Profits (losses) by virtue of foreign exchange rate differences		
4. Interests and shares in profits (dividends)	-967	7 273
5. Profit (loss) from investment activity	-366	156 967
6. Change of the state of reserves	-210	8
7. Change of the state of inventories	11 679	-19 746
8. State of the state of receivables.	49 913	-63 736
9. Change of the state of short-term liabilities, with the exception of loans and credits	-15 915	102 525
10. Change of the state of interperiod settlements	-10 312	-48 956
11. Other corrections	-29 124	-154 521
III. Net cash flows from operating activity (I + II)	6 808	-3 919

	30.06.2005	30.06.2004
B. Net cash flows from investment activity.		
I. Proceeds	5 940	26 316
1. Sale of intangible and tangible fixed assets	69	2 406
2. Sale of investment in the real estate and intangible assets		
3. Sale of financial assets, including:	5 871	23 910
a) in related entities	1 471	2 225
- sale of financial assets		500
- dividends and shares in profits	1 471	1 213
- repayment of granted long-term loans		512
- interests		
- other proceeds from financial assets		
b) in other entities	4 400	21 685
- sale of financial assets	389	5 500
- dividends and shares in profits		
- repayment of granted long-term loans	141	15 000
- interests	3 870	
- other proceeds from financial assets		1 185
4. Other investment proceeds		
II. Expenses	254	356
1. Purchase of intangible assets and tangible fixed assets	254	189
2. Investments in the real estates and intangible assets		
3. For financial assets, including:	0	167
a) in related entities	0	152
- acquisition of financial assets		152
- granted long-term loans		
b) in other entities	0	15
- acquisition of financial assets		15
- granted long-term loans		
4. Dividends and other share in profits paid to minority		
5. Other investing expenses		
III. Net cash flows from investment activity (I - II)	5 686	25 960

	30.06.2005	30.06.2004
C. Cash flows from financial activity		
I. Proceeds	0	0
1. Net proceeds from the shares issuing (issuing of shares) and other capital instruments and capital surcharges		
2. Credits and loans		
3. Issuance of indebted securities		
4. Other financial proceeds		
II. Expenses	12 899	21 014
1. Acquisition of own shares	428	
2. Dividends and other payments in favour of owners		
3. Expenses by virtue of profit distribution other than payments in favour of owners		
4. Repayments of credits and loans	8 097	12 528
5. Redemption of indebted securities		
6. By virtue of other financial assets		
7. Payments of liabilities by virtue of financial leasing agreements		
8. Interests	4 374	8 486
9. Other financial expenses		
III. Net cash flows from financial activity (I - II)	-12 899	-21 014
D. Net cash flows (A.III+B.III+C.III)	-405	1 027
E. Balance sheet change of the state of cash, including:	-405	1 027
- change of the state of cash by virtue of foreign exchange rate differences		-25
F. Cash at the beginning of the period	6 678	12 076
G. Cash at the end of the period (D+F), including	6 273	13 103
- with a limited disposing capacity		

Explanatory notes to consolidated balance sheet

Note 1A

TANGIBLE FIXED ASSETS	30.06.2005	2004	30.06.2004
a) tangible assets, of which:	48 718	26 147	154 679
#NAZWA?	6 063	4 640	4 686
- buildings, premises and land and water engineering structures	37 429	19 173	145 704
- machinery and technical equipment	3 946	1 947	3 575
- transportation vehicles	1 030	144	194
- other tangible assets	250	243	520
b) tangible assets in progress	128	93	5
c) prepaid tangible assets in progress			
Total tangible fixed assets	48 846	26 240	154 684

Note 1B

CHANGES IN TANGIBLE FIXED ASSETS (by category)	
<i>see page 11 (page= strona)</i>	

BALANCE SHEET TANGIBLE FIXED ASSETS (BY OWNERSHIP)	30.06.2005	2004	30.06.2004
a) owned	46 934	24 613	154 189
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:	1 784	1 534	490
- passenger's car leasing	233		
Total balance sheet tangible fixed assets	48 718	26 147	154 679

TANGIBLE FIXED ASSETS SHOWN PFF-BALANCEE SHEET	30.06.2005	2004	30.06.2004
used under leasing, rent, tenancy or similar contract, including lease contract, of which:			221
- value of land in perpetual usufruct			
- means of A4 motorway			
Total off-balance sheet tangible fixed assets	0	0	221

Note 1B

CHANGES IN TANGIBLE FIXED ASSETS - by category						
SPECIFICATION	-land (inclusive of right perpetual usufruct of land)	- buildings, premises and land and water engineering structure	-machinery and technical equipment	- means of transport	- other tangible assets	Total tangible fixed assets
a) gross value of tangible fixed assets at the beginning of period	4 784	27 453	19 647	1 096	1 489	54 469
b) additions of which)	1 479	18 815	2 759	990	49	24 092
- purchase		21	136			157
- accept from investment						0
- donations						0
- widening of the Capital Group						0
- other	1 479	18 794	2 623	990	49	23 935
c. Reductions, of which :	0	0	539	144	0	683
- sale			8			8
- liquidation				144		144
- donations			11			11
- Capital Group decreasing						0
- other			520			520
d. Gross value of tangible fixed assets at the end of period	6 263	46 268	21 867	1 942	1 538	77 878
e. Accumulated depreciation (amortisation) at the beginning of period	144	8 280	17 700	952	1 246	28 322
f. Depreciation for the period of which)	56	559	221	-40	42	838
- current amortisation	56	559	305	77	42	1 039
- changes in the Capital Group						0
- disposal, liquidation and donations of tangible fixed assets and other deductions			84	117		201
g. Accumulated depreciation (amortisation) at the end of period	200	8 839	17 921	912	1 288	29 160
h. Write-downs due to permanent loss of value at the beginning of period						0
- additions						0
- reductions						0
i. Write-downs due to permanent loss of value at the end of period	0	0	0	0	0	0
j. Net value of tangible fixed assets at the end of period	6 063	37 429	3 946	1 030	250	48 718

Note 2A

INTANGIBLE FIXED ASSETS	30.06.2005	2004	30.06.2004
a. Costs of finished research and development work			
b) goodwill			
c) concessions, patents, licenses and similar assets, of which:	215	206	1 145
- computer software	205	190	230
d) other intangible assets	3	4	5
e) prepaid intangible assets			
Total intangible assets	218	210	1 150

Note 2B

CHANGES IN INTANGIBLE ASSETS - by category	
<i>see page 13</i>	

Note 2C

INTANGIBLE ASSETS - by ownership	30.06.2005	2004	30.06.2004
a) owned	218	210	1 150
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:			
-			
Total intangible assets	218	210	1 150

Note 2B

CHANGES IN INTANGIBLE ASSETS - by category							
	a	b	c		d	e	
	costs of finished research and development work	goodwill	concessions, patents, licences and similar assets purchased, of which:		other intangible assets	prepaid intangible assets	Total intangible assets
				computer software			
a). Gross value of intangible assets at the beginning of period			1 681	998	970		2 651
b) additions, of which:	0	0	67	67	0	0	67
- purchase			62	62			62
- accept from investment							0
- privatisation, costs of bond issue							0
- Capital Group widening							0
- other			5	5			5
c) reductions, of which:	0	0	0	0	0	0	0
- sale							0
- liquidation							0
- Capital Group decreasing							0
- other							0
d) gross value of intangible assets at the end of period	0	0	1 748	1 065	970	0	2 718
e) accumulated amortisation at the beginning of period			1 475	808	966		2 441
f. Amortisation for the period, of which:	0	0	58	52	1	0	59
- current amortisation			58	52	1		59
- Capital Group decreasing							0
- sale of intangible fixed assets							0
g) accumulated amortisation at the end of period	0	0	1 533	860	967	0	2 500
h) write-downs due to permanent loss of value at the beginning of period							0
- additions							0
- reductions							0
i) write-downs due to permanent loss of value at the end of period	0	0	0	0	0	0	0
j) net value of intangible assets at the end of period	0	0	215	205	3	0	218

Note 3A

LONG-TERM RECEIVABLES	30.06.2005	2004	30.06.2004
a) from related entities, of which:	0	50 736	50 735
- from dubsidiary entities (by virtue of)	0	50 736	50 735
- restructuring agreement		49 858	49 858
- other		878	877
- from associated entites (by virtue of)	0	0	0
- supplies, works and services			
- other			
- from dominat entity (by virtu of)	0	0	0
- supplies and services			
- other			
b) from other entities (by virtue of)	972	64	10 082
- unpaid shares			10 001
- deposits	972	64	81
Net long-term receivables	972	50 800	60 817
c) allowances for doubtful accounts	1 679	9 638	9 738
Gross long-term receivables	2 651	60 438	70 555

Note 3B

CHANGES IN LONG-TERM RECEIVABLES (by genre)	30.06.2005	2004	30.06.2004
a. Balance at the beginning of period	50 800	55 144	55 144
b. Additions (in virtue of)	30	950	10 001
- widening the capital group			
- unpaid shares		950	10 001
- deposits	30		
c. Reductions (in virtue of)	49 858	5 294	4 327
- cession of liabilities		2 006	2 006
- interests on loans		425	425
- setting up of write-off		950	
- deposits		17	
- restructuring agreement	49 858	1 896	1 896
Long-term receivables at the end of periodd	972	50 800	60 818

Note 3C

CHANGES IN ALLOWANCES FOR LONG-TERM RECEIVABLES	30.06.2005	2004	30.06.2004
a. Balance at the beginning of period	9 638	13 193	13 193
b. Additions (in virtue of)	0	950	0
- not paid-up shares		950	
- widening the capital group			
- rate differences			
- other			
c. Exercised (in virtue of)	7 959	4 505	3 455
- restructuring agreement	7 334		
- decrease of the capital group			
- interests on loans		3 359	2 934
- cession of liabilities	625	1 146	521
d. Dissolution (in virtue of)	0	0	0
- restructuring agreement			
- other			
Allowances for long-term receivables at the end of period	1 679	9 638	9 738

Note 3D

LONG-TERM RECEIVABLES - by currency	30.06.2005	2004	30.06.2004
a) in Polish currency (zloty)	0	50 736	60 736
b) in foreign currencies (in currencies and as restated in zloty)	972	64	81
b1. Unit/currency in thousand USD	237	22	21
in thousand zloty	972	64	81
b2. Unit/currency in thousand EUR			
in thousand zloty			
b3. Unit/currency in thousand GBP			
in thousand zloty			
b4. Other currencies in thousand zloty			
Total long-term receivables	972	50 800	60 817

Note 4A

CHANGES IN REAL ESTATE (BY CATEGORY)	30.06.2005	2004	30.06.2004
a.balance at the beginning of period including:	36 658	36 658	36 658
b. Addition (in virtue of)	46 945	0	0
- widening of the Capital Group			
- reclassification			
- purchase			
- taking over from Stalexport Centrostal W-wa mer	46 945		
c. Reduction (in virtue of)	0	0	0
- capital group decrease			
- reclassification			
- other			
Balance at the end of period	83 603	36 658	36 658

Note 4B

CHANGES IN INTANGIBLE ASSETS (BY CATEGORY)	30.06.2005	2004	30.06.2004
a.balance at the beginning of period			
b. Addition (in virtue of)	0	0	0
- widening of the Capital Group			
- reclassification			
- other			
c. Reduction (in virtue of)	0	0	0
- capital group decrease			
- reclassification			
- other			
Balance at the end of period	0	0	0

Note 4C

LONG-TERM FINANCIAL ASSETS	30.06.2005	2004	30.06.2004
a. in subsidiary and interrelated entities which are not subject to consolidation	75 748	89 757	91 976
- shares	75 748	89 757	91 976
- debt securities			
- other securities (by type)			
- loans granted			
- other long-term financial assets (by type)			
b. in subsidiary, interrelated and affiliated entities evaluated via the method of ownership rights	32	32	32
- shares	32	32	32
- debt securities			
- other securities (by type)			
- loans granted			
- other long-term financial assets (by type)			
c. in other entities	1 811	1 808	1 704
- shares	1 811	1 808	1 704
- debt securities			
- other securities (by type)			
- loans granted			
- other long-term financial assets (by type)			
Long-term financial assets in total	77 591	91 597	93 712

Note 4D

CHANGE IN THE STATE OF LONG-TERM FINANCIAL ASSETS (ACC. TO GENRE GROUPS)	30.06.2005	2004	30.06.2004
a. state at the beginning of the period	91 597	117 047	117 047
b. increase (by virtue of)	3 413	15 938	15 834
- widening of the capital group			
- shares and stocks	3 413	15 938	15 834
- other			
c. decrease (by virtue of)	17 419	41 388	39 169
- capital group decrease			
- shares and stocks	17 419	41 388	39 169
- other long-term financial assets			
- other			
State at the end of the period	77 591	91 597	93 712

Note 4E

SHARES IN SUBORDINATED COMPANIES												
No	a	b	c	d	e	f	g	h	i	j	k	l
	Name of the company and its legal status	location	profile of company	Nature of affiliation (subsidiary, mutually controlled, associated company incl. disclosure of direct and indirect)	applied method of consolidation /equity valuation or indication that the company is not subject to consolidation	date of taking-over control /mutual control / substantial influence	value of shares at purchase price	Total revaluation write-downs	balance sheet value of shares owned	% of the ownership in share capital	share in total number of votes at the GM	other basis of control/ mutual control / substantial influence other than specified in items j) or k)
1.	Stalexport Autostrada Małopolska S. A.	Mysłowice	Construction and operating on A4 motorway section Kraków-Katowice	subsidiary	full	1998 r.	29 553		29 553	100,00%	100,00%	
2.	Stalexport Autostrada Dolnośląska S. A.	Katowice	Construction and operating on A4 motorway section Katowice-Wrocław	subsidiary	full	1997 r.	28 075	7 547	20 528	100,00%	100,00%	
3.	Stalexport Zaptor S. A.	Olsztyn	Steel products trading	subsidiary	not consolidated	2002 r.	173	173	0	98,69%	98,69%	
4.	Stalexport Wielkopolska Sp. z o.o.	Komorniki	Steel products trading	subsidiary	full	1990 r.	12 073	12 073	0	97,96%	97,96%	
5.	Stalexport Serwis Centrum S. A.	Katowice	Steel products trading	subsidiary	full	1992 r.	22 214	600	21 614	97,78%	97,78%	
6.	Petrostal S. A.	Warszawa	Steel products trading	subsidiary	full	2005 r.	1 727	1 727	0	100,00%	100,00%	
7.	Stalexport Centrostal S.A.	Lublin	Steel products trading	subsidiary	full	1992 r.	501		501	66,00%	66,00%	
8.	Stalexport Transroute Autostrada S. A.	Mysłowice	Activity connected with operating A4 motorway section Kraków-Katowice	subsidiary	full	1998 r.	143		143	55,00%	55,00%	
9.	Biuro Centrum Sp. z o.o.	Katowice	Administration of the building at 29 Mickiewicza Street	associated	method of ownership right	1994 r.	32		32	40,83%	40,83%	
10.	Stalexport Metalzbyt Białystok Sp. zo.o.	Białystok	Steel products trading	subsidiary	full	2005 r.	1 287	1 287	0	98,76%	98,76%	

Note 4F

SHARES IN OTHER COMPANIES								
No.	a	b	c	d	e	f	g	h
	Name of company and legal status	location	Profile of company	balance sheet value of shares owned	percentahe of owned share capital	share in general numer of votes at the general meeting	shares not paid-up by the company	dividends received or receivable for the last year
1.	Atlantico Trans EX Sp. zo.o.	Katowice	Transport nad spedition		12,12%	12,12%		
2.	Walcownia Rur Jedność Sp. z o.o.	Siemianowice	Production of steel pipes		7,28%	7,28%		
3.	Merkury Towarzystwo Inwestycyjne S. A.	Katowice	Investing and consulting activity		6,01%	6,01%		
4.	Beskidzki Dom Maklerski S. A.	Bielsko-Biała	Turnover of securities	1 171	5,10%	5,10%		
5	Instal	Nasielsk		4				
6	Other			636				
8.								
9.								
10.								
11.								
12.								
13.								
14.								
	Total			1 811				

Note 4G

SECURITIES, SHARES AND OTHER LONG-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)	30.06.2005	2004	30.06.2004
a) in Polish currency	76 955	90 961	93 179
b) in foreign currencies (acc. to currencies and after calculating into zloty)	636	636	533
b1. unit/currency in thousand USD	114	128	139
in thousand zloty	383	383	533
b2. unit/currency in thousand EUR	63	62	
in thousand zloty	253	253	
b3. unit/currency/GBP			
in thousand zloty			
b4. other currencies in thousand zloty			
Securities, shares and other long-term financial assets in total	77 591	91 597	93 712

Note 4H

GRANTED LONG-TERM LOANS (BY CURRENCY STRUCTURE)	30.06.2005	2004	30.06.2004
a) in Polish currency			
b) in foreign currencies (acc. to currencies and after calculating into zloty)	0	0	0
b1. unit/currency in thousand USD			
in thousand zloty			
b2. unit/currency in thousand EUR			
in thousand zloty			
b3. unit/currency/GBP			
in thousand zloty			
b4. other currencies in thousand zloty			
Securities, shares and other long-term financial assets in total	0	0	0

Note 4I

OTHER LONG-TERM INVESTMENTS (ACCORDING TO GENRE)	30.06.2005	2004	30.06.2004
- surcharges to capital	200	200	200
Other long-term investments	200	200	200

Note 4J

CHANGE IN THE STATE OF OTHER LONG-TERM INVESTMENTS (ACCORDING TO GENRE GROUPS)	30.06.2005	2004	30.06.2004
a. state at the beginning of the period	200	200	200
b. increase (by virtue of)	0	0	0
- other			
c. Decrease (by virtue of)	0	0	0
- other			
d. state at the end of the period	200	200	200

Note 4K

OTHER LONG-TERM INVESTMENTS (CURRENCY STRUCTURE)	30.06.2005	2004	30.06.2004
a) in Polish currency	200	200	200
b) in foreign currencies (acc.to currencies and after calculating into zloty)	0	0	0
b1. unit/currency in thousand USD			
in thousand zloty			
b2. unit/currency in thousand EUR			
in thousand zloty			
b3. unit/currency:GBP			
in thousand zloty			
b4. Other currencies in thousand zloty			
Other long-term investments in total	200	200	200

Note 5

CHANGE IN ASSETS AVAILABLE FOR SALE	30.06.2005	2004	30.06.2004
a. state at the beginning of the period	130 211	2 199	2 199
b. increase (by virtue of)	15	128 012	0
- fixed assets of A4 motorway		128 012	
- other	15		
c. Decrease (by virtue of)	0	0	0
- other			
d. state at the end of the period	130 226	130 211	2 199

Note 6

CHANGES IN DEFERRED INCOME TAX	30.06.2005	2004	30.06.2004
1. Balance of deferred income tax at the beginning of period, of which:	0	0	0
a) assigned to financial results			
b) assigned to shareholders' equity			
c) assigned to goodwill or negative goodwill			
2. Additions	4 101	0	0
a) assigned to financial results for the period due to negative timing differences:	0	0	0
- remuneration by virtue of task work contract not paid on the balance sheet date			
- penal interests not paid on balance sheet date			
- other			
b) assigned to financial results for the period due to taxation loss:	0	0	0
c) assigned to shareholders' equity for the period due to negative timing differences:	0	0	0
- tax taken over due to the merger			
d) assigned to shareholders' equity for the period due to taxation loss:	0	0	0
e) assigned to goodwill or negative goodwill due to negative timing differences:	4 101	0	0
- tax taken over due to the merger	4 101		
- other			
3. Reductions	0	0	0
a) assigned to financial results for the period due to negative timing differences:	0	0	0
- interests payment			
- other			
b) assigned to financial results for the period due to taxation loss:	0	0	0
c) assigned to shareholders' equity for the period due to negative timing differences:	0	0	0
d) assigned to shareholders' equity for the period due to taxation loss:	0	0	0
e) assigned to goodwill or negative goodwill due to negative timing differences:	0	0	0
4. Total deferred income tax at the end of period, of which:	4 101	0	0
a) assigned to financial results	0	0	0
b) assigned to shareholders' equity	0	0	0
c) assigned to goodwill or negative goodwill	4 101	0	0

Note 7

LONG-TERM DEFERRED EXPENSES	30.06.2005	2004	30.06.2004
a. deferred expenses of which:	0	0	0
b) other deferred assets, of which:	0	0	0
- other			
Total other deferred assets	0	0	0

Note 8

INVENTORIES	30.06.2005	2004	30.06.2004
a. Materials	3 699	1 971	4 489
b. Work in progress			
c. Finished products	775		17
d. Merchandise	43 055	55 578	44 999
e) prepaid supplies	660	2 315	1 434
Total inventories	48 189	59 864	50 939

Note 9A

CURRENT RECEIVABLES	30.06.2005	2004	30.06.2004
a) from affiliated companies	7 333	12 930	38 107
- trade accounts receivable, with maturity of:	7 288	12 875	37 537
- less than 12 months	7 288	11 875	35 517
- over 12 months		1 000	2 020
- other	45	55	570
- receivables in litigation			
b) from subsidiary and associated companies	106 563	101 051	152 367
- trade accounts receivable, with maturity of:	68 699	48 761	117 937
- less than 12 months	64 251	44 184	94 125
- over 12 months	4 448	4 577	23 812
- taxes recoverable, subsidies, tariffs, social and health security, or other benefits receivable	17 444	22 794	16 307
- other	18 634	29 496	18 123
- receivables in litigation	1 786		
Total net current receivables	113 896	113 981	190 474
c. Receivables updating allowances	210 324	186 912	199 477
Total gross current receivables	324 220	300 893	389 951

Note 9B

CHANGES IN ALLOWANCES FOR DOUBTFUL CURRENT RECEIVABLES	30.06.2005	2004	30.06.2004
a. Balance at the beginning of period of which:	186 912	252 882	252 882
b. Additions of which:	26 750	9 565	4 343
- by virtue of trade account receivable	25 398	4 685	3 094
- guarantees and interests	1 352	2 411	1 249
- other		2 469	
c. Reduction of which:	3 338	75 535	57 748
- by virtue of trade account receivable	2 196	49 228	40 962
- guarantees and interests	321	26 297	16 786
- other	821	10	
d. Balance of allowances for current receivables at the end of period (of which)	210 324	186 912	199 477

Note 9C

GROSS CURRENT RECEIVABLES - by currency	30.06.2005	2004	30.06.2004
a) in Polish currency (zlotys)	310 790	285 954	375 640
b) in foreign currencies (and as restated in zlotys)	13 430	14 939	14 311
b1. Unit / currency in thousand USD	2 706	2 424	2 233
in thousand zlotys	9 004	7 397	8 093
b2. Unit / currency in thousand EUR	1 096	1 849	1 369
in thousand zlotys	4 426	7 542	6 218
b3. Unit /currency in GBP			
in thousand zlotys			
b4. Other currencies in zlotys			
Total current receivables	324 220	300 893	389 951

Note 9D

LONG-TERM AND SHORT-TERM CONTESTED AND OVERDUE DEBTS	30.06.2005	2004	30.06.2004
a. Contested and overdue debts by virtue of:	99 973	67 198	84 108
- supplies and services	95 206	67 198	84 108
- other	4 767		
Long-term and short-term contested and overdue debts in total, including:	99 973	67 198	84 108
- from which updated write offs were not executed	27 539	19 732	26 170
- not indicated as " receivables claimed by means of an action of law "			

Note 10A

SHORT-TERM FINANCIAL ASSETS	30.06.2005	2004	30.06.2004
a. In subsidiaries	0	0	0
- shares			
- receivables in virtue of dividends and shares in profits			
- debt securities			
- other securities (by type)	0	0	0
- loans granted			
- other short-term financial assets (by type)	0	0	0
- interests on loans			
c. In associated companies	0	0	0
- shares			
- receivables in virtue of dividends and shares in profits			
- debt securities			
- other securities (by type)	0	0	0
- loans granted			
- other short-term financial assets (by type)	0	0	0
- interests on loans			
d. In dominant entity	0	0	0
- shares			
- receivables in virtue of dividends and shares in profits			
- debt securities			
- other securities (by type)	0	0	0
- loans granted			
- other short-term financial assets (by type)	0	0	0
- interests on loans			
d. In other entities	271	19	13 550
- shares	19	19	20
- receivables in virtue of dividends and shares in profits			
- debt securities			
- other securities (by type)	0	0	0
- other			
- loans granted	252		13 530
- other short-term financial assets (by type)	0	0	0
- interests on loans			
Total short-term investments	271	19	13 550

Note 10B

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (BY CURRENCY)	30.06.2005	2004	30.06.2004
a) in Polish currency (zlotys)	19	19	20
b) in foreign currencies (and as restated in zlotys)	0	0	0
b1. Unit / currency in thousand USD in thousand zlotys			
b2. Unit / currency in thousand EUR in thousand zlotys			
b3. Unit /currency in GBP in thousand zlotys			
b4. Other currencies in thousand zlotys			
Total securities, shares and other short-term financial assets	19	19	20

Note 10C

GRANTED SHORT-TERM LOANS (BY CURRENCY)	30.06.2005	2004	30.06.2004
a) in Polish currency (zlotys)	252		13 530
b) in foreign currencies (and as restated in zlotys)	0	0	0
b1. Unit / currency in thousand USD in thousand zlotys			
b2. Unit / currency in thousand EUR in thousand zlotys			
b3. Unit /currency in GBP in thousand zlotys			
b4. Other currencies in thousand zlotys			
Total granted short-term loans	252	0	13 530

Note 10D

OTHER SHORT-TERM INVESTMENTS (BY CATEGORY)	30.06.2005	2004	30.06.2004
-			
-			
-			
-			
-			
Total short-term investments	0	0	0

Note 10E

OTHER SHORT-TERM INVESTMENTS (BY CURRENCY)	30.06.2005	2004	30.06.2004
a) in Polish currency (zlotys)			
b) in foreign currencies (and as restated in zlotys)	0	0	0
b1. Unit / currency in thousand USD in thousand zlotys			
b2. Unit / currency in thousand EUR in thousand zlotys			
b3. Unit /currency in GBP in thousand zlotys			
b4. Other currencies in thousand zlotys			
Total other short-term investments	0	0	0

Note 11A

CASH AND CASH EQUIVALENTS	30.06.2005	2004	30.06.2004
- cash at bank and on hand	6 239	6 673	13 103
- cash equivalents	34	5	
Total cash and cash equivalents	6 273	6 678	13 103

Note 11B

CASH AND CASH EQUIVALENTS (BY CURRENCY)	30.06.2005	2004	30.06.2004
a) in Polish currency (zlotys)	6 099	5 863	9 886
b) in foreign currencies (and as restated in zlotys)	174	815	3 217
b1. Unit / currency in thousand USD	50	143	612
in thousand zlotys	167	427	2 292
b2. Unit / currency in thousand EUR	2	95	203
in thousand zlotys	7	388	920
b3. Unit /currency in GBP			
in thousand zlotys			
b4. Other currencies in thousand zlotys			5
Total cash and cash equivalents	6 273	6 678	13 103

Note 12

SHORT-TERM DEFERRED EXPENSES	30.06.2005	2004	30.06.2004
a) deferred expenses, of which:	1 733	1 041	1 500
- car insurance and subscription	82	244	63
- costs of shares issue	865	761	577
- costs of 2005		33	
- other	786	3	860
b) other deferred assets, of which:	18	18	28
- real estate evaluation	18	18	28
- general overhauls			
- other			
Total short-term diferred expenses	1 751	1 059	1 528

Nota 13

EQUITY CAPITAL (STRUCTURE)								
Series/issue	Type of shares	Type of shares preference	Type of shares restriction	Number of shares	Value of series/ issue according to the nominal value	Terms of acquisition	Date of registration	Right to the dividend (since)
				8 341 030	16 682		05.11.93	05.11.93
				492 796	986		29.08.94	29.08.94
				4 000 000	8 000		10.04.98	01.01.97
				94 928 197	189 856		12.08.03	01.01.03
Total number of shares				107 762 023				
Total equity capital					215 524			
Nominal value of one share =,2,00 zloty								

According to the book entries the Company's capital amounts to 215 524 thousand zlotys and it is divided into 107 762 023 ordinary bearer shares of a nominal value of 2,00 zlotys.

Main shareholders of Stalexport S. A. are :

Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej	16,72%
Powszechna Kasa Oszczędności Bank Polski S. A.	7,10%
Bank Zachodni WBK S. A.	5,47%

Note 14 A

OWN SHARES IN TREASURY				
Number	Value at purchase price	Balance sheet value	Purchase purpose	Destination
210 480	428	428		transferred to minority shareholders of Stalexport Centrostal Warszawa S. A.
210 480	428	428	-	-

Note 14B

ISSUER'S SHARES OWNED BY THE SUBORDINATED ENTITIES			
Name of a company, location	Number	Value at purchase price	Balance sheet value
Razem	0	0	0

Note 15

RESERVE CAPITAL	30.06.2005	2004	30.06.2004
a. sale of shares above the nominal value			
b) capital established by law		39 678	39 678
c) capital established due to statutory/contractual provisions, in excess of the (minimum) value required by law			
d.			
e. Other		2 665	2 634
Total reserve capital	0	42 343	42 312

Note 16

REVALUATION CAPITAL	30.06.2005	2004	30.06.2004
a. Revaluation of tangible assets	8 457	8 457	8 488
b) gains / losses on valuation of financial instruments, of which:			
- on valuation of hedging instruments			
c) deferred income tax			
d) foreign exchange differences on foreign divisions			
e. Other (by type)	0	0	0
- other			
Total revaluation capital	8 457	8 457	8 488

Note 17

OTHER RESERVE CAPITAL (BY APPROPRIATION)	30.06.2005	2004	30.06.2004
a. Investments			
b. Loss coverage			
c.			
d. partial execution of the arrangement commitments conversion		74 100	74 100
e. Partial execution of the arrangement commitments instalments	6 147	21 879	13 142
f. Other			
Total other reserve capital	6 147	95 979	87 242

Note 18

NET PROFIT WRITE OFFS DURING THE FINANCIAL YEAR - specifically	30.06.2005	2004	30.06.2004
-			
-			
-			
Total net profit write-offs during the financial year	0	0	0

Note 19A

LONG-TERM LIABILITIES	30.06.2005	2004	30.06.2004
a. Towards subsidiaries	5 805	6 697	7 628
- credits and loans			
- issue of debt securities			
- other financial liabilities, of which:	0	0	0
- financial lease agreements			
- other (by type)	5 805	6 697	7 628
- arrangement liabilities	5 805	6 697	7 628
- other			
b. Towards associated entities	0	0	0
- credits and loans			
- issue of debt securities			
- other financial liabilities, of which:	0	0	0
- financial lease agreements			
- other (by type)	0	0	0
- other			
c. Towards dominant entity	0	0	0
- credits and loans			
- issue of debt securities			
- other financial liabilities, of which:	0	0	0
- financial lease agreements			
- other (by type)	0	0	0
- by virtue of trade account receivable			
- other			
d. Towards other entities	277 125	290 603	252 636
- credits and loans	99 373	100 110	116 744
- issue of debt securities			
- other financial liabilities, of which:	0	0	0
- interests			
- other			
- financial lease agreements	1 216		
- other (by type)	176 536	190 493	135 892
- arrangement liabilities	103 945	117 901	135 892
- other	72 591	72 592	
Total long-term liabilities	282 930	297 300	260 264

Note 19B

LONG-TERM LIABILITIES (BY CURRENCY)	30.06.2005	2004	30.06.2004
a) in Polish currency (zlotys)	282 930	297 300	260 264
b) in foreign currencies (and as restated in zlotys)	0	0	0
b1. Unit / currency in thousand USD in thousand zlotys			
b2. Unit / currency in thousand EUR in thousand zlotys			
b3. Unit /currency in thousand GBP in thousand zlotys			
b4. Other currencies in thousand zlotys			
Total long-term liabilities	282 930	297 300	260 264

Note 19C

ZOBOWIĄZANIA DŁUGOTERMINOWE Z TYTUŁU KREDYTÓW I POŻYCZEK									
Name (firma) of the entity, legal status	Seat	Amount of credit/loan acc to the agreement		Amount of credit /loan to be repaid		Interest conditions	Date of redemption	Security	Other
Bank Handlowy S. A.	Katowice	8 529		8 529		WIBOR+margin	according to the restructuring agreement	cash inflows on to credit accounts current accounts mortgage	
Bank Handlowy S. A.	Katowice	16 913		16 913		WIBOR+margin	according to the restructuring agreement	credit on foerign curremcy account, mortgage	
Bank Handlowy S. A.	Katowice	24 076		24 076		WIBOR+margin	according to the restructuring agreement	mortgage	
BRE Bank S. A.	Katowice	6 603		6 603		WIBOR+margin	according to the restructuring agreement	cash inflows on to credit accounts current accounts credit mortgage	
ING Bank Śląski	Katowice	700		700		WIBOR+margin	according to the restructuring agreement	cash inflows on credit accounts, blank bill, pledge on shares credit on current account	
PKO B.P. S. A.	Katowice	25 050		25 050		WIBOR+margin	according to the restructuring agreement	mortgage revolving credit, pledge on shares, sole bill in blanco	
BPH PBK S. A.	Sosnowiec	6 788		6 788		WIBOR+margin	according to the restructuring agreement	sole bill in blanco, operating credit, in crediting line,pledge on shares, mortgage	
Getin Bank S. A.	Warszawa	10 714		10 714		WIBOR+margin	04.04.2007	sole bill in blanco,proxy to current account, mortgages, cession of policy rights	
Total:		99 373		99 373					

Note 19D

LONG-TERM LIABILITIES IN VIRTUE OF ISSUED HEDGING INSTRUMENTS							
Debt securities by category	Nominal value	Intersts conditions	Redemption date	Gwarancje/ zabezpieczenia	Additional rights	Quotations	Other
Total:	0						

Note 20

CHANGES IN RESERVE FOR DEFERRED INCOME TAX	30.06.2005	2004	30.06.2004
1. Reserve for deferred income tax at the beginning	725	749	749
a) assigned to financial result	725	749	749
b) assigned to shareholders' equity			
c) assigned to goodwill or negative goodwill			
2. Additions	9 453	220	104
a) assigned to financial results for the period due to positive timing differences:	100	220	104
- interests counted into the income	100	220	104
- interests on loans counted into the income			
- other			
b) assigned to shareholders' equity for the period due to positive timing differences:	0	0	0
- fixed assets and WNiP (financial leasing)			
c) assigned to goodwill or negative goodwill due to positive timing differences:	9 353	0	0
- the companies merger	9 353		
3. Reductions:	706	244	95
a) assigned to financial result for the period due to positive timing differences (of which)	706	244	95
- interests counted into the income (paid, cancelled)	310	244	95
- change in tax rate			
- other	396		
b) assigned to shareholders' equity due to positive timing differences (of which)	0	0	0
c) assigned to goodwill or negative goodwill due to positive timing differences (of which)	0	0	0
4. Reserve for deferred income tax at the end of period, of which:	9 472	725	758
a) assigned to financial result	119	725	758
b) assigned to shareholders' equity	0	0	0
c) assigned to goodwill or negative goodwill	9 353	0	0

Note 21

CHANGES IN OTHER LONG-TERM PROVISIONS - specifically	30.06.2005	2004	30.06.2004
a. Balance at the beginning of period of which:	11 557	58 597	58 597
b. Additions (in virtue of)	2 812	2 863	1 217
- holiday leaves			
- termination pays, jubilee bonuses	62	99	
- severance pays for dismissed employees			
- contingent liabilities			
- interests on credits		780	1 217
- other	2 750	1 984	
c. Exercised of which	2 654	8 110	41 172
- holiday leaves			
- termination pays, jubilee bonuses		168	
- severance pays for dismissed employees			
- contingent liabilities	900	2 593	38 100
- interests on credits	1 754	5 349	3 072
- other			
d) reversals, of which:	600	41 793	2 851
- contingent liabilities	600	38 700	2 593
- interests on credits		2 816	258
- termination pays, jubilee bonuses		277	
e. Balance at the end of period	11 115	11 557	15 791

Note 22

LONG-TERM DEFERRED EXPENSES	30.06.2005	2004	30.06.2004
a) accrued expenses, of which:	0	0	0
- other			
b) deferred income, of which:	49 042	58 477	118 360
- long-term accruals:			47 874
- redeemed arrangement liabilities	48 279	57 700	69 701
- evaluation of shares	741	741	741
- other	22	36	44
Total long-term deferred expenses	49 042	58 477	118 360

Note 23A

SHORT-TERM RECEIVABLES	30.06.2005	2004	30.06.2004
a. Towards subsidiary companies	81 606	77 891	19 463
- credits and loans	9 200	9 200	13 000
- issue of debt securities			
- dividends			
- other financial receivables :	6 015	5 759	5 684
- interests on lonas and prepayments	6 015	5 759	5 684
- prepayments for capital increase			
- trade accounts payable, with maturity of:	66 391	62 581	350
- less 12 months	66 391	62 581	350
- over 12 months			
- trade prepayments received			
- promissory notes payable			
- other (by type)	0	351	429
- in virtue of investment		351	429
-other			
b. Towards associated entities	4 138	3 660	8
- credits and loans of which	3 340	3 340	
- issue of debt securities			
- dividends			
- other financial receivables :	0	0	0
- interests on loans+B53 and prepayments			
- prepayments for capital increase			
- trade accounts payable, with maturity of:	798	235	8
- less 12 months	798	235	8
- over 12 months			
- trade prepayments received			
- promissory notes payable			
- other (by type)	0	85	0
- in virtue of investment		85	
-other			
e. Towards the dominant entity	0	0	0
- credits and loans of which:			
- of which current portion of long-term credits and loans			
- issue of debt securities			
- dividends			
- other financial receivables :	0	0	0
- interests on loans and prepayments			
- prepayments for capital increase			
- trade accounts payable, with maturity of:	0	0	0
- less 12 months			
- over 12 months			
- trade prepayments received			
- promissory notes payable			
- other (by type)	0	0	0
- penalty intersts and other			
- other			
f.towards other entities	67 053	64 114	207 452
- credits and loans of which:	9 416	2	753
- of which current portion of long-term credits and loans			
- issue of debt securities			
- dividends			
- other financial receivables :	0	0	73 584
- interests on loans and prepayments			
- guarantees			73 584
- trade accounts payable, with maturity of:	47 827	62 189	128 695
- less 12 months	47 827	62 189	128 695
- over 12 months			
- trade prepayments received	122	495	492
- promissory notes payable	300		1 100
- other (by type)	9 388	1 428	2 828
- taxes, import tariffs, social security and other benefits payable	658	459	1 228
- investments	19		19
- other	8 711	969	1 581
Total short-term receivables	152 797	145 665	226 923

Note 23B

SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE)	30.06.2005	2004	30.06.2004
a) in Polish currency (zlotys)	150 293	139 221	206 877
b) in foreign currencies (and as restated in zlotys)	2 504	6 444	20 046
b1. Unit / currency in thousand USD	509	1 220	5 152
in thousand zlotys	1 702	3 648	19 306
b2. Unit / currency in thousand EUR	199	673	163
in thousand zlotys	802	2 743	740
b3. Unit /currency in GBP			
in thousand zlotys			
b4. Other currencies in thousand zlotys		53	
Total short-term receivables	152 797	145 665	226 923

Note 23D

SHORT-TERM LIABILITIES IN VIRTUE OF ISSUED HEDGING INSTRUMENTS						
Geding instruments by category	Nominal value	Interest terms	Redemptiun date	Guarantees/hedging	additional rights	Other
Total	0	x	x	x	x	x

Komentarz:

Note 24

CHANGES IN OTHER SHORT-TERM PROVISIONS - specifically	30.06.2005	2004	30.06.2004
a. Balance at the beginning of period	11 007	6 496	6 496
b. Additions (in virtue of)	1 408	4 925	6 095
- holiday leaves	783	384	502
- termination pays, jubilee bonuses	16		
- severance pays for dismissed employees	9		
- contingent liabilities	600	1 200	2 593
- interests on credits		3 339	3 000
- other		2	
c) applications, of which:	1 427	88	505
- holiday leaves			
- termination pays, jubilee bonuses		87	
- severance pays for dismissed employees			
- contingent liabilities			
- interests on credits	1 426		504
- other	1	1	1
d) reversals, of which:	384	326	326
- holiday leaves	384	326	326
- interests on credits			
- other			
e. Balance at the end of period	10 604	11 007	11 760

Note 25

SHORT-TERM INTERPERIOD SETTLEMENTS	30.06.2005	2004	30.06.2004
a) accrued expenses, of which:	0	0	0
- other			
b) deferred income, of which:	22 408	21 749	24 279
- settlements of incomes	297	281	2 793
- negative goodwill	658		
- redeemed arrangement liabilities	21 444	21 453	21 471
- other	9	15	15
Total short-term interperiod settlements	22 408	21 749	24 279

Note 26

Off-balance sheet items

	30.06.2005	2004	30.06.2004
1. Contingent liabilities	0	0	0
1.1. From related entities (by virtue of)	0	0	0
- received warranties and guarantees	0	0	0
	0	0	0
1.2. From other entities (by virtue of)	0	0	0
- received warranties and guarantees			
2. Contingent liabilities	287 922	288 125	307 676
2.1. In favour of related entities (by virtue of)	111	0	0
- granted warranties and guarantees	111	0	0
- customs warranties		0	0
- other		0	0
2.2. In favour of other entities (by virtue of)	287 811	288 125	307 676
- granted warranties and guarantees	283 811	285 825	306 070
- opening of the letter of credit		2 300	1 606
- other	4 000		
3. Other (by virtue of)	0	0	0
- mortgage			
- customs warranties			
- other			
Total off-balance sheet liabilities	287 922	288 125	307 676

Noty objaśniające do rachunku zysków i strat

Explanatory notes to profit and loss account

Note 27A

NET REVENUES FROM SALE OF GOODS (by class of business)	30.06.2005	30.06.2004
a. Maintenance and Construction of motorways		37 959
- of which: from associated companies		1
b. Reinforcement production for building industry	20 176	11 635
- of which: from associated companies	314	98
c. Sale of services	1 271	4 844
- of which: from associated companies	546	4 194
Total net revenues from sale of goods	21 447	54 438
- of which: from associated companies	860	4 293

Note 27B

NET REVENUES FROM SALE OF GOODS (by geographic area)	30.06.2005	30.06.2004
a. Domestic sales	21 447	54 438
- of which: from associated companies	860	4 293
b. Export sales		
- of which: from associated companies		
Total net revenues from sale of goods	21 447	54 438
- of which: from associated companies	860	4 293

Note 28A

NET REVENUES FROM SALE OF GOODS AND MERCHANDISE (BY CLASS OF BUSINESS)	30.06.2005	30.06.2004
a. Export	114 604	125 851
- of which: from related companies		
c. Sale of imported goods	8 363	71 397
- of which: from related companies	13	19
d. Sale of goods purchased in Poland	98 156	187 230
- of which: from related companies	12 417	82 009
j. Sale of goods	137	
- of which: from related companies		
Total net revenues from sale of goods and merchandise	221 260	384 478
- of which: from related companies	12 430	82 028

Note 28B

NET REVENUES FROM SALE OF GOODS AND RAW MATERIALS (by geographic area)	30.06.2005	30.06.2004
a. Domestic sales	106 656	258 627
- of which: from related companies	12 430	82 028
b. Export sales	114 604	125 851
- of which: from related companies		
Total net revenues from sale of goods and raw materials	221 260	384 478
- of which: from related companies	12 430	82 028

Note 29

EXPENSES BY TYPE	30.06.2005	30.06.2004
a. Depreciation	1 098	4 812
b) raw materials and energy used	15 700	9 023
c) third party work	11 775	47 182
d) taxes and charges	1 024	704
e) salaries and wages	6 664	4 766
f) social security and other employee benefits	1 456	1 042
g) other expenses:	903	694
Total expenses by type	38 620	68 223
- Changes in inventories, products and deferred expenses	1 332	567
- Cost of work and services for own needs (negative value)		
- Distribution expenses (negative value)	-5 313	-7 129
- General administrative expenses (negative value)	-15 021	-9 646
Costs of products sold	19 618	52 015

Note 30

OTHER OPERATING INCOME	30.06.2005	30.06.2004
a) provisions and allowances cancelled, of which:	12 717	81 467
- cancelled allowances updating receivables	11 433	20 992
- cancelled other updating allowances		22 049
- dissolution of reserve for conditional liabilities	900	38 100
- dissolution of other reserves	384	326
b. Profit from disposal of non-financial fixed assets	31	0
c. Other income of which:	4 493	5 787
- settlement of payment by virtue of contingent liabilities	3 282	3 284
- interests on receivables by virtue of supplies, works and services	664	2 359
- pozostałe	547	144
Total other operating income	17 241	87 254

Note 31

OTHER EXPENSES	30.06.2005	30.06.2004
a) allowances and provisions established, of which:	3 242	2 617
- receivables updating allowances	2 459	2 114
- for other updating allowances		
- for contingent liabilities		
- for other provisions	783	503
- other		
b. Loss on sale of non-financial fixed assets	0	1 886
c. other, of which:	4 880	2 213
- judicial fees	288	206
- donations	7	4
- costs of non-effective investments	532	495
- penalties for non-maturity and quality	2 884	1 351
- prior years' costs i należności przedawnione	430	11
- other	739	146
Total other operating expenses	8 122	6 716

Note 32A

FINANCIAL INCOME ON DIVIDENDS AND SHARE IN PROFITS	30.06.2005	30.06.2004
a. From related companies, of which:	1 471	1 213
b. From other companies		
Total financial incomes on dividends and share in profits	1 471	1 213

Note 32B

FINANCIAL INCOME ON INTEREST RECEIVABLE	30.06.2005	30.06.2004
a) interest on loans granted	0	0
- from related companies		
- from other companies		
b. Other interests, of which:	5 791	2 090
- from related companies		
- from other companies	5 791	2 090
Total financial income on interest receivable	5 791	2 090

Note 32C

OTHER FINANCIAL INCOME	30.06.2005	30.06.2004
a) gain on exchange rate differences	444	1 656
- realized	251	749
- unrealized	193	907
b. Reserve cancelled (of which)	28	120
- interests calculated	28	120
- other		
c. Other of which:	3 021	842
- discount of bills of exchange		
- valorization of investment outlays of A4 motorway	2 971	
- receivables for repaid credit		500
- other	50	342
Total other financial income	3 493	2 618

Note 33A

FINANCIAL EXPENSES DUE TO INTERESTS PAYABLE	30.06.2005	30.06.2004
a. From credits and loans of which	4 337	8 486
- from related companies	291	587
- from other companies	4 046	7 899
b. Other interests	10 262	5 583
- from related companies	272	146
- from other companies	9 990	5 437
Total financial expenses due to interests payable	14 599	14 069

Note 33B

OTHER FINANCIAL EXPENSES	30.06.2005	30.06.2004
a) loss on exchange rate differences	0	0
- executed		
- not executed		
b. Reserves established (of which)	1 370	2 134
- interests calculated	1 370	2 134
- other		
c. Other , of which:	197	74 850
- payment of contingent liabilities		74 084
- expenses due to bonds redemption		
- other	197	766
Total other financial costs	1 567	76 984

Note 34A

CURRENT CORPORATE INCOME TAX	30.06.2005	30.06.2004
1. Gross profit (loss) consolidated	407	11 463
2. Consolidation adjustments		
3. Differences between gross profit (loss) and the income tax basis (by type)	2 741	-92 760
- permanent differences adjusting expenses	4 076	76 003
- transient differences adjusting expenses	12 314	14 026
- permanent differences adjusting incomes	-1 471	-1 728
- transient differences adjusting incomes	-12 178	-181 061
- other		
4. Income tax basis	3 148	-81 297
5. Corporate income tax at 19 % rate	598	
6. Increases, reliefs, exemptions, allowances, and reductions of corporate income tax	598	
7. Current corporate income tax as stated in the taxation statement for the period, of which:	0	0
- disclosed in the profit and loss account		
- referring to items that decreased or increased the shareholders' equity		
- referring to items that decreased or increased the goodwill or negative goodwill		

Note 34B

DEFERRED CORPORATE INCOME TAX IN PROFIT AND LOSS ACCOUNT	30.06.2005	30.06.2004
- decrease (increase) due to occurrence or reversal of timing differences	-605	8
- decrease (increase) due to change of taxation rates		
- decrease (increase) due to formerly not recognized losses, tax reliefs, or timing differences of prior periods		
- decrease (increase) due to writing-off assets by virtue of deferred income tax or lack of possibility of applying a reserve on deferred income tax		
- other components of deferred income tax, of which:	0	0
- calculated due interests included in result		
- interests paid		
- write-off updating receivables not being the costs of obtaining the revenues		
- reserve for holiday leaves		
Total deferred income tax	-605	8

Note 34C

TOTAL AMOUNT OF DEFERRED INCOME TAX	30.06.2005	30.06.2004
- included in the shareholders' equity	-605	8
- included in the goodwill or negative goodwill		

Note 35

CALCULATION OF PROFIT (LOSS) PER ONE ORDINARY SHARE AND PER DILUTED SHARE	30.06.2005	30.06.2004
Net profit (loss)	2 434	37 943
Average weighted number of ordinary shares	107 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)	0,02	0,35
Average weighted diluted number of ordinary shares		
Diluted profit (loss) per one ordinary share (in zloty)		

The Management Board

30.09.2005
Date

Emil Wąsacz
Chairman of the MB

Signature

30.09.2005
Date

Mieczysław Skołożyński
Vice-Chairman of MB

Signature

30.09.2005
Date

Urszula Dzierżoń
Member of MB

Signature

Signature of person responsible for accounting book

30.09.2005
Date

Małgorzata Michalunio-Kępys
Chief Accountant

Signature

**Commentary to financial reports for period from
01.01. to 30.06.2005**

Katowice, 23th September 2005

Profit and loss account

In the 1st half 2005 incomes from STALEXPORT SA sales amounted to 242 707 thousand zloty and were by 44,7 % lower in comparison with analogical period of 2004. The decline was caused by the following factors:

- the lack of external financing, the planned issue of shares fell through, and the same the limited working assets (diminished additionally by payment of arrangement and off-arrangement liabilities), possessed by Company,
- transfer of concession for toll motorway section from STALEXPORT S.A. to Stalexport Autostrada Małopolska S.A. – which reflected in entire not showing the revenues by virtue of tolls for motorway crossing in profit and loss account of the Company;
- change in supply policy by the company Mittal Steel Poland (the owner of former PHS S.A.), which resulted in excluding iron ore supplies to Huta Katowice and Huty im.T. Sendzimira by STALEXPORT S.A., what vitally affected the turnover decline in import and reduction of from import.

The value of sold goods, products and materials at the purchase price amounted to 226 080 thousand zloty in the 1st half 2005

The low sales dynamics concerns mainly import sales, which is lower by 88,3 % than in analogous period of the previous year and domestic sales, which is by 39 % lower, than in the 1st half 2004.

The positive results are mainly achieved by export sale which despite lower volume of turnover than in the previous half (decrease by 8,9 %) constitutes the biggest part in trade (47,2 % in the 1st half 2005), and moreover by the increase in revenues from sales of reinforcement for building industry (by 70,1 %).

In the range of the share in the worked out margin of profit, which for the 1st half 2005 amounted to 11 315 thousand zloty, the biggest part is attributed to export sale – 47,8%, then comes the domestic turnover with the result 30% and import with 6 %.

The achieved gross profit from sales amounted to 16 644 thousand zloty and was by 44,8 % lower than in analogous period of 2004; in per cent the decline in result is the same as the decline in revenues from sales, what means that in present market situation it was not possible to compensate decline in turnover by increasing the margin from sales.

After taking into consideration the sales costs in the amount of 5 312 thousand zloty and costs of general management in the amount of 15 021 thousand zloty, the Company shows the loss on sales in the amount of - 3 689 thousand zloty.

The negative results on sales results from lower level of turnover in comparison with 1st half of 2004. Moreover it should be noted that the cost of general management are higher than in the previous half of the year, which at the end of June 2005 amounted to 15,021 thousand zloty. It results from the development of the distribution network of STALEXPORT S.A.; up to 11 trade depots situated mainly in western part of the country, 5 branch offices of former Centrostal Warszawa was incorporated in the beginning of 2005. Launching new trade depots was connected with bearing additional costs (ca 3 m zloty) and positive results are expected in the nearest years.

Other operating incomes and costs

Other operating incomes amounted to 17 241 thousand zloty, other operating costs amounted to 8 122 thousand zloty. The balance on the other operating activity amounted to 9 119 thousand zloty.

In the range of other operating incomes, reserves and updated write offs were dissolved in the total amount of 11 980 thousand zloty, out of which the write offs for receivables of Centrostal Warszawa constitute the biggest part .

Moreover, the value of 3 282 thousand zloty, resulting from the settlement of incomes of future periods due to the repayment of consecutive arrangement instalments was included in the other operating incomes.

The level of other operating costs was mainly affected by updating the value of non-financial assets for total amount of 2 459 thousand zloty, which comprises write offs for receivables towards Stalexport Wielkopolska in the amount of 2 227 thousand zloty, established after signing an agreement on 19.04.2005.

Financial incomes and costs

The achieved financial incomes amounted to 11.143 thousand zloty, while the born financial costs amounted to 16 166 thousand zloty. A loss in the amount of 5 023 thousand zloty was incurred on the financial activity.

Comparing the amount of balance achieved on financial activity in the 1st half 2004 (-82.454 thousand zloty) with the level of 1st half 2005 (-5.023 thousand zloty), there is distinct disproportion resulting from the fact that in previous period the restructuring process of the Company's assets was settled, mainly by their sale.

The biggest items within the financial activity in 1st half 2005 regarded interests.

In the range of financial revenues the amount of interests amounted to 5 790 thousand zloty, which comprises:

- interests on sale of shares of Ferrostal to the company 1 948 thousand zloty
Złomrex
- amortised interests on credit 1 909 thousand zloty
- interests on receivables by virtue of guarantees covered by arrangement agreement 1 715 thousand zloty

In the range of costs the amount of interests amounted to 14 599 thousand zloty, including:

- interests on arrangement liabilities 4 471 thousand zloty
- interests on credits 3 853 thousand zloty
- interests towards State Treasury on liabilities 2 750 thousand zloty
by virtue of guarantee
- interests on tax liabilities 2 121 thousand zloty

Other important items to be noted in the range of financial incomes is valorization of return of investment outlays regarding A4 motorway in the amount of 2 971 thousand zloty, received dividend from the company Stalexport Transoroute Autostrada S.A. in the amount of 1 471 thousand zloty, and also positive balance of rate differences in the amount of 444 thousand zloty as well as the profit from sale of the shares of Konsorcjum Autostrada Śląska in the amount of 324 thousand of shares.

The negative financial balance was moreover affected by financial costs by virtue of updating write offs for interests in the amount of 1 372 thousand zloty, out of which main items concern interests towards Huta Ostrowiec, Ferrostal and Centrostal Bydgoszcz.

Financial results – summary

All actions and events described above had a direct impact upon the results of the Company achieved in 1st half 2005.

The gross profit of STALEXPORT SA for the 1st half 2005 amounted to 407 thousand zloty. The gross profit increase by virtue of income tax from legal persons (deferred) amounts to 606 thousand zloty.

Net profit of STALEXPORT S.A. for the 1st half 2005 amounted to 1 012 thousand zloty in comparison with the net profit of 11 454 thousand zloty in analogous period in 2004, i.e. it decreased by 91,2 %. It resulted mainly from the decline in volume of turnover as result of the lack of working capital.

Balance sheet

Changes in specific items of the assets of the Company as at 30.06.2005 in relation to their balance at the end of 2004, as well as to the analogous period of previous year, result mainly from the merger of the companies Stalexport S.A. with the subsidiary company Stalexport Centrostal Warszawa S.A. as from 1.03.2005.

The merger of the companies Stalexport S.A. and Stalexport Centrostal Warszawa S.A. was made on the basis of MSSF 3 by purchase method.

The evaluation of Stalexport Centrostal Warszawa S.A. subsidiary company of Stalexport S.A. in Katowice was carried out by method of correcting net assets. The financial report of the company as at 31.12.2004, examined by expert auditor, and not verified financial report as at 28.02.2005 were the bases of the evaluation.

As a result of the carried out evaluation by method of correcting net assets as at 28.02.2005 the value of 100% basic capital of Stalexport Centrostal Warszawa S.A. amounted to 18 610 thousand zloty.

As a result of the above accepted price the negative goodwill in the amount of 1 191 thousand zloty occurred, this amount was shown in the balance sheet of Stalexport S.A. as asset to be settled till the end of this year.

The balance sheet sum on the day the companies were merged, i.e. 1.03.2005, increased by 57 168 thousand zloty.

Long-term assets

Tangible fixed assets – note no 1

Tangible fixed assets at the end of 1st half 2005 diminished considerably in relation to the analogical period of previous year.

Diminishing of the net tangible fixed assets by the amount of 127 208 thousand zloty took place already at the end of 2004 in connection with decision of the Infrastructure Ministry given on 29.07.2004 which concerns transferring of the concession for construction and operating A-4 motorway to the subsidiary company Stalexport Autostrada Małopolska S.A.

On the day of drawing up the balance sheet the form and the amount of the financial settlements between Stalexport S.A. and Stalexport Autostrada Małopolska S.A., has not been determined, which was conditioned by the date of financial closing of the 2nd stage.

In connection with the above the amount of 127 208 thousand zloty was transferred to the assets available for sale.

Simultaneously there was an increase by the amount of 23 938 thousand zloty in tangible fixed assets taken over from the company Stalexport Centrostal Warszawa S.A.

Intangible fixed assets - note no 2

There was a decline in intangible fixed assets which is also connected with transferring of concession for construction and operating of A-4 motorway and the amount of 803 thousand zloty was transferred to „assets available for sale”.

Longterm receivables – note no 4

A considerable decline in longterm receivables results from excluding mutual receivables and liabilities in the amount of 49 184 thousand zloty, which occurred between Stalexport S.A. and Stalexport Centrostal Warszawa S.A.

Long-term investments – note no 5

The changes in longterm investments result mainly from the merger of the companies and takeover by Stalexport S.A. a real estates, evaluated at the amount of 46 945 thousand zloty, and also the shares and stocks in the amount of 3 410 thousand zloty as well as excluding own shares regarding the taken over company in the amount of 17 418 thousand zloty.

Assets available for sale - note no 6

Assets available for sale comprise mainly value of tangible fixed assets and intangible fixed assets regarding A-4 motorway Katowice – Kraków with the value of 128 011 thousand zloty, the value of land at Mickiewicza „Komel” street with value of 2 199 thousand zloty and shares of the company „Projprzem” with value of 15 thousand zloty. .

Deferred income tax assets – note no 7

Deferred income tax assets in the amount of 4 101 thousand zloty were fully taken over from the company Stalexport Centrostal Warszawa S.A. The above value will be kept till the end of this year.

Short-term assets

Inventories – note no 9

The company, despite considerable increase in inventories as on the day of the merger with the company Stalexport Centrostal Warszawa S.A., the value of which amounted to 19 285 thousand zloty, has been trying to keep the inventories at low level considering the high financing costs.

Short-term receivables – note no 10

The decrease in short-term receivables is mainly connected with the decrease in revenues from sale.

Liabilities

Equity capital

The level of equity capital as at 30.06.2005 shows negative value. The equity capitals in the discussed period were increased by the value of amortised arrangement liabilities and by value of achieved positive net financial result .

Long-term liabilities

Long-term liabilities decreased by the value of repaid credits and by value of repaid arrangement instalments.

Longterm interperiod settlements

Longterm interperiod settlements are the main item which comprise the value of amortised liabilities covered by arrangement proceedings, their decline results mainly from repayment of particular arrangement instalments.

Short-term liabilities

In the range of short-term liabilities in the discussed period there was an increase in short-term credits by value of credit of taken over company Stalexport Centrostal Warszawa S.A.

Reserves for liabilities

Put down interests on credits constitute mainly the reserves for liabilities.

Off balance sheet items

Contingent liabilities, guarantees and warranties are the main components of off-balance sheets liabilities.

The total balance of guarantees not covered by arrangement proceedings as at 30.09.2005 amounts to 279 938 thousand zloty and comprise:

- foreign exchange guarantees - 163 523 thousand zloty
- guarantees in zloty - 116 415 thousand zloty

The guarantee for WRJ in the amount of 276 840 thousand zloty (without interests).is the biggest part of the amount of guarantees.

Balance of bank guarantees as at 30.06.2005 amounted to 700 thousand zloty, and value of letters of credit – 3 284 thousand zloty.

**MANAGEMENT BOARD REPORT
ON THE STALEXPORT SA ACTIVITY
for the first half of the year 2005**

Katowice, 30th September 2005

**MANAGEMENT BOARD REPORT ON THE ACTIVITY OF STALEXPORT S.A.
for 1st half of 2005**

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1. INTRODUCTION

The Management Board's Report on the activity of STALEXPORT Joint Stock Company with the seat in Katowice for the 1st half of 2005 contains the most important information concerning the Company's functioning in the reporting period.

The main tasks accepted by STALEXPORT SA to be executed in the 1st half of 2005 and realized in the 1st half of current year, result from accepted in 2002 the "Pogramme of executing the strategy of STALEXPORT S.A. in years 2002 - 2007 in the conditions of the arrangement proceedings", so they are the natural continuation of the tasks of 2004.

These tasks are:

- 1) repayment of arrangement and off-arrangement liabilities;
- 2) conducting effective commercial activity on the basis of an existing and being optimized sales network and reconstruction of the market position in the steel trade;
- 3) a further organizational restructuring of the Company and the Capital Group pursuing the consolidation of its distribution part,
- 4) continuation and extension of the motorway activity via:
 - participation in tender for granting the concession for construction by adapting to the requirements of the toll motorway and for operating of the motorway A4, Katowice-Wroclaw section, by one of the companies of the Capital Group of STALEXPORT S.A.;
 - development of the cooperation with the French Company VINCI Concessions S.A., regarding joint undertakings in future motorway projects,
- 5) maintaining the cost discipline.

Execution of the arrangement and off-arrangement liabilities is the most important task of the Company. The arrangement proceedings and the conversion of receivables into shares related with restructuring the off-arrangement liabilities created a possibility for further functioning of STALEXPORT SA. The Company systematically meets its arrangement liabilities. Until August 2005 - 8 arrangement instalments (out of 20) have already been repaid together with interests in the total amount of 91,6 m zloty, out of which in the 1st half 2005 the total amount of 22 m zloty in 2 instalments was paid. Moreover, the liabilities towards off-arrangement creditors are also currently repaid. Till the end of August 2005 these payments amounted in total to 134,8 m zlotys, including 16,3 m zloty repaid in 1st half 2005. Despite such significant financial encumbrances, which univocally affect the decrease in working capital and the same in limitation of the commercial possibilities, the Company shows profit. Discussion of the taken up actions and achieved results are discussed in the consecutive chapters of this report.

The Management Board Report consists of:

1. Introduction,

2. The general part which contains the basic information about the issuer among others the Management Board and Supervisory Board compositions, an information about the remuneration of the managing persons, the shareholding structure of the issuer.

3. The financial part which contains the discussion of the financial results, description of the non-typical factors affecting the activity result, the description of the financial and material situation as well as the description of the investment activity in the reporting period.

4. The commercial part, which contains the basic information about the market and sales.

5. The part describing the prospects of the development and basic risks and threats for STALEXPORT S.A., as well as actions of the STALEXPORT SA Management Board taken up in order to determine the conditions of a further development of STALEXPORT SA and to continue the Company's activity in the following years

6. The part comprising the statements of the Management Board required by the Decree of the Council of Ministers of 21st March 2005 about current and periodic information handed over by issuers of securities.

The submitted report comprises the matters determined in the Decree of the Council of Ministers of 21st March 2005 about current and periodic information handed over by issuers of securities (Journal on Laws of 2005 no 49, item 463).

2. BASIC INFORMATION ABOUT THE ISSUER

<i>Name:</i>	STALEXPORT S.A.
<i>Core business:</i>	Export, metal and iron ores import, PKD 51 52 Z
<i>Legal status of the company:</i>	Joint Stock Company
<i>Registering authority :</i>	District Court in Katowice, Economic Department of Judicial Domestic Register
<i>Seat of the Company:</i>	40-085 Katowice, ul. Mickiewicza 29
<i>Judicial Domestic Register (KRS):</i>	000016854 registered in District Court, VIII Department of Judicial Domestic Register (KRS):) in Katowice, ul. Lompy 14
<i>Statistical number (Regon):</i>	271936361
<i>Tax identification number (NIP):</i>	634-013-42-11
<i>NKP:</i>	38-10454
<i>Share capital:</i>	215.524.046 zł
<i>Account:</i>	FORTIS BANK POLSKA S.A. O/Katowice Nr 78 1600 1055 0002 3211 5570 2001
<i>www:</i>	http://www.stalexport.com.pl
<i>e-mail:</i>	stalex@stalexport.com.pl
<i>Switchboard:</i>	(032) 251 22 11, 251 32 21, 207 30 90
<i>fax:</i>	(032) 251 12 64
<i>Social Insurance Institution(ZUS)</i>	ZUS Branch Office in Chorzów ul. Dąbrowskiego 45, 41-500 Chorzów
<i>Revenue Office (Urząd Skarbowy) :</i>	1st Silesian Revenue Office ul. Braci Mieroszewskich 97, 41-219 Sosnowiec

STALEXPORT began its activity on 1st January 1963 as the Enterprise of Foreign Trade dealing with and gaining its position on the market in export and import of steel products, as well as in import of iron ores for Polish steel industry. In the year 1993 the company was transformed into a One-person Company of the Treasury and its privatisation occurred. At present it is the Joint Stock Company, the shares of which were admitted to public trading at Warsaw Stock Exchange on 26th October 1994.

In the year 1997 STALEXPORT S.A. won the tender proceedings and was granted a 30 year concession for construction by adapting and operating of the toll A4 motorway section Katowice-Kraków.

The same the activity of the company focuses on two main segments.

Commercial segment comprising: export, import, domestic turnover of steel products, iron ores and processing of steel goods,

Motorway services segment comprising the adaptation to the conditions of toll motorway and operation of the A4 Katowice-Kraków motorway section.

The development of these segments of the activity by gaining new customers in trade activity and by winning successive concession for construction and operating motorways is the strategic goal of STALEXPORT S.A.

Reliability and solidity in servicing the customers enabled STALEXPORT to obtain in 1998 a certificate of quality according to standard of PN-ISO 9002, and in 2004 according to EN ISO 9001:2000, granted by Rheinisch-Wesfalischer TÜV e.V.

At present STALEXPORT S.A. has been executing the agreement with the creditors, which was approved by decision of District Court in Katowice dated 27.06.2002. According to the conditions of the arrangement agreement the liabilities are to be repaid in 20 quarterly instalments. Till today STALEXPORT S.A. repaid 8 arrangement instalments.

2.1. Changes in the composition of persons managing and supervising the issuer

a) Management Board

There were no changes in the composition of the Management Board in the 1st half 2005 and on 30th June 2005 it was as follows:

- 1) Emil Wąsacz, Chairman of the Management Board - General Director
- 2) Mieczysław Skołyżyński, Vice-Chairman of the Management Board - Financial Director

After the date of the report, i.e. as from 1st August 2005, Urszula Dzierżoń – Commercial Director became the member of the Management Board.

b) Supervisory Board

There were changes in the composition of the Supervisory Board in 1st half 2005 and it was as follows:

In the period from 01.01.2005 to 14.06.2005 :

- | | | | | |
|----|------------|-----------------------|---|---------------|
| 1. | Zbigniew | Szałajda ¹ | - | Chairman |
| 2. | Przemysław | Majka | - | Vice-Chairman |
| 3. | Krystyna | Strzelecka | - | Secretary |
| 4. | Robert | Bender | | |
| 5. | Stanisław | Berkieta | | |
| 6. | Tadeusz | Włudyka | | |

In the period from 15.06.2005 to 23.06.2005 :

- | | | | | |
|----|------------|------------|---|---------------|
| 1. | Przemysław | Majka | - | Vice-Chairman |
| 2. | Krystyna | Strzelecka | - | Secretary |
| 3. | Robert | Bender | | |
| 4. | Stanisław | Berkieta | | |
| 5. | Tadeusz | Włudyka | | |

On 23.06.2005 the XII Ordinary General Shareholding Meeting changed the composition of the Supervisory Board. After these changes in the period from 23.06.2005 till today, the composition of the Supervisory Board is as follows:

In the period from 23.06.2005 till today:

- | | | | | |
|----|------------|--------------|---|---------------|
| 1. | Tadeusz | Włudyka | - | Chairman |
| 2. | Przemysław | Majka | - | Vice-Chairman |
| 3. | Krystyna | Strzelecka | - | Secretary |
| 4. | Robert | Bender | | |
| 5. | Jacek | Legutko | | |
| 6. | Bohdan | Wyżnikiewicz | | |

c) Proxies

The following persons were the proxies in the 1st half 2005:

- 1) Marek Bury
- 2) Urszula Dzierżoń
- 3) Małgorzata Michalunio-Kępyś

After the date of the report, i.e. as from 25.07.2005 the Management Board gave proxy to:

- Barbara Boś,
- while as from 31.07.2005 cancelled the proxy of Urszula Dzierżoń (in connection with appointing her to be the member of the Management Board).

¹ He resigned from the function as the Chairman of SB on 06.06.2005, and on 14.06.2005 he resigned from work in SB.

2.2. Remuneration of the persons managing and supervising the issuer

The total remuneration of persons managing the Company STALEXPORT SA, ie. of the Management Board and the proxies for the 1st half 2005 amounted to 911 955, 57 zloty PLN, including:

No.	Name, surname	Function in Stalexport S.A.	Amount of remuneration by virtue of employment agreement in STALEXPORT S.A.	Bonuses in STALEXPORT SA	Remuneration by virtue of functions in the Supervisory Boards in the subordinated entities	TOTAL
1	Emil Wąsacz	Chairman of MB	377 473,10	-	0,00	377 473,10
2	Mieczysław Skołyżyński	Vice-Chairman of MB	303 906,00	-	20 888,89	324 794,89
3	Urszula Dzierżoń	Proxy, member of MB as from .08 2005	105 267,07	-	20 888,89	126 155,96
4	Marek Bury	Proxy	58 109,40	-	14 920,00	73 029,40
5	Małgorzata Michalunio - Kępys	Proxy	67 200,00	-	0,00	67 200,00
	TOTAL		911 955,57	-	56 697,78	968 653,35

The principles of the remuneration for the members of the Management Board according to the Charter of the Company are determined by the Supervisory Board.

Total remuneration of the managing persons of the Company by virtue of being the member of the supervisory boards in subsidiary companies for 1st half 2005 amounted to 56 697,78 zlotys.

The total remuneration of the Supervisory Board amounted to 57.899,30 zloty, including:

No.	Name, surname	Function in the Supervisory Board of Stalexport S.A.	Remuneration by virtue of the membership in Supervisory Board of STALEXPORT S.A.
1	Tadeusz Włudyka	Chairman	10 218,52
2	Przemysław Majka	Vice-Chairman	12 221,52
3	Krystyna Strzelecka	Secretary	10 693,80
4	Bohdan Wyżnikiewicz	Member as from 23.06.2005	415,87
5	Robert Bender	Member	0,00
6	Jacek Legutko	Member as from 23.06.2005.	415,87
7	Stanisław Berkiet	Member till 23.06.2005	10 218,52
8	Zbigniew Szałajda	Chairman of the SB till 06.06.2005r. SB member till 14.06 2005 r	13 715,20
	TOTAL		57 899,30

Robert Bender resigned from the remuneration since the day he was appointed the member of the Supervisory Board.

The principles of the remuneration of the members of the Supervisory Board according to the Company's Charter determines the General Meeting of Shareholders.

2.3. Receivables by virtue of unrepaid loans. Information about granted loans, advance payments, warranties and guarantees to managing persons.

There are no receivables by virtue of unrepaid loans. The Company did not grant loans, advance payments, warranties and guarantees to managing persons.

2.4. Issuer's shares and shares or stocks in issuer's related entities which are in the possession of managing and supervising persons (for each person separately)

The number and nominal value of STALEXPORT SA shares which are in the possession of managing and supervising persons as at 30.06.2005 is the following:

1) Emil Wąsacz	59 000 shares of a nominal value of	118 000 zloty
2) Urszula Dzierżoń	23 430 shares of a nominal value of	46 860 zloty
3) Krystyna Strzelecka	4 075 shares of a nominal value of	8 150 zloty

The persons managing and supervising the issuer do not possess shares and stocks of related entities.

2.5. A list of shareholders possessing at least 5% in the total number of votes

A list of shareholders possessing at least 5% in the total number of votes (107 762 023) at the General Meeting of Shareholders as at 30th June 2005.

Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej	18.022.835 shares	16,72%
Powszechna Kasa Oszczędności BP S.A.	7.654.779 shares	7,10 %
Bank Zachodni WBK SA	5.900.325 shares	5,47%

2.6. Information about changes in the issuer's organizational or capital links

1. **On 20th January 2005** the Extraordinary General Meetings of Shareholders of the Companies STALEXPORT S.A. and STALEXPORT CENTROSTAL WARSZAWA S.A. approved the Merger plan of both companies.
2. **On 1st March 2005** on the strength of the decision of the Register Court in Katowice the company STALEXPORT CENTROSTAL Warszawa S.A. was incorporated into STALEXPORT S.A.
3. **On 22nd and 23rd March 2005** STALEXPORT S.A. purchased 281 620 own shares in order to make the settlement with the shareholders of CENTROSTAL Warszawa S.A. Shares will be issued on earlier agreed conditions.
4. **On 8th July 2005** the company STALEXPORT S.A. and Bank Handlowy in Warsaw S.A. signed an agreement for sale of perpetual lease of a real estate located in Chorzów of an area of 99 558 sq. meters together with buildings being separate real estates. Payment shall be conducted by way of reduction of STALEXPORT SA debts towards Bank Handlowy in Warsaw S.A.
5. **On 31st August 2005** the Company received the decision of the District Court for Warsaw city in Warsaw (XX Economical Department National Court Register dated 05.08.2005) stating the fact of deleting Stalexport Centrostal Warszawa SA in Warsaw from the National Court Register.
6. **On 31st August 2005** the Company purchased from the bankruptcy trustee of Stalexport Wielkopolska Sp. z o.o. (being in the state of bankruptcy) the previously usufructed, organized part of failed enterprise, i.e. Division in Kostrzyn on Odra, including: perpetual usufruct of the land along with real property for the net amount of 600 thousand zlotys.

3. FINANCIAL ANALYSIS OF THE COMPANY

3.1. Discussion of the financial results, assessment of factors and untypical events which have an impact upon an economic activity taking into consideration events after the balance sheet date

The below table presents the financial result of STALEXPORT S.A. for the 1st half 2004 and 2005

in thousand zloty	I half 2004	I half 2005	Change
I Net incomes from selling products, goods & materials.	438 916	242 707	-44,7%
1. Net incomes from selling products	54 438	21 447	-60,6%
2. Net incomes from selling goods and materials	384 478	221 260	-42,5%
II. Costs of sold products, goods and materials.	408 762	226 063	-44,7%
1. Cost of manufacturing sold products	52 015	19 618	-62,3%
2. Value of sold goods and materials	356 747	206 445	-42,1%
III. Gross profit/loss from sales	30 154	16 644	-44,8%
IV. Sales costs	7 129	5 313	-25,5%
V. General management costs	9 646	15 021	55,7%
VI. Profit on sales	13 378	-3 690	-
VII. Other operating incomes	87 254	17 241	-80,2%
VIII. Other operating costs	6 716	8 122	20,9%
IX. Profit (loss) from operating activity	93 917	5 429	-94,2%
X. Financial incomes	164 067	11 144	-93,2%
XI. Financial costs	246 521	16 166	-93,4%
XII. Result from financial activity	-82 454	-5 023	-93,9%
XIII. Profit (loss) from business	11 463	407	-96,4%
XIV. Result of extraordinary events	0	0	-
1. Extraordinary profits	0	0	-
2. Extraordinary losses	0	0	-
XV. Gross profit (loss)	11 463	407	-96,4%
XVI. Income tax – current part	0	0	-
XVII. Income tax – deferred part	8	-605	-
XVIII. Net profit (loss)	11 455	1 012	-91,2%

3.1.1. Results of core business

In a structural aspect, according to sale directions, incomes from sales in the discussed period are as follows:

In thousand zloty	I half 2004	I half 2005	% Share in turnovers in general Ist half 2005	Change Ist half 2005 to Ist half 2004 in thousand zloty	Change %
I. Incomes from sales in total including:	438 916	242 707	100,0%	-196 209	-44,7%
1. Commercial activity	396 112	241 436	99,5%	-154 676	-39,0%
a) export (and re-export)	125 851	114 604	47,2%	-11 247	-8,9%
b) domestic market	186 922	98 156	40,4%	-88 766	-47,5%
c) import	71 397	8 363	3,4%	-63 034	-88,3%
d) production	11 942	20 313	8,4%	8 371	70,1%
2. Other sale	1 267	1 271	0,5%	4	0,3%
3. A-4 motorway	41 537	0	0,0%	-41 537	-100,0%
II. Purchase and sales costs	415 891	231 375	x	-184 516	-44,4%
III. Sales margin	23 025	11 332	x	-11 693	-50,9%
Margin ratio in % (in total)	5,25%	4,67%	x		

In the 1st half 2005 incomes from sales of STALEXPORT SA amounted to 242 707 thousand zloty and were by 44,7 % lower in comparison with analogical period of 2004. The decline was caused by the following factors:

- the lack of external financing, the planned issue of shares fallen through, and the same the limited working assets (diminished additionally by payment of arrangement and off-arrangement liabilities), possessed by Company;
- transfer of concession for toll motorway section from STALEXPORT S.A. to Stalexport Autostrada Małopolska S.A. – which reflected in non-showing revenues by virtue of tolls for motorway crossing in profit and loss account of the Company;
- change in supply policy by the company Mittal Steel Poland (the owner of former PHS S.A.), which resulted in considerable reduction of iron ore supplies to Huta Katowice and Huty im.T. Sendzimira by STALEXPORT S.A., what considerably affected the sale decline in import and decrease in revenues from import.
- recess on steel products market maintaining in 1st half 2005, resulted in considerable decline in their prices, and next the made re-valuation of inventories resulted in decrease in result of sale.

The value of sold goods, products and materials at the purchase price amounted to 226 063 thousand zloty in the 1st half 2005

The low sales dynamics concerns mainly import sales, which is lower than in analogous period of the previous year by 88,3 % (caused by stopping supplies of ores and refractories for Mittal Steel Polska) and domestic sales, which is by 39 % lower, than in the 1st half 2004.

The positive results are mainly achieved by export sale which despite lower volume of turnover than in the 1st half 2004 (decrease by 8,9 %) constitutes the biggest part in trade (47,2 %) in the 1st half 2005, and moreover by the increase in revenues from sales of reinforcement for building industry (by 70,1 %) caused among others by incorporating the plant of reinforcement prefabricating in Warsaw in structures of STALEXPORT S.A.

The achieved gross profit from sales amounted to 16 644 thousand zloty and was by 44,6 6% lower than in analogous period of 2004; in per cent the decline in result is the same as the decline in revenues from sales, what means that in present market situation it was not possible to compensate by increasing the margin from sales.

After taking into consideration the sales costs in the amount of 5 313 thousand zloty and costs of general management in the amount of 15 021 thousand zloty, the Company shows the loss on sales in the amount of 3 690 thousand zloty.

The negative results on sales results from lower level of turnover in comparison with 1st half of 2004. Moreover it should be noted that the cost of general management are higher than last year, which at the end of June 2005 amounted to 15,021 thousand zloty.

The cost of general management in 1st half 2005 increased by functioning costs of 8 new trade depots (which did not function in the structure of STALEXPORT S.A. in 1st half 2004), i.e. by ca 2,2 m zloty, and by costs of branch offices of former STALEXPORT CENTROSTAL WARSZAWA S.A. (from 1.03.2005) by ca 3 m zloty. Comparing general management costs of the Company STALEXPORT CENTROSTAL WARSZAWA S.A. for 1st half 2004 to costs of functioning of this company already within structure of STALEXPORT S.A. (in period January – February 2005 as the company plus in period March-June 2005 as branch offices) it was stated that as a result of merger of the Companies the general management costs were reduced by ca 1m zloty.

Launching new trade depots and increase in costs connected with this will be compensated by expected positive result of sales increase in the nearest years.

Other operating incomes and costs

Other operating incomes amounted to 17 241 thousand zloty, other operating costs amounted to 8 122 thousand zloty. The balance on the other operating activity amounted to 9 119 thousand zloty.

In the range of other operating incomes, reserves and updated write offs were dissolved in the total amount of 12 717 thousand zloty, out of which the write offs for receivables of Centrostal Warszawa constitute the biggest part.

Moreover, the value of 3 282 thousand zloty, resulting from the settlement of incomes of future periods due to the repayment of consecutive arrangement instalments was included in the other operating incomes.

The level of other operating costs was affected by updating the value of non-financial assets for total amount of 2 459 thousand zloty, which comprises write offs for receivables towards Stalexport Wielkopolska in the amount of 2 227 thousand zloty, established after signing an agreement on 19.04.2005 (with simultaneous dissolving of write offs in the amount of 939 thousand zloty in the range of incomes) .

3.1.3 Financial incomes and costs

The achieved financial incomes amounted to 11 143 thousand zloty, while the incurred financial costs amounted to 16 166 thousand zloty. A loss in the amount of 5 023 thousand zloty incurred on the financial activity.

Comparing the amount of balance achieved on financial activity in the 1st half 2004 (-82.454 thousand zloty) to the level of 1st half 2005 (-5.023 thousand zloty), there is distinct disproportion resulting from the fact that in previous period the restructuring process of the Company's assets was settled, mainly by their sale.

The other biggest items within the financial activity in 1st half 2005 regarded interests.

In the range of financial revenues the amount of interests amounted to 5 791 thousand zloty, which comprise:

- interests on sale of shares of Ferrostal to the company Złomrex 1.948 thousand zloty
- amortised interests on credits 1.909 thousand zloty
- interests on receivables by virtue of guarantees covered by arrangement agreement 1.715 thousand zloty

In the range of costs the amount of interests amounted to 14 599 thousand zloty, including:

- interests on arrangement liabilities 4.471 thousand zloty
- interests on credits 3.853 thousand zloty
- interests towards State Treasury on liabilities by virtue of guarantee 2.750 thousand zloty
- interests on tax liabilities 2.121 thousand zloty

Other important items to be noted in the range of financial incomes is valorization of return of investment outlays regarding A4 motorway in the amount of 2 971 thousand zloty, received dividend from the company Stalexport Transoroute Autostrada S.A. in the amount of 1 471 thousand zloty, and also positive balance of rates differences in the amount of 444 thousand zloty as well as the profit from sale of the shares of Konsorcjum Autostrada Śląska in the amount of 324 thousand of shares.

3.1.4 Financial results - summary

All actions and events described above had a direct impact upon the results of the Company achieved in 1st half 2005.

The gross profit of STALEXPORT SA for the 1st half 2005 amounted to 407 thousand zloty. The gross profit increase from income tax from legal persons (deferred) amounts to 605 thousand zloty.

Net profit of STALEXPORT S.A. for the 1st half 2005 amounted to 1 012 thousand zloty in comparison with the net profit in analogous period in 2004 amounting to 11 454 thousand zloty,, i.e. it decreased by 91,2 %. It resulted mainly from the decline in volume of turnover as result of the lack of working capital.

3.2. Material and financial situation

Balance sheet data at the end of 1st half 2005 in comparison with the balance at the end of 2004 are as follows.

Balance sheet (in thousand zloty)	31.12.2004	30.06.2005	Dynamics	Structure
I. Fixed assets	335 916	345 757	2,9%	67%
1. Intangible fixed assets	210	218	3,8%	0%
2. Tangible fixed assets	26 240	48 846	86,2%	9%
3. Long-term receivables	50 800	972	-98,1%	0%
4. Long-term investments	128 456	161 394	25,6%	31%
5. Assets available for sale	130 211	130 226	0,0%	25%
6. Deferred income tax	0	4 101	-	1%
7. Long-term interperiod settlements.	0	0	-	0%
II. Current assets	181 601	170 380	-6,2%	33%
1. Inventories	59 864	48 189	-19,5%	9%
2. Short-term receivables	113 981	113 896	-0,1%	22%
3. Short-term investments	19	271	1405,6%	0%
4. Cash and its equivalent	6 678	6 273	-6,1%	1%
5. Short-term interperiod settlements.	1059	1 751	65,2%	0%
Assets in total	517 517	516 137	-0,3%	100%

I. Initial capital	-28 963	-22 231	-23,2%	-4%
1. Stock capital	215 524	215 524	0,0%	42%
2. Own shares	0	-428	-	0%
3. Inventory capital	42 343	0	-100,0%	0%
4. Reserve capital from revaluation	8 457	8 457	0,0%	2%
5. Other reserve capitals	95 979	6 147	-93,6%	1%
6. Profit (loss) from previous years	-404 142	-252 943	-37,4%	-49%
7. Net profit (loss)	12 876	1 012	-92,1%	0%
II. Long-term liabilities	368 059	352 559	-4,2%	68%
1. Credits and loans	100 110	99 373	-0,7%	19%
2. Liabilities by virtue of leasing	0	1 216	-	0%
3. Other liabilities	197 191	182 341	-7,5%	35%
4. Reserve by virtue of deferred income tax	725	9 472	1206,5%	2%
5. Reserves for other liabilities	11 557	11 115	-3,8%	2%
6. Long-term interperiod settlements	58 477	49 042	-16,1%	10%
III. Short-term liabilities	178 421	185 809	4,1%	36%
1. Credits and loans	12 542	21 956	75,1%	4%
2. Liabilities by virtue of leasing	0	0	-	0%
3. Liabilities by virtue of trade account receivable	125 005	115 016	-8,0%	22%
4. Other liabilities	8 118	15 825	94,9%	3%
5. Reserves for other liabilities	11 007	10 604	-3,7%	2%
6. Short-term interperiod settlements.	21 749	22 408	3,0%	4%
Liabilities in total	517 517	516 137	-0,3%	100%

3.2.1 Fixed and current assets

The company's assets in total as at 30th June 2005 nearly did not change in comparison with the balance as at 31st December 2004. The value of assets amounted to 516 137 thousand zloty, out of which fixed assets constitute 67% , while current assets 33%.

In the 1st half 2005 fixed assets increased by 2,9%, and in their structure the biggest changes occurred in connection with incorporating the subsidiary company STALEXPORT CENTROSTAL WARSZAWA S.A by Stalexport S.A. As a result of this merger the fixed assets increased by 82,6 % to the amount of 48 846 thousand zloty, while the level of overdue receivables due to their settlement decreased by 98,1 %. Moreover the long-term investments increased from 128 456 thousand zloty at the end of 2004 to the amount of 161 394 thousand zloty at as 30th June 2005, i.e. an increase by 25,6%.

The assets available for sale shown in balance sheet concern investment outlays connected with A4 motor way Katowice-Kraków, which when the financial closing is achieved, will be paid back by the company STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A., for which the motorway concession was transferred.

Current assets at the end of 1st half 2005 amounted to 170 380 thousand zloty and were by 6,2% lower in comparison with the balance at the end of 2004. The decline was first of all connected with positive tendencies which occurred in trade owing to reduction of inventories, the balance of which declined within the 1st half by 11 675 thousand zloty.

Short-term **receivables** in the amount of 113 896 thousand zloty are the biggest item in the range of current assets.

3.2.2 Equity capital and liabilities

The liabilities of the Company comprises:

- negative equity capital -22 231 thousand zloty because of the loss from previous years in the amount of -252 943 thousand zloty;
- long-term liabilities in the amount of 352 559 thousand zloty, what constitutes 68% share in total amount of liabilities;
- short-term liabilities in the amount of 185 809 thousand zloty, what constitutes 36% share in liabilities.

The loss from previous years decreased in the 1st half 2005 by amount of 151 198 thousand zloty, owing to its coverage by inventory capital showed so far in the amount of 42 343 thousand zloty, other reserve capital in the amount of 95 979 thousand zloty and net profit for 2004 in the amount of 12 875 thousand zloty.

Simultaneously reserve capital increased by 6 147 thousand zloty as a result of posting an entry of amortised part of arrangement liabilities from incomes from future periods proportionally to made payments in the 1st half 2005.

The level of long-term liabilities decreased by 4,2%. Arrangement liabilities in the amount of 109 750 thousand zlotys are of decisive importance in the range of these liabilities and also credits in the amount of 99 373 thousand zloty. While the amount of 72 592 thousand zloty is the long-term liability towards the State Treasury by virtue of granted bill of exchange guarantees regarding Huta Ostrowiec. These liability will be repaid – according to the signed agreement – since 2008, i.e. after paying off arrangement instalments.

In structure of short-term liabilities which increased at the end of 1st half 2005 by 4,1% in relation to 2004, the trade liabilities in the amount of 115 016 thousand zloty are of major importance. This amount comprises also liabilities towards STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. in the amount of 38 083 thousand zloty by virtue of motorway settlements.

The amount of current credits and loans increased from 12 541 thousand zloty at the end of 2004 to the amount of 21 956 thousand zlotys at the end of 1st half 2005, mainly because of signing in April this year, an agreement for discount credit, which at the end of 1st half 2005 amounted to 9 035 thousand zloty.

Short and long-term settlements comprise revenues from future periods regarding amortised part of arrangement liabilities.

3.2.3 Structure of sources of financing and management of financial resources

The source of financing assets were exclusively liabilities, because in the whole period the Company possessed negative equity capital.

The general indebtedness ratio (ratio of liabilities to the balance sheet sum) decreased from 105,6 % to 104,3 %.

The assessment of management of financial resources comprises mainly events affecting the Company's liquidity and profitability. The following ratios were used so as to evaluate the liquidity and profitability:

- current ratio: current assets/short-term liabilities,
- quick ratio: current assets - inventories/short-term liabilities,
- Sale profitability: profit on sales /revenues from sales,
- Net profitability:– net profit /revenues from sales ,
- Assets profitability (ROA): net profit/assets .

Ratio	Ist half 2004	Ist half 2005
Current ratio	1,02	0,92
Quick ratio	0,68	0,66
Sale profitability	3,0 %	-1,5 %
Net profitability	2,6 %	0,4 %
Assets profitability	2,2 %	0,2 %

In the 1st half 2005 the liquidity ratios decreased in comparison with the analogous period of 2004. It results mainly from the decline of the level of inventories in the first months of 2005, and moreover an increase in current credits (discount credit) should be noticed.

The necessity to repay the of-arrangement credits (16,3 m zloty together with interests) affected the cash flow standing as well as the payment of major creditors while executing the provisions of the arrangement proceedings (22 m zloty).

These factors reduced working capital of the Company, which resulted in limiting the level of sales revenues possible to be executed.

Within 1st half 2005 the Company was still deprived of the access to financing via bank credits, what made it impossible to increase revenues from sales.

The ratios of profitability reflect the scale of described above financial burdens, these ratios decrease considerably in relation to the pervious period.

The sale in the 1st half 2005 shows the lack of profitability as a result of to big decline in turnover and simultaneous increase in general management costs connected with the corporation of Centrostal Warszawa.

Net profitability ratio for the 1st half 2005 amounted to 0,4% and decreased in relation to the 1st half 2004 – it amounted then to 2,6%.

Assets profitability shows the similar declining tendency, what is caused by decrease in net profit in comparison with the 1st half 2004.

3.3. Description of investment activity

The below table presents the global value of investment outlays of fixed assets (without the granted long-term loans) incurred in the 1st half 2005:

Investment outlays in thousand zlotys	30.06.2005	%
In thousand zloty in total, including	95.774	100,0
1) intangible assets	67	0,1
2) tangible fixed assets	24.285	25,3
3) financial fixed assets	24.477	25,6
4) real estates	46.945	49,0

The total value of investment outlays incurred in the 1st half 2005 amounts to 95 774 thousand zloty. They in majority result from incorporating the company STALEXPORT CENTROSTAL WARSZAWA S.A.

Within tangible fixed assets the following items increased due to outlays:

- buildings and constructions 12 062 thousand zloty
- objects of civil engineering 6 753 thousand zloty
- machines and equipment 2 808 thousand zloty
- means of transport 990 thousand zloty
- fixed assets under construction 192 thousand zloty

Investment outlays of **financial fixed assets** in the amount of 24 477 thousand zloty concern the takeover of the long-term investments of the subsidiary company STALEXPORT CENTROSTAL WARSZAWA S.A., including the shares of the companies STALEXPORT METALZBYT Sp. z o.o., Atlantico Trans EX Sp. z o.o., Centrostal Profil Sp. z o.o., Invest Centrostal Sp. z o.o., and shares of the companies: STALEXPORT Serwis Centrum S.A. Bełchatów, Petro-Stal S.A., MERKURY Towarzystwo Inwestycyjne S.A. Updating write-offs in the amount of 21 049 thousand zloty were established for the above investments.

In the 1st half 2005 the balance of real estates of STALEXPORT SA increased by the amount of 46 945 thousand zloty, i.e. by the valuation of real estate in Warsaw after former company STALEXPORT CENTROSTAL WARSZAWA S.A.

4. ANALIYSIS OF THE COMMERCIAL ACTIVITY OF THE ISSUER

4.1. Sale - Information about basic products, goods and services

In the 1st half 2005 the incomes from sales were by 45% lower than incomes for 1st half 2004. However, in the 1st half 2004 the incomes from sales of the company comprised revenues from motorway activity, which constituted 8,4% of turnover. The below table presents the assortment structure of sales.

Main merchandise and services in the turnover of STALEXPORT SA in the 1st half 2005.

Merchandise/service	Sale value [in m zloty]	Share in incomes
sections	73,9	30,4%
flat products	47,0	19,4%
plates and sheets	27,6	11,4%
pipes	21,7	8,9%
prefabricated reinforcement	18,5	7,6%
semi-finished products	17,9	7,4%
non-ferrous products	15,8	6,5%

Assortment structure of incomes from sales of STALEXPORT S.A. In 1st half 2005



The share of metallurgical products in the turnovers of the company increased from 65% (in the 1st half 2004) to 87% (in 1st half 2005), the sale of which becomes the basic segment of the activity. The share of metallurgical supply materials decreased from 23% to the level of 9% respectively.

It was caused by entire desistance from supply deliveries (in ores and refractories) to Polish mills.

Invariably, the assortment which constitutes the biggest share in the sales of STALEXPORT SA were sections. Their sale decreased however, by 30 % in relation to the 1st half 2004. The sale of plates and sheets also decreased – by 45% and bars and wire rod – by 50%.

In the 1st half 2005 incomes from the sale of products of non-ferrous metals increased by 84% in comparison with the 1st half 2004. The sale of pipes also increased by 12 %.

4.2 Information about sales markets and suppliers

The biggest share in sales revenues in the 1st half 2005 year is attributed to domestic sale – 49%, next export sale - 48%, import sale - 3%.

In the analogous period – 1st half 2004 - the share was the following: domestic sale – 55%, export sale - 29%, import sale – 16 %).

The value of domestic sale in the 1st half 2005 - in relation to 1st half 2004 – decreased by 50%, import sale decreased by 88%, export sale 9%.

The decline in import sale was caused mainly by lack of import of iron ores.

The decline in steel products prices, lower open consumption in 1st half 2005 and weaker prosperity on the market mainly affected the decline in revenues from sales on domestic market.

Export sale

In the 1st half 2005 33% of the export sales of the company was directed to the European Union market, 8% to the other European countries. Export to South America constituted 50%, export to North America constituted 8%, only 1% of products reached the Far East markets.

The sale of metallurgical products constituted 84% of turnovers in the assortment export structure, the remaining 16% - metallurgical supply materials and other merchandise.

Main merchandise in the export sale of STALEXPORT SA in the 1st half 2005

	Sale value [in m zloty]	Share in incomes
sections	62,8	54,8%
semi-finished products	17,7	15,5%
non-ferrous products	15,2	13,2%
tubes	8,7	7,6%
other steel products	6,0	5,2%
bars and wire rod	2,6	2,2%

In the 1st half 2005 the assortment structure of export sale did not change in comparison with the 1st half 2004. The amount of sections sale decreased by 34 %, while the amount of sale of the following assortments increased: semi-finished products - by 57%, non-ferrous metals – by 88% and tubes – by 26%.

Domestic and import sale

The sale of metallurgical products constituted 91% and metallurgical supply materials constituted 9% of the assortment structure of domestic sale.

Main merchandise in sale on the domestic market of STALEXPORT SA. in 1st half 2005

	Sale value [in m zloty]	Share in sale on domestic market
plates	46,6	36,4%
bars and wire rod	25,0	19,5%
prefabricated reinforcement	18,5	14,4%
tubes	13,0	10,2%
sections	11,0	8,6%
fuels	4,2	3,3%

Comparing the sale revenues for 1st half 2005 to 1st half 2004 one can notice the decline in amount of sale of plates – by 45%, bars and wire rod – by 50%. The revenues from sale of tubes increased by 6%.

Among main products sold by the company on domestic market there are no assortments which constituted significant share in turnover in 1st half 2004, such as : iron ore - decline by 100%, semi-finished products – decline by 99%, metallurgical products – decline by 83%, refractories – decline by 100%.

Main suppliers

Mittal Steel Poland S.A. was the biggest supplier in 1st half 2005.

Main suppliers (over 5% share in purchases) of STALEXPORT S.A. in 1st half 2005

	Purchase value [in m zloty]	Share in amount of purchases
MITTAL STEEL POLAND S.A	85,9	46,2%
ZŁOMREX Sp. z o.o.	25,2	13,6%
IMPEXMETAL S.A.	12,1	6,5%

In 1st half 2005 (in comparison with 1st half 2004) among main suppliers the following companies appeared: ZŁOMREX Sp. z o.o. and IMPEXMETAL S.A..

Main customers

The biggest customer of STALEXPORT SA in 1st half 2005 was the company BAUSTAL Sp. J.

The sale to distribution – subsidiary companies constituted about 5% of STALEXPORT SA turnover.

The turnover with the company BAUSTAL Sp . J. decreased by 28%, and which despite that it was the biggest customer of the company in 1st half 2005.

MITTAL STEEL POLAND S.A. – significant customer in 2004 was not the customer in the 1st half 2005.

4.3. Distribution network

The restructuring of the distribution companies of the Capital Group of STALEXPORT commenced in 2001 focuses on improvement of trade processes and better customer servicing, improvement of organization and optimising of born costs. Continuous analysis of effectiveness of possessed assets and its transferring to spheres bringing in suitable, increasing receipts, has been conducted.

The effectiveness of activity aimed at direct customer servicing is the subject of particular concern, as well as at increasing the added value of the sold steel by its processing and prefabricating is special concern.

The large distribution network, aimed at customer and possessing the increasing possibilities of steel processing is one of the main, not fully used factor of the development of STALEXPORT S.A.

As for today the distribution network of STALEXPORT S.A. comprises:

- 4 depots on the rights of branch offices , (Warszawa, Częstochowa, Białystok, Koronowo).
- 11 trade depots, Gostyń, Gniezno, Piła, Bełchatów, Krzyż Wielkopolski, Komorniki, Koszalin, Kostrzyn, Zielona Góra, Rzeszów, Łódź),
- 4 sale points serviced by the subsidiary companies, i.e.
 - by STALEXPORT SERWIS CENTRUM KATOWICE S.A. (Wrocław, Opole, Katowice),
 - by STALEXPORT CENTROSTAL LUBLIN S.A. (Lublin),

Sale points of distribution network of STALEXPORT S.A. are shown on the map.



The analysis of the sale profile as well as the profile of serviced customers indicates that despite the particular trade depots are situated in similar geographic areas, each trade depot is of specific character. It is a big advantage which reflects the individualisation of requirements, but also it is quite big difficulty, because it is not so easy to obtain the effect of scale at supply purchases.

Taking into account the above, and the current analyses of stocks, the company has been conducting works aimed at arranging so called BUFFER STORE, which could be the supplying depot for all points of sales. It will also be minimalising the transport costs as well as optimising the stock levels acc to the rotation criteria.

The company also has been striving after simplification of procedures of servicing customers and winning goods as well as improving the flexibility and quickness of reacting for processes and occurrences on steel market.

The Director of the Distribution Network appointed on 01.06.2005 has been supervising these works.

5. PROSPECTS OF DEVELOPMENT AND DESCRIPTION OF BASIC RISKS AND THREATS, PROFILE OF EXTERNAL AND INTERNAL FACTORS ESSENTIAL FOR THE ISSUER'S DEVELOPMENT

5.1. Prospects of development

STALEXPORT SA concentrates on the development of the commercial activity, both domestic on the basis of the network of trade depots and subsidiary distribution companies, also foreign activity (export, import) and also the development of motorway activity

The corporate strategy of STALEXPORT SA in details after executing the financial restructuring concentrates on:

- 1) **an efficient trade business on the basis of an existing sales network,**
- 2) **a further organizational restructuring of the Company and the Capital Group aimed at its consolidation,**
- 3) **the development of the motorway activity.**

ad 1) The development of n efficient trade business on the basis of an existing sales network

The following actions were carried out in the course of increasing the efficiency of the field of trade:

- the principles of a coherent marketing, commercial and logistic policy were worked out and implemented which enabled to use the existing potential (the scale and synergy effect);
- one focused on domestic trade and on maintaining a significant market position in chosen assortments in foreign trade, as a result of which the optimization of distribution channels and the range of products and goods– which are in the commercial offer - was achieved.

These reasons are the basis of being executed „**The marketing commercial strategy of STALEXPORT SA** ” was worked out. Its goal is to coordinate the restructuring and marketing-commercial actions so that the limited working capital, which STALEXPORT SA administers, would generate a growing margin of profit, enabling to repay the arrangement liabilities, the increase of goodwill for shareholders and the increase of profits.

The principle of a current cooperation with strategic customers who bring the biggest turnovers and margin of profit to the company has been implemented. The financial situation of customers is monitored in a continuous way from the perspective of their financial liquidity and mercantile credit value.

ad 2)) Further organisational restructuring of the Company and the Capital Group aiming at its consolidation

Having in mind the work and management efficiency in STALEXPORT SA, essential changes are carried out in the organizational structure in order to flatten and simplify it. The scheme and organizational regulations correspond with the present conditions of conducting trade business.

In 2004 and at the beginning of 2005 the successive trade depots were incorporated in the organizational structure of STALEXPORT S.A. At present there are 11 trade depots in the structure of the Company and four trade depots on the rights of the branch offices.

The distribution group also comprises two subsidiary companies. The consolidation process of the trade companies of the Capital Group has been proceeded.

The merger with STALEXPORT CENTROSTAL WARSZAWA S.A. was carried as the first, and it was registered on 1st March 2005.

The executed consolidation process of the distribution network should bring in further improvement of commercial activity, sale costs optimizing and better management of working capital.

It is planned that till the end of 2006 all entities of the steel distribution network will consolidated.

ad 3) Development of motorway activity

STALEXPORT SA possessed, granted in 1997 a 30-year concession for construction by adapting the A-4 motorway on the Katowice-Kraków section to the standards of toll motorway and operating it (transferred on 28th July 2004 to the subsidiary company Stalexport Autostrada Małopolska S.A. owned in 100 % by Stalexport SA).

The profitability of the A-4 Katowice-Kraków motorway project develops in a very satisfactory way. The average daily traffic on the A-4 Katowice-Kraków motorway section amounted to 20.155 cars in 2004, what constitutes 106,1 % of traffic in 2003. The net incomes for the entire 2004 amounted to 74,93 m PLN. In the 1st half 2005 in relation to the analogous period of 2004 the traffic density increased by 5,9 %, and net incomes amounted to 39 111 113,08 zloty and they are by 6,2 % higher than in analogous period of 2004. These facts affirm the thesis resulting from the experience of highly developed countries that traffic generation on toll motorways is resistant to economic fluctuations and motorway projects belong to the most stable financial investments.

That is why the Management Board of the Company recognized the continuation and development of the motorway activity as one of the goals of the executed development strategy of STALEXPORT SA.

The key tasks in the range of the motorway programme are:

- achievement of the financial closing for the A-4 motorway on the Katowice-Kraków section what is connected with carrying out the 2nd stage of the investment plan including the overhauls of bridges, exchange of road surface, development of some road junctions, safety of travellers and environment protection, and also together with the reimbursement of investment outlays by SAM S.A. which were born by STALEXPORT S.A. in the 1st stage (adapting the motorway to toll collection);
- obtaining the concession for the operation of the A-4 motorway on the Katowice-Wrocław section by the company Stalexport Autostrada Śląska S.A.;
- participation in new motorway projects in cooperation with the French company VINCI Concessions S.A.

Achievement of the financial closing for the A-4 Katowice-Kraków motorway section

Obtaining the financial closing for the A-4 Katowice-Kraków motorway section is essential for the project. It determines the timely execution of investment tasks foreseen in the motorway concession and will also enable to reimburse a part of the investment outlays incurred in the previous years by STALEXPORT SA for the construction and operation of the motorway.

The key matter for obtaining financial closing, was the reduction of the credit risk - born by banks - to the risk of motorway project, made possible by concession transfer to SAM S.A.

It was possible due to the amendment of the act on toll motorways which came into force on 1st January 2004. In the amended act there was a record (art. 60a) which enabled to transfer the concession possessed by STALEXPORT SA to a subsidiary entity.

On 30th January 2004 STALEXPORT SA submitted a motion to transfer the concession. On 28th July 2004 the Ministry of Infrastructure issued the decision to transfer the concession for construction by adapting and the operation of the toll A-4 Katowice-Kraków motorway section from STALEXPORT S.A. to the special purpose company – Stalexport Autostrada Małopolska S.A. (SAM) which was established to conduct the motorway activity.

The concession transfer means that the Company Stalexport Autostrada Małopolska S.A. (in which STALEXPORT SA possesses 100% of shares) is currently the concessionaire. On 21.03.2005 the Annexe no 5 to the Concession Agreement between Vice-Minister of Infrastructure and SAM S.A. was signed. The Annexe will come into force after signing the attachments which are at present the subject of agreements between parties. It is therefore possible to obtain the financial closing for the project and next have the investment expenses, incurred by STALEXPORT S.A. in the 1st stage, reimbursed by Stalexport Autostrada Małopolska S.A.

On 28th July the Parliament adopted the Act on the amendment of Act on toll motorways and on National Road Fund which dispense the vehicles from paying fares for crossing the toll motorways, which pay so called road fare (called generally as „winieta”) and introducing the indemnities in favour of concessionaire in form of refund of financial means from National Road Fund.

The few months lasting disarray connected with proceedings regarding a/m Act resulted in delay of works on financial closing because there appeared the necessity to make a few additional analyses which concern the traffic, incomes and technical costs as well as financial analyses.

It is expected that the amended Concession Agreement will come into force till the end of 2nd half 2005, the financial closing will take place and the means will be available in the 1st half 2006.

Obtaining the concession for the operation of the A-4 Katowice-Wrocław motorway section by the company Stalexport Autostrada Śląska S.A.

On 20th February 2004, the General Director of Domestic Roads and Motorways renewed the tender proceedings for granting the concession for the construction via adapting for operation the A-4 Wrocław-Katowice motorway section. The invitation to submit an offer was addressed to three entities. The deadline for submitting the offer expired on 21st June 2004. Two companies submitted offers, including the Company Stalexport Autostrada Śląska S.A., whose shareholders are: Stalexport Autostrada Dolnośląska S.A. - a 100% subsidiary company of STALEXPORT SA (37.5%), EGIS Projects S.A. (37,5%) and STRABAG AG (25%).

On 15th September 2004 the company was informed by letter received from the General Director of Domestic Roads and Motorways in Warsaw that after getting acquainted with the results of the tender for granting the concession for the construction of the A-4 Katowice-Wrocław motorway section via adapting it to the requirements of the toll motorway, negotiations on the agreement on the construction and operation of the motorway will be exclusively conducted with the Company Stalexport Autostrada Śląska S.A.

On 27.11.2004 General Director of Domestic Roads and Motorways (GDDKiA) in Warsaw changed its decision and informed the company Stalexport Autostrada Śląska S.A. about commencing simultaneous negotiations with the consortium Autostrada Południe S.A. At present the negotiations aimed at the selection of the bidder for the exclusive negotiation of the contents of the concession agreement are held.

In connection with resolving by the Polish Parliament in July 2005 the statutory changes which release the vehicles from paying fares for crossing the toll motorways, paying so called road fare (commonly known as „winieta”). GDDKiA informed both bidders that the modifications of guidelines of the Infrastructure Ministry for the negotiating team of GDDKiA will be required. New guidelines are expected to be determined till the end of September 2005.

Participation in new motorway projects in cooperation with the company VINCI Concessions S.A.

On 1st September 2004, the Management Board of STALEXPORT SA in order to strengthen its position on the market of motorway services, signed a letter of intent with one of leaders in the range of motorway projects – the Company VINCI Concessions S.A., concerning the strategic cooperation in the range of future motorway projects. The cooperation will especially concern the following concession projects:

- A1 motorway with the exception of the section between Gdańsk and Toruń,
- the eastern part of the A-2 Motorway from Stryków to the eastern border,
- the A-4 Motorway with the exception of the Katowice-Kraków section and the section between Wrocław and Katowice.

The range of the planned cooperation comprises supporting the execution of concession motorway projects, promoting modern techniques of financing projects, exchanging information concerning legal, financial and institutional changes **and, first of all, the participation of partners in the construction process and later the operation of motorways.**

The Company VINCI Concessions S.A. possesses tremendous experience in the range of preparing and executing motorway projects. The cooperation will increase the chances to finance and execute investments and will bring about the highest world standards of managing motorway projects on the Polish market

In connection with announcing on 8.07.2005 by GDDKiA the preliminary qualification of tender for construction and operating of A1 toll motorway on section Stryków-Pyrzowice and re-announcement on 15.09.2005 of date of submitting bids till 18.11.2005, the company STALEXPORT-AUTOSTRADA-DOLNOŚLĄSKA S.A. in 100% possessed by STALEXPORT S.A. – purchased suitable tender documents and has been undertaking preparations for submitting an offer together with the company VINCI Concessions S.A.

5.2. Description of basic risks and threats, profile of external and internal factors essential for the development of the issuer

Description of basic risks and treats, counteractions

The main risk and threats of the business activity of STALEXPORT SA. are connected with the following spheres:

- 1) commercial activity
- 2) financial activity

ad a) Basis risks and threats connected with commercial activity

The basic risks and threats connected with commercial activity comprise:

- situation on steel market,
- trade policy of new owners of mills,
- the competition activity

Situation on steel market

After good prosperity of the 1st half 2005 and rapid increase in prices, and also next their rapid decline on the turn of 2004/2005, at present the situation on steel market got stabilised. The distributors reduced their purchases. The sale of steel from stocks began, which resulted in decline in prices and in trade margins. The steel producers reduced the production. Despite anticipation that the steel prices will begin to soar again, no distinct changes are noticed. In longer prospects the growth of demand for steel will be affected by stable but lower than anticipated growth of GNP as well as first by all the investments in infrastructure (road, motorways) and the positive prognoses for building industry.

Trade policy of new mill owners

In the years 2003 and 2004 revolutionary ownership changes occurred in the metallurgical sector. Nearly all plants of this sector possess or will possess soon definite sector investments, including- to a large extent – strong foreign consortia.

The biggest investor on Polish market is MITTAL STEEL POLAND S.A. possessing ca 70% production capacity. It, with its nearly monopoly position and its strategy of development and trade, is serious challenge for STALEXPORT S.A.

On the one hand the new principles of trade implemented by it and other investors conduct to the increase in market transparency, and the same strengthen the position of the companies having the direct access to the customers – by sales network and own trade depots. STALEXPORT S.A. with its Capital Group is such company on the Polish market. On the other hand, they limit the possibilities to participate in supplying mills in merchandise and raw materials. STALEXPORT S.A. lost this sphere of activity in 2004. **Moreover the producers aim at diminishing the part of agents** – what involves the necessity to inquiries of new possibilities of rendering additional services including processing ones and it should be noted that big customers leave agents and contact directly with producers.

Competition activity

The Steel Distribution Sector is comprised of a few hundred entities. STALEXPORT SA together with the Capital Group conducts research of over 200 companies. At present, about 60 companies play a vital part on the market. Among the biggest, except for <STALEXPORT S.A. are : Thyssen Krupp Energostal S.A., SAMBUD-2 Sp. z o.o., BODEKO Sp. z o.o., Stalprofil S.A., Stalprodukt S.A., and other. A declining margin of profit value is the result of growing competition.

After Poland's accession to European Union the existing competition increased by distributors connected with European steel products producers.

Actions limiting the above mentioned risks

Taking into consideration the above mentioned threats, the Management Board has been conducting talks with all new owners of steel industry plants in order to correct the conditions and principles of a mutual commercial cooperation, especially under conditions of big prices ups and downs and prosperity. In order to limit the risk of market monopolization by the biggest domestic producers and possible effects of the radical change of their commercial policy, alternative trends of supplying the Polish market by producers from Germany, the Czech Republic and Slovakia are being analysed.

Simultaneously, actions are conducted aimed at strengthening the market position of the STALEXPORT S.A. on the market of metallurgical products, among others by :

- necessity of further consolidation of the commercial activity affecting an increase in flexibility of actions,
- structure simplification and costs reduction by excluding function doubling

Further consolidation of the Group and widening the activity scale

While executing the trade consolidation STALEXPORT S.A. possesses at present a network of 15 trade depots, including 4 on the rights of branch offices. Next 4 selling depots at present are serviced by the subsidiary companies, which further prospects will be incorporated into the structure of STALEXPORT S.A.

The aim of the consolidation is to improve processes of customer servicing and to limit the function doubling, and the same costs.

Simplification of the structure and costs reduction by excluding functions doubling.

In order to increase the flexibility and improve effectiveness and efficiency of trade the organisational structure is simplified. At present STALEXPORT SA is organised in two basic sections: commercial and financial ones. Settlement and optimising of internal processes result in reduction of costs functioning of the Company (general management costs in 2004 were diminished by 3,5 % in relation to 2003. While costs in 2003 were decreased by 35% in relation to 2002, by 61% in relation to 2001 and by 65% in relation to 2000). In 1st half 2005 there was a transitional increase in general management costs connected with the merger with STALEXPORT-CENTROSTAL Warszawa and launching new trade depots.

However, as it was mentioned earlier, comparing the general management costs of the of the company STALEXPORT-CENTROSTAL Warszawa S.A. for 1st half 2004 to the functioning costs of this Company within the structure of STALEXPORT S.A. it was stated that as a result of the merger of the Companies the reduction of general management costs by 1 m zloty was achieved.

Increasing the qualification and the level of the employees motivating

Actions in the range of marketing and trade are supported by the system of improving qualification and motivating system. Its basic aim is:

- increasing the competence range of trade employees directly responsible for trade transactions,
- a progressive system of bonusing, the main criteria of which will be the transaction profitability, the value of turnovers and the effectiveness of collecting receivables.

At present the works aimed at unification of the improving qualifications and motivating systems, so as it considers both above principles and experiences resulting from activities of branch offices of STALEXPORT-CENTROSTAL S.A. Warszawa S.A. incorporated into the structures of STALEXPORT S.A. and experiences of the trade depots.

ad b) Risks and threats factors for executing the strategy in range of financial activity

Among the basic threats in the range of financial activity are:

- limited access to current assets,
- possibility to vindicate guarantees and warranties for the Jedność Tube Rolling Section Sp. z o.o.

Limited access to current assets

STALEXPORT SA has limited access to current assets due to executing arrangement and off-arrangement liabilities.

In a situation when the steel market, due to a growing competition, is characterized by a declining margin value, increased working capital and thus better payment conditions, would enable to obtain better delivery terms among producers. It would also significantly improve our competitive position and would directly affect the increase of our share in the market.

The above interrelation acquires particular importance in the period of big price and prosperity fluctuations on the world and local steel markets.

We expect that along with winning confidence on the market by the Company, as a result of systematically repaying our liabilities and obtaining good financial results, the bank market will gradually renew the crediting of STALEXPORT SA. The re-building of own capital is the pre-condition.

The actions limiting the above risks

The following actions are to reduce the negative effects of limited access to current assets:

- further optimization of the functioning costs and rationalization of processes occurring in STALEXPORT SA and the entire Capital Group, which the consolidation of the Capital Group should serve.
- sale of other redundant assets not connected with the core business of the company, mainly in a form of real estates (sale of real estates of Huta Kosciuszko, real estates in the Mickiewicza, Sobieskiego and Opolska Streets and transfer of the activity of the branch office in Warsaw to its suburbs, and as a result the sale of real estate at Obrzezna Street in Warsaw),
- reimbursement of investment outlays incurred by STALEXPORT S.A. for adapting the A-4 Motorway on the Katowice-Kraków section in connection with the concession transfer to Stalexport Autostrada Małopolska S.A,
- carrying out a new issue of shares. Already in the half of May 2004 shareholders authorized the management board to increase the initial capital within the target capital. The Management Board, in the course of three years - by a single stage or by a few stages – can decide on issuing up to 50 m shares (a capital increase by 46%).

Possibility of vindicating guarantees and warranties for the Jedność Tube Rolling Section Sp. z o.o.

On 31st January 2005 the bank consortium revoked the WRJ credit agreements. The indebtedness of WRJ from the contracted credits amounts as on this day to 214.868 thousand zloty, out of which 168.990 thousand zloty constitutes the capital part and 45.878 thousand zloty– interest receivables

As a result of talks conducted recently with the participation of creditors, shareholders and guarantors, the parties agreed to sell the investment in the current state to a chosen investor. It was also determined to discontinue the financing of the investment by the Consortium. It means that the value of potential, total liabilities of STALEXPORT SA from granted guarantees can not be higher than the current indebtedness of WRJ from the above mentioned credits towards the banks.

The guarantee of the Treasury was secured with WRJ bills of exchange guaranteed by STALEXPORT SA. Moreover, credits are secured with a registered lien on machines and devices of WRJ, with a cession of receivables in favour of the consortium of banks and with mortgage on the assets of Jedność Mill S.A.

Actions limiting the above mentioned risk

In order to limit the risks of WRJ Stalexport SA participate actively in two simultaneously running proceedings, namely:

- sale of WRJ to selected investor,
- agreement between guarantor represented by Finance Minister and Stalexport S.A., and Bank Consortium.

The sale proceedings were activated in the last half of the year. On 11.03.2005 State Treasury Minister appointed a team dealing with restructuring of WRJ and WRJ Serwis. The team comprises among others:

- representatives of the Ministries: State Treasury, Finance and Economy and Work,
- representatives of Anti-monopoly Office, NFOSiGW, ING Bank Śląski S.A., TF Silesia Sp. z o.o., WRJ Sp. z o.o. and STALEXPORT S.A. ,

The aims of the team are:

- Analysis of variants of WRJ Sp. z o.o. and WRJ Serwis Sp. z o.o. restructuring,
- Information exchange and coordination of actions connected with restructuring process of WRJ Sp. z o.o. and WRJ Serwis Sp. z o.o.

The announcement inviting to negotiations the parties interested in carrying out the due diligence in order to cooperate in debt restructuring and next purchasing the shares /assets of WRJ Sp. z o.o. and WRJ Service Sp. z o.o. was published on 29.03.2005.

On 27.04.2005 the official enquiry was signed and directed to the interested parties. The date of submittbids was determined on 30.05.2005.

On 30.05.2005 ING Bank Śląski S.A., TF Silesia Sp. z o.o. and STALEXPORT S.A. concluded an agreement regarding cooperation while winning strategic investor for WRJ and WRJ Serwis.

In the determined period, i.e. till 30.05.2005 two offers were submitted:

- Sinara Trading AG
- Rohrwerk Maxhutte GmbH.

Both offers were admitted to further proceedings. After talks with investors on details of the submitted proposals, Sinara Trading AG was granted the exclusivity for conducting further negotiations.

Simultaneously the negotiations between creditors, shareholders and guarantors are held which concern the distribution of means by virtue of sale of WRJ.

In the last period in view of the standpoint of some banks the negotiations of three sided agreement were replaced by negotiations of two sided agreement between STALEXPORT S.A. and Bank consortium. STALEXPORT S.A. expects that during the negotiations the real value of the risk resulting from the guarantees will be finally determined, i.e. the amount of the maximum liability of STALEXPORT S.A. by virtue of granted guarantees and the way of the settlements of these liabilities, especially considering the limitations in the period of repayment of arrangement commitments by ALEXPORT S.A.

The held negotiations do not enable to disclose the details of the adjustments.

Nevertheless, we can state that:

- the amount of the maximum debts of STALEXPORT S.A. is positively lower both than this presented in financial report (278 m zloty), and than present engagement of banks (215 m zloty)
- STALEXPORT S.A. liability towards banks will be that of arrangement liability (40% reduction),
- the amount of liabilities of Finance Ministry is dependent on the amount obtained from sale of WRJ.

Summary

Analysing the existing situation of STALEXPORT SA, it should be stated that the main tasks of the Company for the nearest years are as follows:

- repayment of restructured liabilities
- effectiveness improvement via the organizational integration of the distributive part of the Capital Group.
- Increasing the share in the market and strengthening the company's market position
- development of motorway activity.

The basic conditions of executing the above mentioned goals are, among others:

- maintaining the market credibility and a good corporate image of STALEXPORT S.A,
- winning financial means from the credit and capital market,

Member of
The Management Board
Commercial Director

Vice-Chairman of
the Management Board
Financial Director

Chairman of
the Management Board
General Director

Urszula Dzierżoń

Mieczysław Skołożyński

Emil Wąsacz

Katowice, 30th September 2005

6. ENCLOSURES – STATEMENTS OF THE MANAGEMENT BOARD

According to the Decree of the Council of Ministers of 21st March 2005 in regard to current and periodic information handed over by issuers of securities, the annual report includes:

6.1. The statement of the Management Board that according to the best of their knowledge the annual financial report and comparable data were drawn up in compliance with the binding accounting principles and that they reflect in an authentic, reliable and clear way the issuer's material and financial situation and its financial result and that the report of the management board contains a true picture of development and achievements and the issuer's situation, including the presentation of the basic risks.

Statement

We, hereby, state that according to the best of our knowledge the annual financial report for 1st half 2005 and the comparable data were drawn up in compliance with the binding accounting principles and that they reflect in a true, reliable and clear way the material and financial situation and also the financial result of STALEXPORT SA.

Simultaneously, we state that our the semi-annual report of the Management Board contains a true picture of development and achievements and the Company's situation, including the presentation of the basic risks and hazards.

Member of
The Management Board
Commercial Director

Vice-Chairman of
the Management Board
Financial Director

Chairman of
the Management Board
General Director

Urszula Dzierżoń

Mieczysław Skołożyński

Emil Wąsacz

Katowice, 30th september 2005

6.2. The statement of the management board ascertaining that the entity entitled to examine the annual financial report was chosen according to the rules of law and that this entity and the chartered auditors examining this report fulfilled the conditions to express a fair and independent opinion about this examination, according to the proper national rules of law.

Statement

We, hereby, state that the company BDO Polska Sp. z o.o. in Warsaw, entitled to examine the annual financial report for 1st half 2005, was chosen according to the rules of law, ie. on the basis of § 18 passage 2 item 11 of the Charter of STALEXPORT SA in Katowice.

Simultaneously, we state that the above mentioned entity and the chartered auditors examining this report fulfilled the conditions to express a fair and independent opinion about this examination, according to the proper rules of Polish law.

Member of
The Management Board
Commercial Director

Urszula Dzierżoń

Vice-Chairman of
the Management Board
Financial Director

Mieczysław Skołożyński

Chairman of
the Management Board
General Director

Emil Wąsacz

Katowice, 30th September 2005

