

**Auditor's report on the review
of consolidated financial statements
for the period from 1 January 2005 to 30 June 2005
prepared in accordance with the International Accounting Standards**

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

We have reviewed the attached consolidated financial statements of **the Capital Group of Stalexport S.A.**, with registered offices in Katowice, consisting of:

- introduction,
- consolidated balance sheet prepared as at 30 June 2005, showing total assets and liabilities of **TPLN 603.924**,
- consolidated profit and loss account for the period from 1 January 2005 to 30 June 2005, showing a net profit of **TPLN 17.370**,
- statement of changes in consolidated shareholders' equity, showing an decrease in shareholders' equity of **TPLN 17.015**,
- consolidated cash flow statement for the period from 1 January 2005 to 30 June 2005, showing a net cash decrease of **TPLN 1.641**,
- notes to the consolidated financial statements.

The holding company's Management Board 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.

Our review comprised mainly an analysis of the data in the consolidated financial statements, review of the accounting books of the holding company and subsidiary, and the information provided by the Management Board and the staff responsible for the finances and accounting of the holding company.

The scope and methodology of reviews differs significantly from that of the audits based on which opinions are issued on the truth and fairness of annual consolidated 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,
- 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 attached consolidated financial statements to present truly and fairly the financial position of Capital Group 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, 25 October 2005

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Explanatory information to consolidated financial report of STALEXPORT S.A. as at 30.06.2005.

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

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

The consolidated financial report for 1st half 2005 was drawn up under the assumption of continuation of the business activity of the capital group of Stalexport S.A.

The consolidated 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.

01.01.2004 is the date of change to International Accounting Standards.

Full consolidation in the dominant company included the following subsidiary companies (in brackets - share of Stalexport S.A. in equity capital at the end of the 1st half 2005):

- Stalexport Autostrada Małopolska S.A. Mysłowice (100,00%)
- Stalexport Autostrada Dolnośląska S.A. Katowice (100,00%)
- Stalexport Metalzbyt Sp. z o.o. Białystok (98,76%)
- Stalexport Serwis Centrum S.A. Katowice (97,78%)
- Stalexport Serwis Centrum Bełchatów S.A. Rogowiec (95,14%)
- Stalexport Centrostal S.A. Lublin (66,00%)
- Stalexport Transroute Autostrada S.A. Mysłowice (55,00%)

The entities over which the dominant entity lost control as a result of liquidation or bankruptcy and also the entities, the shares of which, were the subject of the sale, were not covered by the consolidated financial report.

On 1st March 2005 there was the merger of the hitherto existing subsidiary company - Stalexport Centrostal Warszawa S.A. with the dominant entity Stalexport S.A. The subsidiary company Stalexport Centrostal Warszawa S.A. was included in consolidation only via profit and loss account for the period January-February 2005.

The evaluation of shares with ownership right method was applied for associated company: Biuro Centrum Sp. z o.o. Katowice - 40.63%.

The principles of accounting policy accepted by the Capital Group

Principles of consolidation

Consolidated financial report covers the report of the dominant entity - Stalexport S.A. – and the reports of the subsidiary companies controlled by the dominant entity.

Control is understood as the possibility to manage the operating and financial policy of the entity by the dominant entity in order to achieve economic benefits.

Subsidiary entities

Subsidiary companies purchased in the financial year are covered by the consolidated financial report as from the date they are controlled by the dominant company. On the date of purchasing the subsidiary entity (getting the control), the assets, liabilities and contingent liabilities of the subsidiary company are evaluated at fair value. The surplus of purchasing price over the fair value of the acquired net assets is the goodwill. The surplus of the taken over net assets stated in fair value, is shown in profit and loss account of the financial year, in which the purchase occurred.

The shares of the minority shareholders are shown according to fair value of net assets falling to them.

The subsidiary companies sold in the financial year are subject to consolidation from the beginning of the financial year to the sale date. The financial results of purchased and sold subsidiary companies are shown in the consolidated financial report for the period they refer to.

All the financial operations between entities of the capital group are excluded from the consolidated financial report. All profits and losses regarding economic operation in progress on the date of drawing up the consolidated financial report are also subject to elimination. A part of equity capital of the capital group of Stalexport S.A. falling to minority capital is shown in separate item of equity capital.

Associated entities

Associated entities are the ones upon which the group has considerable impact, understood as the impact upon decisions taken in operating and financial policies.

Shares in associated entities are shown in financial report according to evaluation via ownership rights method, excluding the situation when these shares are classified as available for sale.

The purchase price of share in associated entity is subject to adjustments by any changes in fair value of net assets, falling to value of possessed share since its purchase to the date of the financial report and results of the stated loss of value.

All profits and losses on transactions carried out between entities in the group and the associated companies, are subject to exclusions to the level of possessed share.

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.

Tangible fixed assets are amortised by straight line method in the period of economic use.

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

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

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 amorisation according to the same principles.

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.

Goodwill of the subordinated entities

Goodwill shown as the component of assets on the date of purchase, constitutes the surplus of purchase price over the fair value of the acquired assets, liabilities and contingent liabilities of the subsidiary, associated or correlated entity. This value is subject to yearly tests for loss of value. Loss of value stated during the conducted tests is momentarily shown in profit and loss account and it is not subject to subsequent correction.

Long-term receivables

Long-term receivables are evaluated at the amounts due for payment, considering the principles of careful evaluation, thus decreased by the updating write offs.

Long-term investments

The components of long-term financial assets are evaluated at purchase prices considering the adjustment for permanent loss of value.

The investment real estates are maintained so as to achieve the incomes from lease or accrual of their value, they are evaluated on the date of their purchase according to purchase price (manufacturing cost), on the balance sheet date according to their fair value. Revenues and costs connected with achieving the fair value by them, are assigned to profit and loss account in the period they 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 they are immediately available for sale.

Assets by virtue of deferred income tax

The balance sheet value of the component of assets by virtue of deferred income tax is verified on each balance sheet day and it is subject to write-off in case when there is doubt of taking economic advantage by the Group which are connected with using the tax assets.

Short-term assets

Inventories

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 establishes updating write offs which correct own sale cost. Moreover the Company establishes updating write offs for inventories stored more than one 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 these receivables and from decisions made by the Management Boards of the Companies. The amounts of established write-offs updating the receivables are assigned to other activity costs.

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 date, 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.

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. an agreement with creditors after taking into consideration of 40 % depreciation resulting from concluded arrangement agreement,
- leasing liabilities – are activated on the date the leasing begins according to the lower of two values: fair value of the subject of leasing or current value of minimum leasing charges,
- liability towards State Treasury in the amount due for payment according to the concluded agreement,
- 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 fulfilment of duty results 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.

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 ones mentioned in long-term liabilities, but with the execution period of one year.

Disclosing regarding key changes in connection with adapting the accounting principles to i.a.s. / international standards of financial reporting are shown in attached tables.

Tabela zmian przejścia na MSSF

Consolidated balance-sheet	31.12.2003			30.06.2004			31.12.2004		
	Act on accountancy	Effects of change to international standards of financial reproting	International standards of financial reproting	Act on accountancy	Effects of change to international standards of financial reproting	International standards of financial reproting	Act on accountancy	Effects of change to international standards of financial reproting	International standards of financial reproting
ASSETS									
I. Fixed assets	534 645	930	535 575	344 406	1 077	345 483	259 222	129 245	388 467
1. Intangible assets, including:	450 251	- 1 234	449 017	267 299	- 1 092	266 207	158 308	- 944	157 364
2. Goodwill of the subordinated entities	4 356	-	4 356	1 429	-	1 429	495	-	495
- goodwill	-	-	-	-	-	-	-	-	-
3. Goodwill of entities	46	- 46	-	41	- 41	-	33	- 33	-
4. Long-term receivables	2 087	-	2 087	10 081	-	10 081	942	-	942
5. Long-term investments	71 043	-	71 043	59 077	-	59 077	89 891	-	89 891
5.1 Real estates	36 658	-	36 658	36 658	-	36 658	83 604	-	83 604
5.2 Tangible fixed assets	-	-	-	-	-	-	-	-	-
5.3 Long-term financial assets	34 385	-	34 385	22 419	-	22 419	6 287	-	6 287
a) in related entities, including:	28 092	-	28 092	20 653	-	20 653	4 461	-	4 461
- stocks or shares in subsidiary entities evaluated via the method of ownership rights	317	-	317	4 590	-	4 590	3 642	-	3 642
shares in subsidiary and correlated entities not covered by consolidation	27 775	-	27 775	16 063	-	16 063	819	-	819
b) in other entities	6 293	-	6 293	1 766	-	1 766	1 826	-	1 826
5.4 Other long-term investments	-	-	-	-	-	-	-	-	-
6. Assets available for sale	-	2 199	2 199	-	2 199	2 199	-	130 211	130 211
7. Assets by virtue of the deferred income tax	6 247	11	6 258	6 479	11	6 490	9 553	11	9 564
8. Long-term interperiod settlements	615	-	615	-	-	-	-	-	-
II. Short-term assets	304 515	-	304 515	392 525	-	392 525	394 303	- 128 012	266 291
1. Inventories	68 300	-	68 300	87 943	-	87 943	91 659	53	91 712
2. Short-term receivables	166 923	-	166 923	249 732	-	249 732	150 582	-	150 582
3. Short-term investments	6 342	-	6 342	13 551	-	13 551	19	-	19
4. Cash and its equivalent	55 674	-	55 674	39 593	-	39 593	22 225	-	22 225
5. Short-term interperiod settlements	7 276	-	7 276	1 706	-	1 706	129 818	- 128 065	1 753
Assets in total	839 160	930	840 090	736 931	1 077	738 008	653 525	1 233	654 758

Tabela zmian przejścia na MSSF

Consolidated balance-sheet	31.12.2003			30.06.2004			31.12.2004		
	Act on accountancy	Effects of change to international standards of financial reporting	International standards of financial reporting	Act on accountancy	Effects of change to international standards of financial reporting	International standards of financial reporting	Act on accountancy	Effects of change to international standards of financial reporting	International standards of financial reporting
LIABILITIES									
I. Shareholders' Equity	150 194	732	150 926	64 754	845	65 599	81 090	967	82 057
I.1 Shareholders' equity per shareholder(s) of the Company	124 207	732	124 939	56 160	845	57 005	75 828	967	76 795
1. Share capital	215 524	-	215 524	215 524	-	215 524	215 524	-	215 524
2. Not paid-up share capital (negative value)	-	-	-	-	-	-	-	-	-
3. Own shares in treasury (negative value)	- 3 449	-	- 3 449	- 44	-	- 44	- 44	-	- 44
4. Reserve capital	18 200	-	18 200	113 121	-	113 121	113 153	-	113 153
5. Revaluation capital	13 323	-	13 323	12 411	-	12 411	43 382	-	43 382
6. Other reserve capitals	82 560	-	82 560	88 709	-	88 709	97 446	-	97 446
7. Differences in rates from re-counting of the subordinated entities	-	-	-	-	-	-	-	-	-
a) positive differences in rates	-	-	-	-	-	-	-	-	-
b) negative differences in rates	-	-	-	-	-	-	-	-	-
8. Prior years' profit (loss)	- 285 229	732	- 284 497	- 400 133	732	- 399 401	- 404 911	732	- 404 179
9. Net profit (loss) falling to the shareholders of the company	83 278	-	83 278	26 572	113	26 685	11 278	235	11 513
10. Net profit write-downs during the financial year (negative value)	-	-	-	-	-	-	-	-	-
I.2. Minority capitals	25 987	-	25 987	8 594	-	8 594	5 262	-	5 262
II. Negative goodwill of the subordinated entities	498	- 42	456	35	- 35	-	28	- 28	-
III. Liabilities and reserves for liabilities	443 666	57 528	501 194	319 014	44 783	363 797	348 353	50 927	399 280
1. Credits and loans	150 336	25 554	175 890	98 757	28 701	127 458	79 201	34 545	113 746
2. Liabilities by virtue of financial leasing	7 385	-	7 385	6 837	-	6 837	5 834	-	5 834
3. Liabilities by virtue of trade account receivable	-	-	-	-	-	-	-	-	-
4. Other liabilities	120 903	31 734	152 637	104 681	33 769	138 450	162 240	33 769	196 009
5. Reserve by virtue of the deferred income tax	3 553	183	3 736	3 380	210	3 590	12 050	239	12 289
6. Reserves for other liabilities	60 854	57	60 911	16 009	41	16 050	11 681	40	11 721
7. Long-term interperiod settlements	100 635	-	100 635	89 350	- 17 938	71 412	77 347	- 17 666	59 681
IV. Short-term liabilities	244 802	- 57 288	187 514	353 128	- 44 516	308 612	224 054	- 50 633	173 421
1. Credits and loans	41 354	- 25 554	15 800	39 660	- 28 701	10 959	45 194	- 34 546	10 648
2. Liabilities by virtue of financial leasing	-	-	-	-	-	-	-	-	-
3. Liabilities by virtue of trade account receivable	119 423	-	119 423	157 317	-	157 317	95 568	-	95 568
4. Other liabilities	52 797	- 31 734	21 063	120 364	- 33 769	86 595	48 721	- 33 769	14 952
5. Reserves for liabilities	9 989	-	9 989	12 648	16	12 664	11 819	16	11 835
6. Short-term interperiod settlements	21 239	-	21 239	23 139	17 938	41 077	22 752	17 666	40 418
Liabilities in total	839 160	930	840 090	736 931	1 077	738 008	653 525	1 233	654 758

Tabela zmian przejścia na MSSF

Consolidated profit and loss account	31.12.2003			30.06.2004			31.12.2004		
	Act on accountancy	Effects of change to international standards of financial reproting	International standards of financial reproting	Act on accountancy	Effects of change to international standards of financial reproting	International standards of financial reproting	Act on accountancy	Effects of change to international standards of financial reproting	International standards of financial reproting
I. Net incomes from the sale of products, goods and materials, including:	1 125 657	-	1 125 657	605 501	-	605 501	1 004 986	-	1 004 986
1. Net incomes from the sale of products	268 300	-	268 300	117 933	-	117 933	175 630	-	175 630
2. Net incomes from the sale of goods and materials	857 357	-	857 357	487 568	-	487 568	829 356	-	829 356
II. Costs of sold goods, products and materials, including:	988 778	-	988 778	529 901	- 142	529 759	869 447	- 236	869 211
1. Cost of manufacturing sold products	310 297	-	310 297	91 787	- 142	91 645	113 817	- 236	113 581
2. Value of sold goods and materials	678 481	-	678 481	438 114	-	438 114	755 630	-	755 630
III. Gross profit (loss) on sales (I - II)	136 879	-	136 879	75 600	142	75 742	135 539	236	135 775
IV. Other operating incomes	96 022	7 401	103 423	87 598	2 353	89 951	113 781	4 514	118 295
V. Sales costs	40 423	-	40 423	17 013	-	17 013	31 082	-	31 082
VI. Costs of general management	44 222	-	44 222	21 024	-	21 024	44 739	-	44 739
VII. Other operating incomes	45 962	8 768	54 730	122 379	1 346	123 725	162 497	4 222	166 719
VIII. Share in profits (losses) in subordinated entities evaluated by property right method	- 92	-	- 92	4	-	4	- 514	-	- 514
IX. Profit (loss) from operating activity (II + IV - V- VI - VII +/- VIII)	102 202	- 1 367	100 835	2 786	1 149	3 935	10 488	528	11 016
IX. Financial incomes	66 582	- 7 401	59 181	176 743	- 2 360	174 383	202 411	- 4 528	197 883
1. Dividends and shares in profits	-	-	-	-	-	-	6	-	6
2. Interests	31 625	- 7 401	24 224	4 233	- 2 360	1 873	11 507	- 4 528	6 979
3. Profit from investment sale	-	-	-	-	-	-	-	-	-
4. Updating the investment value	2 451	-	2 451	157 146	-	157 146	172 751	-	172 751
5. Other	32 506	-	32 506	15 364	-	15 364	18 147	-	18 147
X. Financial costs	63 849	- 8 768	55 081	111 422	- 1 351	110 071	159 711	- 4 235	155 476
1. Interests	29 772	- 8 768	21 004	15 697	- 1 351	14 346	32 390	- 4 235	28 155
2. Loss from investment sale	691	-	691	16 528	-	16 528	16 898	-	16 898
3. Updating the investment value	4 940	-	4 940	14	-	14	18 416	-	18 416
4. Other	28 446	-	28 446	79 183	-	79 183	92 007	-	92 007
XII. Profit (loss) on sales of total or part of shares in subordinated entites	- 11 891	-	- 11 891	- 34 585	-	- 34 585	- 32 782	-	- 32 782
XIII. Gross profit (loss) (IX + X - XI +/- XII)	93 044	-	93 044	33 522	140	33 662	20 406	235	20 641
XII. Income tax	9 673	-	9 673	4 264	27	4 291	9 678	-	9 678
a) current part	13 242	-	13 242	4 565	27	4 592	12 683	-	12 683
b) deferred part	- 3 569	-	- 3 569	- 301	-	- 301	- 3 005	-	- 3 005
XIII. Net profit (loss) (XIII - XIV +/- XVI) including:	83 371	-	83 371	29 258	113	29 371	10 728	235	10 963
XIX.1. Profits (losses) of minority	- 93	-	- 93	- 2 686	-	- 2 686	550	-	550
XIX. 2. profit (loss) falling to the shareholders of the company (XIX - XIX.1.)	83 278	-	83 278	26 572	113	26 685	11 278	235	11 513

Tabela zmian przejścia na MSSF

Changes in consolidated equity	31.12.2003			30.06.2004			31.12.2004		
	Act on accountancy	Effects of change to international standards of financial reporting	International standards of financial reporting	Act on accountancy	Effects of change to international standards of financial reporting	International standards of financial reporting	Act on accountancy	Effects of change to international standards of financial reporting	International standards of financial reporting
1. Shareholders' Equity at the beginning of period (opening balance)	- 218 854	-	- 218 854	150 194	732	150 926	150 194	732	150 926
a) changes in accepted accounting principles (policy)	-	-	-	-	-	-	-	-	-
b) corrections of material faults	-	-	-	-	-	-	-	-	-
1. Shareholders' Equity at the beginning of period (opening balance), after restatement to comparative data	- 218 854	-	- 218 854	150 194	732	150 926	150 194	732	150 926
1. Share capital at the beginning of period	25 668	-	25 668	215 524	-	215 524	215 524	-	215 524
1.1. Changes in share capital	189 856	-	189 856	-	-	-	-	-	-
a) additions, of which:	190 016	-	190 016	-	-	-	-	-	-
- issuance of shares	190 016	-	190 016	-	-	-	-	-	-
- increase in basic capital	-	-	-	-	-	-	-	-	-
b) reductions, of which:	160	-	160	-	-	-	-	-	-
- retirement of shares	-	-	-	-	-	-	-	-	-
- decrease in basic capital	160	-	160	-	-	-	-	-	-
1.2. Share capital at the end of period	215 524	-	215 524	215 524	-	215 524	215 524	-	215 524
2. Not paid-up share capital at the beginning of period	-	-	-	-	-	-	-	-	-
2.1. Changes in not paid-up share capital	-	-	-	-	-	-	-	-	-
a) additions, of which:	7 141	-	7 141	6 389	-	6 389	5 638	-	5 638
consolidation adjustments re SAD	7 141	-	7 141	6 389	-	6 389	5 638	-	5 638
b) reductions, of which:	7 141	-	7 141	6 389	-	6 389	5 638	-	5 638
- settlement of due payments	-	-	-	752	-	752	-	-	-
consolidation adjustments re SAD	7 141	-	7 141	7 141	-	7 141	5 638	-	5 638
2.2. Not paid-up share capital at the end of period	-	-	-	-	-	-	-	-	-
3. Own shares in treasury at the beginning of period	- 44	-	44	- 3 449	-	3 449	- 3 449	-	3 449
3.1. Changes in own shares in treasury	- 3 405	-	3 405	3 405	-	3 405	3 405	-	3 405
a) additions, of which:	-	-	-	3 405	-	3 405	3 405	-	3 405
- depreciation	-	-	-	-	-	-	-	-	-
consolidation adjustments re SAD	-	-	-	3 405	-	3 405	3 405	-	3 405
b) reductions, of which:	3 405	-	3 405	-	-	-	-	-	-
- issue to minority shareholders	-	-	-	-	-	-	-	-	-
consolidation adjustments	3 405	-	3 405	-	-	-	-	-	-
3.2. Own shares in treasury at the end of period	- 3 449	-	3 449	- 44	-	44	- 44	-	44
4. Reserve capital at the beginning of period	14 411	-	14 411	18 200	-	18 200	18 200	-	18 200
4.1. Changes in reserve capital	3 789	-	3 789	94 921	-	94 921	94 953	-	94 953
a) additions, of which:	7 606	-	7 606	99 109	-	99 109	99 140	-	99 140
- shares issue above nominal value	-	-	-	-	-	-	-	-	-
- distribution of profit (by law)	1 132	-	1 132	99 105	-	99 105	99 105	-	99 105
- distribution of profit (in excess of value required by law)	-	-	-	-	-	-	-	-	-
- consolidation adjustments	3 821	-	3 821	4	-	4	4	-	4
- other	-	-	-	-	-	-	-	-	-
- sale, disposal of fixed assets	2 653	-	2 653	-	-	-	31	-	31
b) reductions, of which:	3 817	-	3 817	4 188	-	4 188	4 187	-	4 187
- loss coverage	3 817	-	3 817	32	-	32	32	-	32
- exclusion of surcharges to capital	-	-	-	200	-	200	200	-	200
-consolidated adjustments including: those connected with excluding from consolidation of the subsidiary companies	-	-	-	3 956	-	3 956	3 955	-	3 955
4.2. Reserve capital at the end of period	18 200	-	18 200	113 121	-	113 121	113 153	-	113 153
5. Revaluation capital at the beginning of period	15 599	-	15 599	13 323	-	13 323	13 323	-	13 323
5.1. Changes in revaluation capital	- 2 276	-	2 276	912	-	912	30 059	-	30 059
a) additions, of which:	377	-	377	-	-	-	31 002	-	31 002
- re-evaluation of fixed assets	-	-	-	-	-	-	31 002	-	31 002
- consolidation adjustments	377	-	377	-	-	-	-	-	-
b) reductions, of which:	2 653	-	2 653	912	-	912	943	-	943
- disposal of fixed assets	2 653	-	2 653	-	-	-	31	-	31
-	-	-	-	-	-	-	-	-	-
-consolidated adjustments including: those connected with excluding from consolidation of the subsidiary companies	-	-	-	912	-	912	912	-	912
5.2. Revaluation capital at the end of period	13 323	-	13 323	12 411	-	12 411	43 382	-	43 382

Tabela zmian przejścia na MSSF

Changes in consolidated equity	31.12.2003			30.06.2004			31.12.2004		
	Act on accountancy	Effects of change to international standards of financial reporting	International standards of financial reporting	Act on accountancy	Effects of change to international standards of financial reporting	International standards of financial reporting	Act on accountancy	Effects of change to international standards of financial reporting	International standards of financial reporting
6. Other reserve capital at the beginning of period	4 255	-	4 255	82 560	-	82 560	82 560	-	82 560
6.1. Changes in other reserve capital	78 305	-	78 305	6 149	-	6 149	14 886	-	14 886
a) additions, of which:	81 238	-	81 238	6 149	-	6 149	14 886	-	14 886
profit distribution	74 099	-	74 099	-	-	-	-	-	-
- other	6 993	-	6 993	6 149	-	6 149	14 886	-	14 886
consolidation adjustments	146	-	146	-	-	-	-	-	-
b) reductions, of which:	2 933	-	2 933	-	-	-	-	-	-
- re-booking for inventory capital	-	-	-	-	-	-	-	-	-
- loss coverage	2 933	-	2 933	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
consolidation adjustments	-	-	-	-	-	-	-	-	-
6.2. Other reserve capitals at the end of the period	82 560	-	82 560	88 709	-	88 709	97 446	-	97 446
7. Rates differences from re-calculation of subordinated entities	-	-	-	-	-	-	-	-	-
8. Prior years' profit (loss) at the beginning of period	44 037	-	44 037	285 229	732	284 497	285 229	732	284 497
8.1. Prior years' profit at the beginning of period	21 430	-	21 430	310 845	778	311 623	310 845	778	311 623
a) changes in accepted accounting principles (policies)	-	-	-	-	-	-	-	-	-
b) corrections of material faults	-	-	-	-	-	-	-	-	-
8.2 Prior years' profit at the beginning of period, after restatement to comparative data	21 430	-	21 430	310 845	778	311 623	310 845	778	311 623
a) additions, of which:	298 929	778	299 707	46 575	-	46 575	14 022	-	14 022
prior years' profit distribution	3 237	-	3 237	5 142	-	5 142	3 249	-	3 249
- other	-	-	-	-	-	-	-	-	-
consolidation adjustments	295 692	778	296 470	41 433	-	41 433	10 773	-	10 773
b) reductions, of which:	9 514	-	9 514	315 357	-	315 357	315 357	-	315 357
- transition to reserve capital	27	-	27	39 731	-	39 731	39 731	-	39 731
- the Institutional Social Benefit Fund	-	-	-	-	-	-	-	-	-
- dividend	2 500	-	2 500	3 184	-	3 184	3 184	-	3 184
- other	-	-	-	12	-	12	12	-	12
- consolidation adjustments	710	-	710	-	-	-	-	-	-
8.3 Prior years' profit at the end of period	310 845	778	311 623	42 063	778	42 841	9 510	778	10 288
8.4 Prior years' loss at the beginning of period	65 467	-	65 467	596 074	46	596 120	596 074	46	596 120
a) changes in accepted accounting principles (policies)	-	-	-	-	-	-	-	-	-
b) corrections of material faults	5 298	-	5 298	-	-	-	-	-	-
8.5 Prior years' loss at the beginning of the period after restatement to comparative data	70 765	-	70 765	596 074	46	596 120	596 074	46	596 120
a) additions, of which:	534 097	46	534 143	1 730	-	1 730	7 023	-	7 023
transition of prior years' loss to be covered	68 544	-	68 544	1 162	-	1 162	1 020	-	1 020
- other	-	-	-	-	-	-	-	-	-
- consolidation adjustments	465 553	46	465 599	568	-	568	6 003	-	6 003
b) reductions, of which:	8 788	-	8 788	155 608	-	155 608	188 676	-	188 676
- loss coverage	7 035	-	7 035	244	-	244	903	-	903
- consolidated adjustments including: those connected with excluding from consolidation the companies Ferrostal and Stalexport Wielkopolska	1 753	-	1 753	155 364	-	155 364	187 773	-	187 773
8.6. Prior years' loss at the end of period	596 074	46	596 120	442 196	46	442 242	414 421	46	414 467
8.7. Prior years' profit (loss) at the end of period	285 229	732	284 497	400 133	732	399 401	404 911	732	404 179
9. Net profit (loss) falling to the shareholders of the company	83 278	-	83 278	26 572	113	26 685	11 278	235	11 513
a) net profit falling to the shareholders of the company	83 278	-	83 278	26 572	113	26 685	11 278	235	11 513
b) net loss falling to the shareholders of the company	-	-	-	-	-	-	-	-	-
c) charges on the profit	-	-	-	-	-	-	-	-	-
10.1. Minority capital at the beginning of period	27 216	-	27 216	25 987	-	25 987	25 987	-	25 987
a) increases	-	-	-	1 703	-	1 703	2 223	-	2 223
b) decreases	1 229	-	1 229	19 096	-	19 096	22 948	-	22 948
10.2. Minority capital at the end of period	25 987	-	25 987	8 594	-	8 594	5 262	-	5 262
II. Shareholders' Equity at the end of period (closing balance)	150 194	732	150 926	64 754	845	65 599	81 090	967	82 057
III. Shareholders' Equity adjusted by the proposed distribution of profit (coverage of loss)	150 194	732	150 926	64 754	845	65 599	81 090	967	82 057

SECURITIES AND STOCK EXCHANGE COMMITTEE
Consolidated semi-annual report SA-PS 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

28.10.2005 r.

(date of publishing)

STALEXPORT Joint Stock Company		
(full name of the issuer)		
STALEXPORT SA	sektor metalowy 17	
(abridged name of issuer)	(sector acc. to Securities Stock Exchange classification in Warsaw)	
40-085	Katowice	
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(NIP- Tax Identification No.)	REGON- statistical No.)	(WWW)

BDO Polska Sp. z o.o.

(entity entitled to carry out the examination)

The consolidated semi-annual report contains :

- x The report of the entity entitled to carry out the examination of the financial reports from reviewing the consolidated semi-annual financial report (§ 63 passage 2 and § 62 passage . 6 point 2 of the a/m decree)
- x Consolidated semi-annual financial report
 - x Introduction
 - x Consolidated balance sheet
 - x Consolidated profit and loss account
- x List of changes in consolidated equity capital
- x Consolidated cash flow account
- x Additional information and explanations
- x Management Board's report (on activity of the Capital Group)

SELECTED FINANCIAL DATA	thousand zloty		thousand EURO	
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
I. Net incomes from sale of products, goods and materials	333 623	605 501	81 760	127 983
II. Profit (loss) on operating activity	31 289	2 926	7 668	618
III. Gross profit (loss)	23 188	33 662	5 683	7 115
IV. Net profit (loss)	17 370	26 685	4 257	5 640
V. Net cash flows from operating activity	24 594	-7 974	6 027	-1 685
VI. Net cash flows from investment activity	-8 250	16 494	-2 022	3 486
VII. Net cash flows from financial activity	-17 985	-24 601	-4 408	-5 200
VIII. Net cash flows in total	20 584	39 593	5 095	8 717
IX. Assets in total	603 924	738 008	149 482	162 478
X. Liabilities and reserves for liabilities	504 852	672 409	124 960	148 036
XI. Long-term liabilities	356 157	363 797	88 155	80 093
XII. Short-term liabilities	148 695	308 612	36 805	67 943
XIII. Equity capital	99 072	65 599	24 522	14 442
XIV. Stock capital	215 524	215 524	53 346	47 449
XV. Number of shares	107 762 023	107 762 023	107 762 023	107 762 023
XVI. Profit (loss) per one ordinary share (in zlotys/EUR)	0,92	0,61	0,23	0,13
XVII. Diluted profit (loss) per one ordinary share (in zlotys/EUR)	0,00	0,00	0,00	0,00
XVIII. Book value per one share (in zlotys/EUR)	0,02	0,47	0,00	0,10
XIX. Diluted book value per one share (in zlotys/EUR)	0,00	0,00	0,00	0,00
XX. Declared or paid dividend per one share (in zlotys/EUR)				

Consolidated balance sheet

	note	30.06.2005	2004	30.06.2004
ASSETS				
I. Fixed assets		403 977	388 467	345 483
1. Intangible assets, including:	1	170 189	157 364	266 207
2. Goodwill of the subordinated entities	2	471	495	1 429
- goodwill		-	-	-
3. Goodwill of sunordinated entities	3	-	-	-
4. Long-term receivables	4	972	942	10 081
5. Long-term investments	5	89 667	89 891	59 077
5.1 Real estates		83 604	83 604	36 658
5.2 Tangible fixed assets		-	-	-
5.3 Long-term financial assets		6 063	6 287	22 419
a) in related entities, including:		3 821	4 461	20 653
- stocks or shares in subsidiary entities evaluated via the method of ownership rights		3 466	3 642	4 590
shares in subsidiary and correlated entities not covered by consolidation		355	819	16 063
b) in other entities		2 242	1 826	1 766
5.4 Other long-term investments		-	-	-
6. Assets available for sale	6	132 641	130 211	2 199
7. Assets by virtue of the deferred income tax	7	10 037	9 564	6 490
8. Long-term interperiod settlements	8	-	-	-
II. Short-term assets		199 947	266 291	392 525
1. Inventories	9	54 418	91 712	87 943
2. Short-term receivables	10	122 271	150 582	249 732
3. Short-term investments	11	271	19	13 551
4. Cash and its equivalent	12	20 584	22 225	39 593
5. Short-term interperiod settlements	13	2 403	1 753	1 706
Assets in total		603 924	654 758	738 008

	note	30.06.2005	2004	30.06.2004
LIABILITIES				
I. Shareholders' Equity		99 072	82 057	65 599
I.1 Shareholders' equity per shareholder(s) of the Company		96 178	76 795	57 005
1. Share capital	14	215 524	215 524	215 524
2. Not paid-up share capital (negative value)		-	-	-
3. Own shares in treasury (negative value)	15	(478)	(44)	(44)
4. Reserve capital	16	101 640	113 153	113 121
5. Revaluation capital	17	8 699	43 382	12 411
6. Other reserve capitals	18	6 148	97 446	88 709
7. Differences in rates from re-counting of the subordinated entities		-	-	-
a) positive differences in rates		-	-	-
b) negative differences in rates		-	-	-
8. Prior years' profit (loss)		(252 725)	(404 179)	(399 401)
9. Net profit (loss) falling to the shareholders of the company		17 370	11 513	26 685
10. Net profit write-downs during the financial year (negative value)	19	-	-	-
I.2. Minority capitals	20	2 894	5 262	8 594
II. Negative goodwill of the subordinated entities	21	-	-	-
III. Liabilities and reserves for liabilities	22	356 157	399 280	363 797
1. Credits and loans		99 373	113 746	127 458
2. Liabilities by virtue of financial leasing		7 295	5 834	6 837
3. Liabilities by virtue of trade account receivable		-	-	-
4. Other liabilities		176 537	196 009	138 450
5. Reserve by virtue of the deferred income tax	23	11 897	12 289	3 590
6. Reserves for other liabilities	24	11 272	11 721	16 050
7. Long-term interperiod settlements	25	49 783	59 681	71 412
IV. Short-term liabilities	26	148 695	173 421	308 612
1. Credits and loans		14 402	10 648	10 959
2. Liabilities by virtue of financial leasing		-	-	-
3. Liabilities by virtue of trade account receivable		63 289	95 568	157 317
4. Other liabilities		19 023	14 952	86 595
5. Reserves for liabilities	27	11 317	11 835	12 664
6. Short-term interperiod settlements	28	40 664	40 418	41 077
Liabilities in total		603 924	654 758	738 008

Book value		99 072	82 057	65 599
Number of shares		107 762 023	107 762 023	107 762 023
Book value per share (in zlotys)	29	0,92	0,76	0,61
Diluted number of shares				
Book value per share (in zlotys) - diluted	29			

Consolidated profit and loss account

	note	30.06.2005	30.06.2004
I. Net incomes from the sale of products, goods and materials, including:		333 623	605 501
1. Net incomes from the sale of products	30	62 425	117 933
2. Net incomes from the sale of goods and materials	31	271 198	487 568
II. Costs of sold goods, products and materials, including:		281 649	529 759
1. Cost of manufacturing sold products	32	39 446	91 645
2. Value of sold goods and materials		242 203	438 114
III. Gross profit (loss) on sales (I - II)		51 974	75 742
IV. Other operating incomes	33	21 353	87 591
V. Sales costs		9 219	17 013
VI. Costs of general management		24 472	21 024
VII. Other operating incomes	34	8 171	122 374
VIII. Share in profits (losses) in subordinated entities evaluated by property right method		(176)	4
IX. Profit (loss) from operating activity (II + IV - V - VI - VII +/- VIII)		31 289	2 926
IX. Financial incomes	35	8 992	176 743
1. Dividends and shares in profits		-	-
2. Interests		6 292	4 233
3. Profit from investment sale		-	-
4. Updating the investment value		2 143	157 146
5. Other		557	15 364
X. Financial costs	36	17 093	111 422
1. Interests		15 270	15 697
2. Loss from investment sale		-	16 528
3. Updating the investment value		-	14
4. Other		1 823	79 183
XII. Profit (loss) on sales of total or part of shares in subordinated entities	37	-	(34 585)
XIII. Gross profit (loss) (IX + X - XI +/- XII)		23 188	33 662
XII. Income tax	38	4 858	4 291
a) current part		5 724	4 592
b) deferred part		(866)	(301)
XIII. Net profit (loss) (XIII - XIV +/- XVI) including:		18 330	29 371
XIX.1. Profits (losses) of minority		(960)	(2 686)
XIX. 2. profit (loss) falling to the shareholders of the company (XIX - XIX.1.)		17 370	26 685
Net profit (loss)		2 198	50 274
Average weighted number of ordinary shares	39	107 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)		0	0
Average weighted diluted number of ordinary shares	39		
Diluted profit (loss) per one ordinary share (in zloty)			

Changes in consolidated equity

	30.06.2005	2004	30.06.2004
I. Shareholders' Equity at the beginning of period (opening balance)	82 057	150 926	150 926
a) changes in accepted accounting principles (policy)	-	-	-
b) corrections of material faults	-	-	-
I. Shareholders' Equity at the beginning of period (opening balance), after restatement to comparative data	82 057	150 926	150 926
1. Share capital at the beginning of period	215 524	215 524	215 524
1.1. Changes in share capital	-	-	-
a) additions, of which:	-	-	-
- issuance of shares	-	-	-
- increase in basic capital	-	-	-
b) reductions, of which:	-	-	-
- retirement of shares	-	-	-
- decrease in basic capital	-	-	-
1.2. Share capital at the end of period	215 524	215 524	215 524
2. Not paid-up share capital at the beginning of period	-	-	-
2.1. Changes in not paid-up share capital	-	-	-
a) additions, of which:	(5 638)	(5 638)	(6 389)
consolidation adjustments re SAD	(5 638)	(5 638)	(6 389)
b) reductions, of which:	(5 638)	(5 638)	(6 389)
- settlement of due payments	-	-	752
consolidation adjustments re SAD	(5 638)	(5 638)	(7 141)
2.2. Not paid-up share capital at the end of period	-	-	-
3. Own shares in treasury at the beginning of period	(44)	(3 449)	(3 449)
3.1. Changes in own shares in treasury	(434)	3 405	3 405
a) additions, of which:	(576)	-	-
- depreciation	(570)	-	-
consolidation adjustments re SAD	(6)	-	-
b) reductions, of which:	(142)	(3 405)	(3 405)
- issue for minority shareholders	(142)	(3 405)	(3 405)
consolidation adjustments	-	-	-
3.2. Own shares in treasury at the end of period	(478)	(44)	(44)
4. Reserve capital at the beginning of period	113 153	18 200	18 200
4.1. Changes in reserve capital	(11 513)	94 953	94 921
a) additions, of which:	31 853	99 140	99 109
- shares issue above nominal value	-	-	-
- distribution of profit (by law)	30 956	99 105	99 105
- distribution of profit (in excess of value required by law)	279	-	-
- consolidation adjustments	618	4	4
- other	-	-	-
- sale, disposal of fixed assets	-	31	-
b) reductions, of which:	43 366	4 187	4 188
- loss coverage	42 894	32	32
- exclusion of surcharges to capital	-	200	200
- consolidated adjustments including: those connected with excluding from consolidation the subsidiary companies	472	3 955	3 956
4.2. Reserve capital at the end of period	101 640	113 153	113 121
5. Revaluation capital at the beginning of period	43 382	13 323	13 323
5.1. Changes in revaluation capital	(34 683)	30 059	(912)
a) additions, of which:	-	31 002	-
- re-evaluation of fixed assets	-	31 002	-
- consolidation adjustments	-	-	-
b) reductions, of which:	34 683	943	912
- disposal of fixed assets	-	31	-
- consolidated adjustments including: those connected with excluding from consolidation the subsidiary companies	34 683	912	912
5.2. Revaluation capital at the end of period	8 699	43 382	12 411

	30.06.2005	2004	30.06.2004
6. Other reserve capital at the beginning of period	97 446	82 560	82 560
6.1. Changes in other reserve capital	(91 298)	14 886	6 149
a) additions, of which:	6 346	14 886	6 149
profit distribution	-	-	-
- other	6 148	14 886	6 149
consolidation adjustments	198	-	-
b) reductions, of which:	97 644	-	-
- re-booking for inventory capital	-	-	-
- loss coverage	95 979	-	-
- other	-	-	-
consolidation adjustments	1 665	-	-
6.2. Other reserve capitals at the end of the period	6 148	97 446	88 709
7. Rates differences from re-calculation of subordinated entities	-	-	-
8. Prior years' profit (loss) at the beginning of period	(404 179)	(284 497)	(284 497)
8.1. Prior years' profit at the beginning of period	10 288	311 623	311 623
a) changes in accepted accounting principles (policies)	-	-	-
b) corrections of material faults	-	-	-
8.2 Prior years' profit at the beginning of period, after restatement to comparative data	10 288	311 623	311 623
a) additions, of which:	17 660	14 022	46 575
prior years' profit distribution	3 975	3 249	5 142
- other	-	-	-
consolidation adjustments	13 685	10 773	41 433
b) reductions, of which:	19 843	315 357	315 357
- transition to reserve capital	13 246	39 731	39 731
- the Institutional Social Benefit Fund	-	-	-
- dividend	1 965	3 184	3 184
- other	783	12	12
- consolidation adjustments	3 849	272 430	272 430
8.3 Prior years' profit at the end of period	8 105	10 288	42 841
8.4 Prior years' loss at the beginning of period	414 467	596 120	596 120
a) changes in accepted accounting principles (policies)	-	-	-
b) corrections of material faults	-	-	-
8.5 Prior years' loss at the beginning of the period after restatement to comparative data	414 467	596 120	596 120
a) additions, of which:	4 159	7 023	1 730
transition of prior years' loss to be covered	1 280	1 020	1 162
- other	-	-	-
- consolidation adjustments	2 879	6 003	568
b) reductions, of which:	157 796	188 676	155 608
- loss coverage	153 409	903	244
- consolidated adjustments including: those connected with excluding from consolidation the companies Ferrostal and Stalexport Wielkopolska	4 387	187 773	155 364
8.6. Prior years' loss at the end of period	260 830	414 467	442 242
8.7. Prior years' profit (loss) at the end of period	(252 725)	(404 179)	(399 401)
9. Net profit (loss) falling to the shareholders of the company	17 370	11 513	26 685
a) net profit falling to the shareholders of the company	17 370	11 513	26 685
b) net loss falling to the shareholders of the company	-	-	-
c) charges on the profit	-	-	-
10.1. Minority capital at the beginning of period	5 262	25 987	25 987
a) increases	1 403	2 223	1 703
b) decreases	3 771	22 948	19 096
10.2 Minority capital at the end of period	2 894	5 262	8 594
II. Shareholders' Equity at the end of period (closing balance)	99 072	82 057	65 599
III. Shareholders' Equity adjusted by the proposed distribution of profit (coverage of loss)	99 072	82 057	65 599

Consolidated cash flow account (indirect method)

	30.06.2005	30.06.2004
A. Cash flows from operating activities - indirect method		
I. Net profit (loss) falling to the shareholders of the Company	17 370	26 685
II. Total adjustments	7 224	(34 659)
1. Profits (losses) of minority	960	2 686
2. Share in net (profits) losses of subordinated companies valued under the equity method	176	(4)
3. Depreciation of which	3 962	9 015
- write-offs of goodwill of subordinated entities or negative goodwill of the subordinated entities	-	-
4. (Gain) loss on foreign exchange differences	-	229
5. Interests and shares in profits (dividends)	(946)	7 862
6. (Gain) loss on investing activities	(343)	157 209
7. Change in provisions	706	(236)
8. Change in inventories	16 673	(35 445)
9. Change in receivables	46 372	33 478
10. Change in current liabilities (excluding loans and bank credits)	(19 489)	(9 697)
11. Change in deferred and accrued expenses	(11 405)	(48 772)
12. Other adjustments	(29 442)	(150 984)
III. Net cash flows from operating activities (I+/-II)	24 594	(7 974)

	30.06.2005	30.06.2004
B. Cash flows from investing activities		
I. Cash provided by investing activities	6 027	34 088
1. Disposal of intangible assets and tangible fixed assets	105	3 961
2. Disposal of investments in real-estate and intangible assets	-	-
3. Disposal of financial assets, of which:	5 922	30 127
a) in related companies	1 522	2 258
- disposal of financial assets	-	500
- dividends and shares in profits	1 489	1 213
- payment of long-term loans granted	-	512
- interest received	33	33
- other income from financial assets	-	-
b) in other companies	4 400	27 869
- disposal of financial assets	389	10 934
- dividends and shares in profits	-	-
- payment of long-term loans granted	141	15 000
- interest received	3 870	751
- other income from financial assets	-	1 184
4. Other investing income	-	-
II. Expenditure	14 277	17 594
1. Purchases of intangible assets and tangible fixed assets	13 884	17 266
2. Purchases of investments in real-estate and intangible assets	-	-
3. For financial assets, of which:	393	218
a) in related companies	-	203
- acquisition of financial assets	-	203
- long-term loans granted	-	-
b) in other entities	393	15
- acquisition of financial assets	393	15
- long-term loans granted	-	-
4. Dividends and other shares in profits paid to minority	-	-
5. Other investing expenses	-	110
III. Net cash flows from investing activities (I-II)	(8 250)	16 494

	30.06.2005	30.06.2004
C. Cash flows from financing activities		
I. Cash provided by financing activities	1 301	22 679
1. Issuance of shares and other capital securities and additional paid-in capital	-	
2. Bank credits and loans contracted	320	22 432
3. Issuance of debt securities	-	
4. Other financial income	981	247
II. Cash used in financing activities	19 286	47 280
1. Acquisition of own shares	428	
2. Dividends and other payments to shareholders	2 675	2 206
3. Other than payments in favour of owners, expenses by virtue of profit	-	
4. Payments of bank credits and loans	9 056	22 719
5. Redemption of debt securities	-	
6. Payments of other financial liabilities	-	
7. Finance lease commitments paid	704	902
8. Interest paid	4 932	9 651
9. Other financial expenses	1 491	11 802
III. Net cash flows from financing activities (I-II)	(17 985)	(24 601)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(1 641)	(16 081)
E. Change in balance-sheet cash and cash equivalents	(1 641)	(16 081)
- of which change in cash and cash equivalents due to foreign exchange differences	-	-
F. Cash and cash equivalents - beginning of period	22 225	55 674
G. Cash and cash equivalents - end of period (F+/-D)	20 584	39 593
- of which those with restricted availability	1 875	1 875

Explanatory notes to consolidated balance sheet

Note 1 A

TANGIBLE FIXED ASSETS	30.06.2005	2004	30.06.2004
a) tangible assets, of which:	107 107	105 914	226 983
- land (including the right of perpetual usufruct of land)	9 808	5 963	9 846
- buildings, premises and land and water engineering structures	70 258	72 337	180 754
- machinery and technical equipment	18 915	20 347	27 473
- transportation vehicles	4 961	3 943	5 010
- other tangible assets	3 165	3 324	3 900
b) tangible assets in progress	63 082	51 450	39 224
c) prepaid tangible assets in progress	-	-	-
Total tangible fixed assets	170 189	157 364	266 207

Note 1 B

CHANGES IN TANGIBLE FIXED ASSETS (by category)	30.06.2005	2004	30.06.2004
<i>see page 11 (page= strona)</i>			

Note 1 C

BALANCE SHEET TANGIBLE FIXED ASSETS (BY OWNERSHIP)	30.06.2005	2004	30.06.2004
a) owned	101 672	99 811	222 611
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:	5 435	6 103	4 372
- passenger's car leasing	233	1 857	490
Total balance sheet tangible fixed assets	107 107	105 914	226 983

Note 1D

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:	60	127	348
- value of land in perpetual usufruct	-	-	-
- means of of operating leasing agreement	60	127	348
Total off-balance sheet tangible fixed assets	60	127	348

Note 1 B

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	6 503	85 665	53 856	11 949	8 870	166 843
b) additions of which)	3 674	130	167	197	1 627	5 795
- purchase	-	27	167	197	29	420
- accepted from investment	-	103	-	-	1 550	1 653
- donations	-	-	-	-	-	-
- widening of the Capital Group	-	-	-	-	-	-
- other	3 674	-	-	-	48	3 722
c. Reductions, of which :	58	3 513	3 556	672	1 882	9 681
- sale	-	62	125	55	-	242
- liquidation	-	-	107	143	33	283
- donations	-	-	11	-	-	11
- Capital Group decrease	-	-	-	-	1 256	1 256
- other	58	3 451	3 313	474	593	7 889
d. Gross value of tangible fixed assets at the end of period	10 119	82 282	50 467	11 474	8 615	162 957
e. Accumulated depreciation (amortisation) at the beginning of period	540	13 328	33 509	8 006	5 546	60 929
f. Depreciation for the period of which)	(229)	(1 304)	(1 957)	(1 493)	(96)	(5 079)
- current amortisation	75	1 577	1 079	651	476	3 858
- changes in the Capital Group	(301)	(2 804)	(2 730)	(1 973)	(477)	(8 285)
- disposal, liquidation and donations of tangible fixed assets and other deductions	(3)	(77)	(306)	(171)	(95)	(652)
g. Accumulated depreciation (amortisation) at the end of period	311	12 024	31 552	6 513	5 450	55 850
m. write-downs due to permanent loss of value at the beginning of period	-	-	-	-	-	-
- additions	-	-	-	-	-	-
- reductions	-	-	-	-	-	-
i. Write-downs due to permanent loss of value at the end of period	-	-	-	-	-	-
j. Net value of tangible fixed assets at the end of period	9 808	70 258	18 915	4 961	3 165	107 107

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:	467	489	1 421
- computer software	458	470	498
d) other intangible assets	4	6	8
e) prepaid intangible assets	-	-	-
Total intangible assets	471	495	1 429

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	471	495	1 429
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:	-	-	-
-	-	-	-
Total intangible assets	471	495	1 429

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	-	-	3 267	2 532	979	-	4 246
b) additions, of which:	-	-	102	102	-	-	102
- purchase	-	-	97	97	-	-	97
- accept from investment	-	-	-	-	-	-	-
- privatisation, costs of bond issue	-	-	-	-	-	-	-
- Capital Group widening	-	-	-	-	-	-	-
- other	-	-	5	5	-	-	5
c) reductions, of which:	-	-	257	257	-	-	257
- sale	-	-	1	1	-	-	1
- liquidation	-	-	4	4	-	-	4
- Capital Group decreasing	-	-	-	-	-	-	-
- other	-	-	252	252	-	-	252
d) gross value of intangible assets at the end of period	-	-	3 112	2 377	979	-	4 091
e) accumulated amortisation at the beginning of period	-	-	2 778	2 062	973	-	3 751
f. Amortisation for the period, of which:	-	-	(129)	(139)	2	-	(127)
- current amortisation	-	-	117	107	2	-	119
- Capital Group decreasing	-	-	(245)	(245)	-	-	(245)
- sale of intangible fixed assets	-	-	(1)	(1)	-	-	(1)
g) accumulated amortisation at the end of period	-	-	2 649	1 923	975	-	3 624
h) write-downs due to permanent loss of value at the beginning of period	-	-	-	-	-	-	-
	-	-	4	4	-	-	4
	-	-	(4)	(4)	-	-	(4)
	-	-	467	458	4	-	471

Note 3A

GOODWILL OF SUBORDINATED ENTITIES	30.06.2005	2004	30.06.2004
a. Company value - subsidiary entities	0,00	0,00	0,00
b. company value - affiliated entities	0,00	0,00	0,00
Company value of subordinated entities in total	0,00	0,00	0,00

Note 3B

CHANGE IN GOODWILL - SUBSIDIARY ENTITIES	30.06.2005	2004	30.06.2004
a. Gross goodwill at the beginning of the period	1 879	68 577	68 577
b. Increase (by virtue of)	-	18	18
- purchase	-	18	18
- calculation corrections	-	-	-
c. decrease (by virtue of)	588	66 716	64 359
-sale	588	66 716	64 359
d. gross goodwill at the end of the period	1 291	1 879	4 236
e. deduction of the goodwill at the beginning of the period	1 879	68 577	68 577
f. deduction of the goodwill for the period (by virtue of)	(588)	(66 698)	(64 341)
- depreciation	-	-	-
- consolidation correction	(588)	(66 698)	(64 341)
g. Deduction of the goodwill at the end of the period	1 291	1 879	4 236
h. net goodwill at the end of the period	-	-	-

Entity	Way of determining goodwill	Goodwill	Existing write off
SSC Bełchatów		63	63
SSC Katowice		62	62
Metalzbyt Białystok		1 166	1 166
Total		1 291	1 291

Note 3C

CHANGE OF THE GOODWILL - AFFILIATED COMPANIES	30.06.2005	2004	30.06.2004
a. gross goodwill at the beginning of the period	-	-	-
b. increase (by virtue of)	-	-	-
- purchase	-	-	-
- calculation correction	-	-	-
c. decrease (by virtue of)	-	-	-
- sale	-	-	-
d. gross goodwill at the end of the period	-	-	-
e. deduction of the goodwill at the beginning of the period	-	-	-
f. deduction of the goodwill for the period (by virtue of)	-	-	-
- depreciation	-	-	-
- consolidation correction	-	-	-
g. deduction of the goodwill at the end of the period	-	-	-
h. Net goodwill at the end of the period	-	-	-

Entity	Mode of determining goodwill	Goodwill	Hitherto deduction
Total		-	-

Note 4A

LONG-TERM RECEIVABLES	30.06.2005	2004	30.06.2004
a) from related entities, of which:	-	878	-
- from subsidiary entities (by virtue of)	-	878	-
- supplies and services	-	-	-
- other	-	878	-
- from associated entities (by virtue of)	-	-	-
- supplies and services	-	-	-
- other	-	-	-
- from dominant entity (by virtue of)	-	-	-
- supplies and services	-	-	-
- other	-	-	-
b) from other entities (by virtue of)	972	64	10 081
- supplies and services	-	-	-
- deposits	972	64	10 081
Net long-term receivables	972	942	10 081
c) allowances for doubtful accounts	1 679	2 021	2 404
Gross long-term receivables	2 651	2 963	12 485

Note 4 B

CHANGES IN LONG-TERM RECEIVABLES (by genre)	30.06.2005	2004	30.06.2004
a. Balance at the beginning of period	942	2 087	2 087
b. Additions (in virtue of)	30	950	12 463
- widening the capital group	-	-	-
- reclassification	-	-	-
- other	30	950	12 463
c. Reductions (in virtue of)	-	2 095	4 469
- capital group reduction	-	-	-
- reclassification	-	-	-
- other	-	2 095	4 469
Long-term receivables at the end of period	972	942	10 081

Note 4C

CHANGES IN ALLOWANCES FOR LONG-TERM RECEIVABLES	30.06.2005	2004	30.06.2004
a. Balance at the beginning of period	2 021	2 500	2 500
b. Additions (in virtue of)	-	4 026	3 359
- trade accounts receivable	-	-	-
- widening the capital group	-	-	-
- rate differences	-	-	-
- other	-	4 026	3 359
c. Exercised (in virtue of)	342	-	-
- trade accounts receivable	-	-	-
- capital group reduction	-	-	-
- rate differences	-	-	-
- other	342	-	-
d. Dissolution (in virtue of)	-	4 505	3 455
- trade accounts receivable	-	-	-
- other	-	4 505	3 455
Allowances for long-term receivables at the end of period	1 679	2 021	2 404

Note 4D

LONG-TERM RECEIVABLES (CURRENCY STRUCTURE)	30.06.2005	2004	30.06.2004
a) in Polish currency	-	878	10 000
b) in foreign currencies (acc.to currencies and after calculating into zloty)	972	64	81
b1. unit/currency in thousand USD	237	22	22
in thousand zloty	972	64	81
b2. unit/currency in thousand EUR	-	-	-
in thousand zloty	-	-	-
b3. unit/currency: GBP	-	-	-
in thousand zloty	-	-	-
b4. other currencies in thousand zloty	-	-	-
Long-term receivables in total	972	942	10 081

Note 5A

CHANGES IN REAL ESTATE (BY CATEGORY)	30.06.2005	2004	30.06.2004
a.balance at the beginning of period including:	83 604	36 658	36 658
b. Additions (in virtue of)	-	46 946	-
- widening of the Capital Group	-	-	-
- reclassification	-	-	-
- purchase	-	-	-
- other	-	46 946	-
c. Reduction (in virtue of)	-	-	-
- capital group decrease	-	-	-
- reclassification	-	-	-
- other	-	-	-
Balance at the end of period	83 604	83 604	36 658

Note 5B

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)	-	-	-
- widening of the Capital Group	-	-	-
- reclassification	-	-	-
- other	-	-	-
c. Reduction (in virtue of)	-	-	-
- capital group decrease	-	-	-
- reclassification	-	-	-
- other	-	-	-
Balance at the end of period	-	-	-

Note 5C

LONG-TERM FINANCIAL ASSETS	30.06.2005	2004	30.06.2004
a. in subsidiary and interrelated entities which are not subject to consolidation	355	819	16 063
- shares	355	819	16 063
- 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	3 466	3 642	4 590
- shares	3 466	3 642	4 590
- debt securities	-	-	-
- other securities (by type)	-	-	-
- loans granted	-	-	-
- other long-term financial assets (by type)	-	-	-
c. in other entities	2 242	1 826	1 766
- shares	2 242	1 826	1 749
- debt securities	-	-	17
- other securities (by type)	-	-	-
- loans granted	-	-	-
- other long-term financial assets (by type)	-	-	-
Long-term financial assets in total	6 063	6 287	22 419

Note 5D

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	6 287	34 385	34 385
b. increase (by virtue of)	-	19 519	20 154
- widening of the capital group	-	-	-
- shares and stocks	-	19 519	20 154
- other			
c. decrease (by virtue of)	224	47 617	32 120
- capital group decrease	-	-	-
- shares and stocks	224	32 094	32 120
- other long-term financial assets	-	-	-
- updating write offs	-	15 519	-
- other	-	4	-
State at the end of the period	6 063	6 287	22 419

Note 5E

SHARES OR STOCKS IN SUBORDINATED ENTITIES												
Item no.	a	b	c	d	e	f	g	h	i	j	k	l
	name of the entity with the indication of legal form	seat	core business of the enterprise	interrelated nature (subsidiary, interdependent, affiliated entity with the specification of direct and indirect links)	the applied consolidation method /evaluation via the ownership rights method or indication that the entity is not subject to consolidation	date of taking over control/co-control/gaining a significant influence	value of shares/stocks acc.to purchase price	corrections updating the value (in total)	balance sheet value of shares/stocks	per cent of the possessed stock capital	share in the total number of votes at the general meeting	indicating the basis of control/co-control significant influence other than that defined under letter j) or k).
1.	Stalexport Autostrada Małopolska S.A.	Mysłowice	construction and exploitation of the A-4 motorway on Kraków-Katowice stretch	subsidiary	full	1998 r.	29 553	0	29 553	100,00%	100,00%	
2.	Stalexport Autostrada Dolnośląska S.A.	Katowice	construction and exploitation of the A-4 motorway on Wrocław-Katowice stretch	subsidiary	full	1997 r.	28 075	7 548	20 527	100,00%	100,00%	
3.	Petrostal S.A.	Warszawa	building products and materials trading	subsidiary	not consolidated	2005 r.	1 727	1 727	0	100,00%	100,00%	
4.	Stalexport Metalzbyt Białystok Sp.z o.o.	Białystok	Steel products trading	subsidiary	full	2005 r.	1 287	1 287	0	98,76%	98,76%	
5.	Stalexport Zaptor S.A. w likwidacji	Olsztyn	trade with metallurgical products	subsidiary	not consolidated	2002 r.	173	173	0	98,69%	98,69%	
6.	Stalexport Wielkopolska Sp. z o.o. w upadłości	Komorniki	Steel products trading	subsidiary	not consolidated	1990 r.	12 072	12 072	0	97,96%	97,96%	
7.	Stalexport Serwis Centrum S.A.	Katowice	Steel products trading	subsidiary	full	1992 r.	22 214	600	21 614	97,78%	97,78%	
8.	Stalexport Serwis Centrum S.A. Bełchatów	Rogowiec	Steel products trading	subsidiary	full	2005 r.	4 723	1 546	3 177	95,14%	95,14%	
9.	Stalexport Centrostal S.A.	Lublin	Steel products trading	subsidiary	full	1992 r.	500	0	500	66,00%	66,00%	
10.	Stalexport Transroute Autostrada S.A.	Mysłowice	Activity connected with operating A4 motorway section Kraków-	subsidiary	full	1998 r.	143	0	143	55,00%	55,00%	

C.d. Note 5E

SHARES OR STOCKS IN SUBORDINATED ENTITIES												
Item no	a	b	c	d	e	f	g	h	i	j	k	l
	name of the entity with the indication of legal form	seat	core business of the enterprise	interrelated nature (subsidiary, interdependent, affiliated entity with the specification of direct and indirect links)	the applied consolidation method /evaluation via the ownership rights method or indication that the entity is not subject to consolidation	date of taking over control/co-control/gaining a significant influence	value of shares/stocks acc.to purchase price	corrections updating the value (in total)	balance sheet value of shares/stocks	per cent of the possessed stock capital	share in the total number of votes at the general meeting	indicating the basis of control/co-control significant influence other than that defined under letter j) or k).
11.	Centrostal Prosil o.o. w likwidacji Sp. z	Kraków	Production, processing, sale of steel products	associated	not consolidated	2005 r.	14 548	14 548	0	49,15%	49,15%	
12.	Invest Centrostal Sp. z o.o.	Warszawa	General building industry	associated	not consolidated	2005 r.	297	65	232	42,00%	42,00%	
13.	Biuro Centrum Sp. z o.o.	Katowice	Administration of the building at 29 Mickiewiczza Street	associated	method of ownership right	1994 r.	32	0	32	40,63%	40,63%	
14.	Stalexport Autostrada Śląska S.A.	Katowice	construction +exploitation of the Katowice-Wroclaw motorway	associated	method of ownership right	01.09.2001 r.	16 500	0	16 500	37,50%	37,50%	
15.	In-Bud Sp. z o.o.	Ostrołęka	production of steel construction and trade	subsidiary	not consolidated	17.05.2001 r.	451	4	447	99,00%	99,00%	
	Total						132 295	39 570	92 725			

Note 5F

SHARES IN SUBORDINATED COMPANIES																							
Item No.	a name of the entity with the indication of the legal form	m equity capital of the entity including:							n liabilities and reserves for liabilities of the entity, including:			o receivables of the entity, including:			p assets of the entity in total	r incomes from sales	s value of shares/stocks not paid by the issuer	t received or due dividends/sha res in profits for the last turnover year					
		share capital	due payments for capital (negative value)	reserve capital	other equity capital, including:			long-term liabilities	short-term liabilities	long-term receivables	short-term receivables	in total	in total	in total	in total	in total	in total	in total					
					profit (loss) from previous years	net profit (loss)	in total												in total	in total	in total	in total	in total
1.	Stalexport Autostrada Małopolska S.A.	141 308	29 553	-	95 269	16 486	-	16 486	39 221	1 627	37 594	63 729	-	63 729	180 529	41 008	-	-					
2.	Stalexport Autostrada Dolnośląska S.A.	16 239	40 100	(4 886)	371	(19 346)	(19 640)	294	12 448	59	12 389	73	-	73	28 687	-	4 886	-					
3.	Petrostal S.A.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.					
4.	Stalexport Metalzbyt Białystok Sp.z o.o.	(1 411)	2 980	-	-	(4 391)	(4 391)	-	3 298	-	3 298	1 100	-	1 100	1 887	2 051	-	-					
5.	Stalexport Zaptor S.A. w likwidacji	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.					
6.	Stalexport Wielkopolska Sp. z o.o. w upadłości	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.					
7.	Stalexport Serwis Centrum S.A.	20 968	22 719	-	4 628	(6 379)	(7 464)	1 048	7 605	140	7 465	12 742	636	12 106	28 573	34 769	-	-					
8.	Stalexport Serwis Centrum S.A. Belchatów	3 336	3 335	-	8	(7)	(4)	(3)	994	-	994	594	-	594	4 331	596	-	-					
9.	Stalexport Centrostal S.A.	1 540	500	-	2 194	(1 154)	(1 184)	(282)	4 822	741	4 081	3 299	-	3 299	6 362	11 375	-	-					
10.	Stalexport Transroute Autostrada S.A.	3 985	260	-	87	3 638	972	2 666	10 203	6 836	3 367	2 617	-	2 617	14 188	11 983	-	1 471					

C.d. Note 5F

SHARES IN SUBORDINATED COMPANIES																		
Item No.	a name of the entity with the indication of the legal form	m equity capital of the entity including:							n liabilities and reserves for liabilities of the entity, including:			o receivables of the entity, including:			p assets of the entity in total	r incomes from sales	s value of shares/stocks not paid by the issuer	t received or due dividends/sha res in profits for the last turnover year
		share capital	due payments for capital (negative value)	reserve capital	other equity capital, including:			long-term liabilities	short-term liabilities	long-term receivables	short-term receivables	in total	in total	from sales	by the issuer	for the last turnover year		
					profit (loss) from previous years	net profit (loss)	long-term receivables										short-term receivables	
		b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.
11.	Centrostal Prosil Sp. z o.o. w likwidacji	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.
12.	Invest Centrostal Sp. z o.o.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.
13.	Biuro Centrum Sp. z o.o.	320	80	-	254	(14)	(183)	169	1 280	106	949	978	99	879	1 600	3 263	-	-
14.	Stalexport Autostrada Śląska S.A.	8 895	44 000	(33 000)	361	(2 466)	(1 812)	(654)	257	-	257	555	-	555	9 152	-	33 000	-
15.	In-Bud Sp. z o.o.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.
	Total:	195 180	143 527	(37 886)	103 172	(13 633)	(33 706)	19 724	80 128	9 509	70 394	85 687	735	84 952	275 309	105 045	37 886	1 471

Note 5G

SHARES IN OTHER COMPANIES										
No.	a	b	c	d	e		f	g	h	i
	Name of company and legal status	location	Profile of company	balance sheet value of shares owned	equity capital. Including:		percentage of owned share capital	share in general number of votes at the general meeting	shares not paid-up by the company	dividends received or receivable for the last year
					share capital					
1.	Atlantico Trans-Ex Sp. z o.o. w upadłości	Katowice	Transport nad spedition	-	1 324	19,37%	19,37%			
2.	Merkury Towarzystwo Inwestycyjne S.A.	Katowice	Investing and consulting activity	438	2 220	8,88%	8,22%			
3.	Walcownia Rur Jedność Sp. z o.o.	Siemianowice Śl.	Production of steel pipes	-	220 590	7,26%	7,26%			
4.	Beskidzki Dom Maklerski S.A.	Bielsko-Biała	Turnover of securities	1 171	10 527	5,10%	5,10%			
5.	other			633	142 955	12,64%	12,64%			
	Total			2 242	-	377 616				

Note 5H

SECURITIES, SHARES AND OTHER LONG-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)	30.06.2005	2004	30.06.2004
a) in Polish currency	5 427	5 650	21 886
b) in foreign currencies (acc. to currencies and after calculating into zloty)	636	637	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	254	-
b3. unit/currency/GBP	-	-	-
in thousand zloty	-	-	-
b4. other currencies in thousand zloty	-	-	-
Securities, shares and other long-term financial assets in total	6 063	6 287	22 419

Note 5I

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)	-	-	-
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	-	-	-

Note 5J

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

Note 5K

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	-	-	-
b. increase (by virtue of)	-	-	-
- other			
c. Decrease (by virtue of)	-	-	-
- other			
d. state at the end of the period	-	-	-

Note 5L

OTHER LONG-TERM INVESTMENTS (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)	-	-	-
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	-	-	-

Note 6

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)	2 430	128 012	-
- fixed assets of A4 motorway	-	128 012	-
- revaluation of assets for sale	2 415	-	-
- other	15	-	-
c. Decrease (by virtue of)	-	-	-
- other	-	-	-
d. state at the end of the period	132 641	130 211	2 199

Note 7

CHANGES IN DEFERRED INCOME TAX	30.06.2005	2004	30.06.2004
1. Balance of deferred income tax at the beginning of period	9 564	6 258	6 258
a) assigned to financial results	6 648	3 342	3 342
b) assigned to shareholders' equity	2 916	2 916	2 916
c) assigned to goodwill or negative goodwill	-	-	-
2. Additions	687	5 724	266
a) assigned to financial results for the period due to negative timing differences:	687	5 635	266
- remuneration by virtue of task work contract not paid	122	11	5
- penal interests not paid on balance sheet date	565	470	-
-other	-	5 154	261
b) assigned to financial results for the period due to taxation loss:	-	89	-
-other	-	89	-
c) assigned to shareholders' equity for the period due to negative timing differences:	-	-	-
- liabilities by virtue of capital (financial leasing)	-	-	-
d) assigned to shareholders' equity for the period due to taxation loss:	-	-	-
e) assigned to goodwill or negative goodwill due to negative timing differences:	-	-	-
- other	-	-	-
3. Reductions	214	2 418	34
a) assigned to financial results for the period due to negative timing differences:	214	2 418	34
- interests payment	134	254	-
- other	80	2 164	34
b) assigned to financial results for the period due to taxation loss:	-	-	-
c) assigned to shareholders' equity for the period due to negative timing differences:	-	-	-
d) assigned to shareholders' equity for the period due to taxation loss:	-	-	-
e) assigned to goodwill or negative goodwill due to negative timing differences:	-	-	-
4. Total deferred income tax at the end of period, of which:	10 037	9 564	6 490
a) assigned to financial results	7 121	6 648	3 574
b) assigned to shareholders' equity	2 916	2 916	2 916
c) assigned to goodwill or negative goodwill	-	-	-

Note 8

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

Note 9

INVENTORIES	30.06.2005	2004	30.06.2004
a. Materials	4 635	3 332	5 667
b. Semi-products and products in progress	-	-	-
c. Finished products	775	-	1 228
d. Merchandise	48 276	86 065	79 470
e) prepaid supplies	732	2 315	1 578
Total inventories	54 418	91 712	87 943

Note 10 A

CURRENT RECEIVABLES	30.06.2005	2004	30.06.2004
a) from affiliated companies	722	495	6 440
- trade accounts receivable, with maturity of:	722	492	5 869
- less than 12 months	722	477	5 869
- over 12 months	-	15	-
- other	-	3	571
- receivables in litigation	-	-	-
b) from subsidiary and associated companies	121 549	150 087	243 292
- trade accounts receivable, with maturity of:	81 473	89 351	189 457
- less than 12 months	76 624	84 169	164 693
- over 12 months	4 849	5 182	24 764
- taxes recoverable, subsidies, tariffs, social and health security, or other benefits receivable	18 186	24 891	24 971
- other	20 104	32 217	24 314
- receivables in litigation	1 786	3 628	4 550
Total net current receivables	122 271	150 582	249 732
c. Receivables updating allowances	217 134	225 654	222 926
Total gross current receivables	339 405	376 236	472 658

Note 10 B

CHANGES IN ALLOWANCES FOR DOUBTFUL CURRENT RECEIVABLES	30.06.2005	2004	30.06.2004
a. Balance at the beginning of period of which:	225 654	224 811	224 811
b. Additions of which:	27 551	28 284	4 708
- by virtue of trade account receivable	26 149	25 815	3 436
- interests	1 402	-	1 272
- other (interests adjudged, law costs)	-	2 469	-
c. Reduction of which:	36 071	27 441	6 593
- utilisation	2 780	24 724	204
- decrease	32 471	-	-
- other	820	2 717	6 389
d. Balance of allowances for current receivables at the end of period	217 134	225 654	222 926

Note 10 C

GROSS CURRENT RECEIVABLES - by currency	30.06.2005	2004	30.06.2004
a) in Polish currency (zlotys)	325 975	361 298	458 348
b) in foreign currencies (and as restated in zlotys)	13 430	14 938	14 310
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	7 541	6 217
b3. Unit /currency in GBP			
in thousand zlotys			
b4. Other currencies in zlotys			
Total current receivables	339 405	376 236	472 658

Note 10 D

LONG-TERM AND SHORT-TERM CONTESTED AND OVERDUE DEBTS	30.06.2005	2004	30.06.2004
a. Contested and overdue debts by virtue of:	101 073	101 074	12 035
- trade accounts receivable	96 306	80 010	11 976
- other	4 767	21 064	59
Long-term and short-term contested and overdue debts in total, including:	101 073	101 074	12 035
- from which updated write offs were not executed	27 857	54 486	5 383
- not indicated as " receivables in litigation"	1 786	9 593	9 950

Note 11A

SHORT-TERM FINANCIAL ASSETS	30.06.2005	2004	30.06.2004
a. In subsidiaries	-	-	-
- shares	-	-	-
- receivables in virtue of dividends and shares in profits	-	-	-
- debt securities	-	-	-
- other securities (by type)	-	-	-
- loans granted	-	-	-
- other short-term financial assets (by type)	-	-	-
- interests on loans	-	-	-
c. In associated companies	-	-	-
- shares	-	-	-
- receivables in virtue of dividends and shares in profits	-	-	-
- debt securities	-	-	-
- other securities (by type)	-	-	-
- loans granted	-	-	-
- other short-term financial assets (by type)	-	-	-
- interests on loans	-	-	-
d. In dominant entity	-	-	-
- shares	-	-	-
- receivables in virtue of dividends and shares in profits	-	-	-
- debt securities	-	-	-
- other securities (by type)	-	-	-
- loans granted	-	-	-
- other short-term financial assets (by type)	-	-	-
- interests on loans	-	-	-
d. In other entities	271	19	13 551
- shares	19	19	21
- receivables in virtue of dividends and shares in profits	-	-	-
- debt securities	-	-	-
- other securities (by type)	-	-	-
- other	-	-	-
- loans granted	252	-	13 530
- other short-term financial assets (by type)	-	-	-
- interests on loans	-	-	-
Total short-term investments	271	19	13 551

Note 11 B

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (BY CURRENCY)	30.06.2005	2004	30.06.2004
a) in Polish currency (zlotys)	19	19	21
b) in foreign currencies (and as restated in zlotys)	-	-	-
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	21

Note 11 C

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)	-	-	-
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	-	13 530

Note 11 D

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

Note 11 E

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)	-	-	-
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	-	-	-

Note 12 A

CASH AND CASH EQUIVALENTS	30.06.2005	2004	30.06.2004
- cash at bank and on hand	20 550	13 574	23 786
- cash equivalents	34	8 651	15 807
Total cash and cash equivalents	20 584	22 225	39 593

Note 12 B

CASH AND CASH EQUIVALENTS (BY CURRENCY)	30.06.2005	2004	30.06.2004
a) in Polish currency (zlotys)	19 404	21 410	36 374
b) in foreign currencies (and as restated in zlotys)	1 180	815	3 219
b1. Unit / currency in thousand USD	83	143	612
in thousand zlotys	267	427	2 293
b2. Unit / currency in thousand EUR	237	95	203
in thousand zlotys	913	388	922
b3. Unit /currency in GBP	-	-	-
in thousand zlotys	-	-	-
b4. Other currencies in thousand zlotys	-	-	4
Total cash and cash equivalents	20 584	22 225	39 593

Note 13

SHORT-TERM DEFERRED EXPENSES	30.06.2005	2004	30.06.2004
a) deferred expenses, of which:	2 231	1 626	1 351
- car insurance and subscription	337	446	445
- VAT to be settled next months	990	183	591
- the Institutional Social Benefit Fund deduction	83	53	142
- other	821	944	173
b) other deferred assets, of which:	172	127	355
- employees' compensations	55	124	-
- general overhauls	33	2	155
- costs of company's organisation	4	1	10
- other	80	-	190
Total short-term diferred expenses	2 403	1 753	1 706

Note 14

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								

Note 15A

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

Note 15B

ISSUER'S SHARES OWNED BY THE SUBORDINATED ENTITIES			
Name of a company, location	Number	Value at purchase price	Balance sheet value
Stalexport Serwis Centrum S.A. Bełchatów	25 000	50	50
Total	25 000	50	50

Note 16

RESERVE CAPITAL	30.06.2005	2004	30.06.2004
a. sale of shares above the nominal value	-	2 464	470
b) capital established by law	5 088	104 441	106 435
c) capital established due to statutory/contractual provisions, in excess of the (minimum) value required by law	92 240	45	45
d. From surcharges of the shareholders	4 263	4 463	4 263
e. Other	49	1 740	1 908
Total reserve capital	101 640	113 153	113 121

Note 17

REVALUATION CAPITAL	30.06.2005	2004	30.06.2004
a. Revaluation of tangible assets	8 699	8 806	8 837
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)	-	34 576	3 574
- re-evaluation of fixed assets	-	34 576	-
- other	-	-	3 574
Total revaluation capital	8 699	43 382	12 411

Note 18

OTHER RESERVE CAPITAL (BY APPROPRIATION)	30.06.2005	2004	30.06.2004
a. Investments	-	1 467	1 467
b. Loss coverage	-	-	-
c. Re-evaluation of fixed assets	-	-	-
d. partial execution of the arrangement commitments conversion	-	74 099	74 099
e. Partial execution of the arrangement commitments instalments	6 148	21 880	13 143
f. Other	-	-	-
Total other reserve capital	6 148	97 446	88 709

Note 19

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	-	-	-

Note 20

CHANGE IN MINORITY CAPITALS	30.06.2005	30.06.2004	30.06.2004
State at the beginning of the period	5 262	25 987	25 987
a. Increase (by virtue of)	1 403	2 223	1 703
- change in funds and share in the financial result	1 403	2 223	1 703
- capital group increase	-	-	-
- consolidation correction	-	-	-
-			
b. decrease (by virtue of)	3 771	22 948	19 096
- change in funds and share in the financial result	3 771	1 655	-
- capital group decrease	-	21 293	-
- consolidation correction, including those connected with excluding the companies Ferostal and Stalexport Wlkip.	-	-	19 096
-			
Minority capitals at the end of the period	2 894	5 262	8 594

Note 21A

NEGATIVE GOODWILL OF SUBORDINATED ENTITIES	30.06.2005	30.06.2004	30.06.2004
a. negative company value - subsidiary entities	-	-	-
c. negative company value - affiliated entities	-	-	-
Negative goodwill of subordinated entities in total	-	-	-

Note 21B

CHANGE IN NEGATIVE GOODWILL - SUBORDINATED ENTITIES	30.06.2005	30.06.2004	30.06.2004
a. gross negative goodwill at the beginning of the period	1 301	40 138	40 138
b. increase (by virtue of)	-	-	-
- purchase	-	-	-
- calculation corrections	-	-	-
c. decrease (by virtue of)	-	38 837	38 837
- sale	-	38 837	38 837
d. gross negative goodwill at the end of the period	1 301	1 301	1 301
e. deduction of the negative goodwill at the beginning	1 301	39 682	39 682
f. deduction of the negative goodwill for the period (by)	-	(38 381)	(38 381)
- depreciation	-	-	-
- consolidation adjustment, including: connected with excluding the companies Ferostal and Stalexport Wlkip	-	(38 381)	(38 381)
g. deduction of the negative goodwill at the end of the period	1 301	1 301	1 301
h. net negative goodwill at the end of the period	-	-	-

Entity	Mode of determining negative goodwill	Negative goodwill	Deduction so far
SSC Bełchatów		18	18
SSC Katowice		684	684
Centrostal Lublin		599	599
Total		1 301	1 301

Note 21 C

CHANGE IN NEGATIVE GOODWILL - AFFILIATED ENTITIES	30.06.2005	30.06.2004	30.06.2004
a. gross negative goodwill at the beginning of the period	3	3	3
b. increase (by virtue of)	-	-	-
- purchase	-	-	-
- calculation corrections	-	-	-
c. decrease (by virtue of)	-	-	-
- sale	-	-	-
d. gross negative goodwill at the end of the period	3	3	3
e. deduction of negative goodwill at the beginning of the period	3	3	3
f. Deduction of the negative goodwill for the period	-	-	-
- depreciation	-	-	-
- consolidation correction	-	-	-
g. deduction of the negative goodwill at the end of the period	3	3	3
h. Net negative goodwill at the end of the period	-	-	-

Entity	Mode of determining negative goodwill	Negative goodwill	Deduction so far
Biuro Centrum		3	3
Total		3	3

Note 22 A

LONG-TERM LIABILITIES	30.06.2005	2004	30.06.2004
a. towards subsidiary entities	-	-	-
- credits and loans	-	-	-
- by virtue of issuing indebted securities	-	-	-
- other financial liabilities, including	-	-	-
- financial leasing agreements	-	-	-
- other (acc.to genre)	-	-	-
- by virtue of trade account payable	-	-	-
- other	-	-	-
b. Towards affiliated entities	-	-	-
- credits and loans	-	-	-
- by virtue of issuing indebted securities	-	-	-
- other financial liabilities, including	-	-	-
- financial leasing agreements	-	-	-
- other (acc.to genre)	-	-	-
- other	-	-	-
c. Towards dominant entity	-	-	-
- credits and loans	-	-	-
- by virtue of issuing indebted securities	-	-	-
- other financial liabilities, including	-	-	-
- financial leasing agreements	-	-	-
- other (acc.to genre)	-	-	-
- by virtue of trade accounts payable	-	-	-
- other	-	-	-
c. Towards other entities	283 205	315 589	272 745
- credits and loans	99 373	113 746	127 458
- by virtue of issuing indebted securities	-	-	-
- other financial liabilities, including	-	-	764
- interests	-	-	764
- other	-	-	-
- financial leasing agreements	7 295	5 834	6 837
- other (acc.to genre)	176 537	196 009	137 686
- arrangement liabilities	103 945	123 417	137 686
- other	72 592	72 592	-
Long-term liabilities in total	283 205	315 589	272 745

Note 22B

LONG-TERM LIABILITIES (CURRENCY STRUCTURE)	30.06.2005	2004	30.06.2004
a) in the Polish currency	283 205	315 075	272 299
b) in foreign currencies (acc.to currencies and after calculating into zloty)	-	514	446
b1. unit/currency in thousand USD	-	-	-
in thousand zloty	-	-	-
b2. unit/currency in thousand EUR	-	126	107
in thousand zloty	-	514	446
b3. unit/currency:GBP	-	-	-
in thousand zloty	-	-	-
b4. other currencies in thousand zloty	-	-	-
Long-term liabilities in total	283 205	315 589	272 745

Note 22C

LONG-TERM LIABILITIES BY VIRTUE OF CREDITS AND LOANS									
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
		zloty	currency	zloty	currency				
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 account, mortgage, credit on current account	
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 22D

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	-						

Note 23

CHANGES IN RESERVE FOR DEFERRED INCOME TAX (specifically)	30.06.2005	2004	30.06.2004
1. Reserve for deferred income tax at the beginning	12 289	3 763	3 763
a) assigned to financial result	1 734	1 405	1 405
b) assigned to shareholders' equity	10 555	2 358	2 358
c) assigned to goodwill or negative goodwill	-	-	-
2. Additions	435	9 333	110
a) assigned to financial results for the period due to positive timing differences:	435	1 136	110
- interests counted into the income	430	553	104
- interests on loans counted into the income	-	391	1
- other	5	192	5
b) assigned to shareholders' equity for the period due to positive timing differences:	-	8 197	-
- fixed assets and WNIp (financial leasing)	-	8 197	-
c) assigned to goodwill or negative goodwill due to positive timing differences:	-	-	-
3. Reductions:	827	807	283
a) assigned to financial result for the period due to positive timing differences (of which)	827	807	283
- interests counted into the income (paid, cancelled)	312	483	226
- change in tax rate from 28% to 27%			
- other	515	324	57
b) assigned to shareholders' equity due to positive timing differences (of which)	-	-	-
c) assigned to goodwill or negative goodwill due to positive timing differences (of which)	-	-	-
4. Reserve for deferred income tax at the end of period, of which:	11 897	12 289	3 590
a) assigned to financial result	1 342	1 734	1 232
b) assigned to shareholders' equity	10 555	10 555	2 358
c) assigned to goodwill or negative goodwill	-	-	-

Note 24

CHANGES IN OTHER LONG-TERM PROVISIONS - specifically	30.06.2005	2004	30.06.2004
a. Balance at the beginning of period of which:	11 721	60 895	60 895
b. Additions (in virtue of)	2 816	2 864	1 217
- holiday leaves	-	-	-
- termination pays, jubilee bonuses	66	100	-
- interests on bills liabilities State Treasury	-	1 984	-
- contingent liabilities	-	-	-
- interests on credits	-	780	1 217
- other	2 750	-	-
c. Exercised of which	2 665	8 132	41 172
- holiday leaves	-	190	-
- termination pays, jubilee bonuses	2	-	-
- severance pays for dismissed employees	-	-	-
- contingent liabilities	900	2 593	38 100
- interests on credits	1 754	5 349	3 072
- other	9	-	-
d) reversals, of which:	600	43 906	4 890
- transfer to short-term reserves	-	38 977	2 593
- interests on credits	-	2 816	257
- Caoital Group decrease	600	2 113	2 040
e. Balance at the end of period	11 272	11 721	16 050

Note 25

LONG-TERM DEFERRED EXPENSES	30.06.2005	2004	30.06.2004
a) accrued expenses, of which:	-	-	-
- other	-	-	-
b) deferred income, of which:	49 783	59 681	71 412
- long-term accruals:	-	449	156
- rent of motorway	-	-	-
- redeemed arrangement liabilities	48 279	58 455	69 702
- evaluation of shares	741	741	741
- other	763	36	813
Total long-term deferred expenses	49 783	59 681	71 412

Note 26 A

SHORT-TERM RECEIVABLES	30.06.2005	2004	30.06.2004
a. Towards subsidiary companies	112	1 127	1 091
- credits and loans	-	-	-
- issue of debt securities	-	-	-
- dividends	-	-	-
- other financial receivables :	-	-	-
- interests on loans and prepayments	-	-	-
- prepayments for capital increase	-	-	-
- trade accounts payable, with maturity of:	112	776	743
- less 12 months	112	776	743
- over 12 months	-	-	-
- trade prepayments received	-	-	-
- promissory notes payable	-	-	-
- other (by type)	-	351	348
- arrangement commitments	-	-	291
-other	-	351	57
b. Towards associated entities	4 138	3 683	3 881
- credits and loans of which	3 340	3 340	3 800
- issue of debt securities	-	-	-
- dividends	-	-	-
- other financial receivables :	-	-	-
- interests on loans and prepayments	-	-	-
- prepayments for capital increase	-	-	-
- trade accounts payable, with maturity of:	798	258	81
- less 12 months	798	258	81
- over 12 months	-	-	-
- trade prepayments received	-	-	-
- promissory notes payable	-	-	-
- other (by type)	-	85	-
- penalty intersts and other	-	-	-
-other	-	85	-
e. Towards the dominant entity	-	-	-
- credits and loans of which:	-	-	-
- issue of debt securities	-	-	-
- dividends	-	-	-
- other financial receivables :	-	-	-
- interests on loans and prepayments	-	-	-
- prepayments for capital increase	-	-	-
- trade accounts payable, with maturity of:	-	-	-
- less 12 months	-	-	-
- over 12 months	-	-	-
- trade prepayments received	-	-	-
- promissory notes payable	-	-	-
- other (by type)	-	-	-
- penalty intersts and other	-	-	-
- other	-	-	-
f.towards other entities	92 464	116 358	249 899
- credits and loans of which:	11 062	7 308	7 159
- issue of debt securities	-	-	-
- dividends	-	-	-
- other financial receivables :	-	1 465	74 951
- interests on loans and prepayments	-	1 465	1 367
- guarantees	-	-	73 584
- trade accounts payable, with maturity of:	62 379	94 534	156 493
- less 12 months	62 346	94 501	156 493
- over 12 months	33	33	-
- trade prepayments received	122	494	492
- promissory notes payable	300	-	1 100
- other (by type)	18 601	12 557	9 704
- penalty intersts and other	659	8 993	1 373
- by virtue of arrangement proceedings	72	-	-
- other	17 870	3 564	8 331
Total short-term receivables	96 714	121 168	254 871

Note 26 B

SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE)	30.06.2005	2004	30.06.2004
a) in Polish currency (zlotys)	93 810	114 390	234 771
b) in foreign currencies (and as restated in zlotys)	2 904	6 778	20 100
b1. Unit / currency in thousand USD	520	1 220	5 152
in thousand zlotys	1 739	3 648	19 306
b2. Unit / currency in thousand EUR	288	755	175
in thousand zlotys	1 165	3 077	794
b3. Unit /currency in GBP	-	-	-
in thousand zlotys	-	-	-
b4. Other currencies in thousand zlotys	-	53	-
Total short-term receivables	96 714	121 168	254 871

Note 26D

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	-	x	x	x	x	x

Note 27

CHANGES IN SHORT-TERM PROVISIONS - specifically	30.06.2005	2004	30.06.2004
a. Balance at the beginning of period	11 835	10 005	10 005
b. Additions (in virtue of)	1 417	4 997	6 183
- holiday leaves	783	410	503
- termination pays, jubilee bonuses	16	-	-
- severance pays for dismissed employees	9	-	-
- contingent liabilities	600	-	2 593
- interests on credits	-	-	3 000
- other	9	4 587	87
c) applications, of which:	1 462	176	715
- holiday leaves	-	130	-
- termination pays, jubilee bonuses	16	-	-
- severance pays for dismissed employees	-	-	-
- contingent liabilities	-	-	-
- interests on credits	1 426	-	505
- other	20	46	210
d) reversals, of which:	473	2 991	2 809
- holiday leaves	384	351	2 809
- interests on credits	-	-	-
- other	89	2 640	-
e. Balance at the end of period	11 317	11 835	12 664

Note 28

SHORT-TERM INTERPERIOD SETTLEMENTS	30.06.2005	2004	30.06.2004
a) accrued expenses, of which:	69	967	149
- agreement re maintenance of A4 motorway	-	831	-
- bonds premium	-	-	7
- other	69	136	142
b) deferred income, of which:	40 595	39 451	40 928
- settlements of incomes	325	-	-
- rent of A4 motorway	18 079	17 666	19 352
- redeemed arrangement liabilities	21 444	21 453	21 470
- prepayments for supplies and services	658	281	42
- other	89	51	64
Total short-term interperiod settlements	40 664	40 418	41 077

Off balance-sheet liabilities

	30.06.2005	2004	30.06.2004
1. Contingent liabilities	500	500	500
1.1. From related entities (by virtue of)	500	500	500
- received warranties and guarantees	500	500	500
1.2. From other entities (by virtue of)	-	-	-
- received warranties and guarantees	-	-	-
2. Contingent liabilities	312 447	315 843	331 133
2.1. In favour of related entities (by virtue of)	2 237	1 875	250
- granted warranties and guarantees	2 237	1 875	250
- customs warranties	-	-	-
- other	-	-	-
2.2. In favour of other entities (by virtue of)	287 810	289 873	307 677
- granted warranties and guarantees	283 810	287 573	306 070
- opening of the letter of credit	-	-	-
- other	4 000	2 300	1 607
3. Other (by virtue of)	22 400	24 095	23 206
- mortgage	12 000	13 995	13 495
- third party goods	3 900	3 900	-
- other	6 500	6 200	9 711
Total off-balance sheet liabilities	312 947	340 438	354 839

Explanatory notes to profit and loss account

Note 30 A

NET REVENUES FROM SALE OF GOODS (by class of business)	30.06.2005	30.06.2004
a. Maintenance and Construction of motorways	39 278	36 833
- of which: from associated companies	-	-
b. Reinforcement production for building industry	20 287	76 222
- of which: from associated companies	-	98
c. Sale of services	2 860	4 878
- of which: from associated companies	-	35
Total net revenues from sale of goods	62 425	117 933
- of which: from associated companies	-	133

Note 30 B

NET REVENUES FROM SALE OF GOODS (by geographic area)	30.06.2005	30.06.2005
a. Domestic sales	62 425	117 933
- of which: from related companies	-	133
b. Export sales	-	-
- of which: from related companies	-	-
Total net revenues from sale of goods	62 425	117 933
- of which: from related companies	-	133

Note 31 A

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	8 350	71 378
- of which: from related companies	-	-
d. Sale of goods purchased in Poland	148 106	290 339
- of which: from related companies	-	9 407
j. Sale of goods	138	-
- of which: from related companies	-	-
Total net revenues from sale of goods and merchandise	271 198	487 568
- of which: from related companies	-	9 407

Note 31 B

NET REVENUES FROM SALE OF GOODS AND RAW MATERIALS (by geographic area)	30.06.2005	30.06.2004
a. Domestic sales	156 594	361 717
- of which: from related companies	-	9 407
b. Export sales	114 604	125 851
- of which: from related companies	-	-
Total net revenues from sale of goods and raw materials	271 198	487 568
- of which: from related companies	-	9 407

Note 32

EXPENSES BY TYPE	30.06.2005	30.06.2004
a. Depreciation	3 962	9 015
b) raw materials and energy used	18 238	63 060
c) third party work	30 360	33 115
d) taxes and charges	1 794	1 754
e) salaries and wages	12 949	15 058
f) social security and other employee benefits	2 870	3 152
g) other expenses:	1 783	2 938
Total expenses by type	71 956	128 092
- Changes in inventories, products and deferred expenses	1 181	1 590
- Cost of work and services for own needs (negative value)	-	-
- Distribution expenses (negative value)	(9 219)	(17 013)
- General administrative expenses (negative value)	(24 472)	(21 024)
Costs of products sold	39 446	91 645

Note 33

OTHER INCOME	30.06.2005	30.06.2004
a) provisions and allowances cancelled, of which:	13 039	82 455
- cancelled allowances updating receivables	11 681	21 168
- cancelled other updating allowances	-	22 041
- dissolution of reserve for conditional liabilities	900	38 574
- dissolution of other reserves	458	672
b. Profit from disposal of non-financial fixed assets	34	424
c. Other income of which:	8 280	4 712
- settlements by virtue of payment of contingent liabilities	3 538	3 513
- re invoicing of costs, rents	2 853	-
- pozostałe	1 889	1 199
Total other operating income	21 353	87 591

Note 34

OTHER EXPENSES	30.06.2005	30.06.2004
a) allowances and provisions established, of which:	4 569	3 217
- receivables updating allowances	3 370	2 688
- for other updating allowances	-	-
- for contingent liabilities	388	-
- for other provisions	800	-
- other	11	529
b. Loss on sale of non-financial fixed assets	15	1 886
c. other, of which:	3 587	117 271
- judicial fees	587	562
- from sale	159	262
- donations	7	141
- costs of ineffective investments	531	-
- interests on trade accounts receivable	1 120	-
- costs of previous years and statute-barred interests	430	-
- other	753	3 003
- assigned to extraordinary losses of loss period of previous years and withdrawn write-offs regarding sold company Ferrotsla Łabędy	-	113 303
Total other operating expenses	8 171	122 374

Note 35 A

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

Note 35 B

FINANCIAL INCOME ON INTEREST RECEIVABLE	30.06.2005	30.06.2004
a) interest on loans granted	-	-
- from related companies	-	-
- from other companies	-	-
b. Other interests, of which:	6 292	4 233
- from related companies	-	58
- from other companies	6 292	4 175
Total financial income on interest receivable	6 292	4 233

Note 35 C

OTHER FINANCIAL INCOME	30.06.2005	30.06.2004
a) gain on exchange rate differences	458	1 657
- realized	261	750
- unrealized	197	907
b. Reserve cancelled (of which)	29	337
- interests calculated	28	337
- other	1	-
c. Other of which:	70	13 370
- discount of bills of exchange	-	5
- interests depreciated	-	147
- other	70	13 218
Total other financial income	557	15 364

Note 36 A

FINANCIAL EXPENSES DUE TO INTERESTS PAYABLE	30.06.2005	30.06.2004
a. From credits and loans of which	4 110	8 143
- from related companies	-	164
- from other companies	4 110	7 979
b. Other interests	11 160	7 554
- from related companies	-	6
- from other companies	11 160	7 548
Total financial expenses due to interests payable	15 270	15 697

Note 36 B

OTHER FINANCIAL EXPENSES	30.06.2005	30.06.2004
a) loss on exchange rate differences	30	240
- executed	30	130
- not executed	-	110
b. Reserves established (of which)	1 435	102
- interests calculated	1 434	48
- other	1	-
- sale of debts	-	54
c. Other , of which:	358	78 841
- payment of contingent liabilities	-	74 084
- expenses due to bonds redemption	-	569
- establishing allowance for interest notes	-	168
- other	358	4 020
Total other financial costs	1 823	79 183

Note 37

PROFIT (LOSS) ON SELLING ALL OR A PART OF SHARES OF SUBORDINATED ENTITIES	30.06.2005	30.06.2004
a. profit from selling shares and stocks	-	-
- in subsidiary entities	-	-
- in affiliated entities	-	-
- in interrelated entities	-	-
a. loss from selling shares and stocks	-	34 585
- in subsidiary entities	-	34 585
- in affiliated entities	-	-
- in interrelated entities	-	-
Profit (loss) on selling all or a part of the shares of subordinated entities, in total	-	(34 585)

Note 38 A

CURRENT CORPORATE INCOME TAX	30.06.2005	30.06.2004
1. Gross profit (loss) consolidated	23 189	33 518
2. Consolidation adjustments	(960)	16 658
3. Differences between gross profit (loss) and the income tax basis (by type)	2 184	(92 983)
- permanent differences adjusting expenses	3 991	76
- transient differences adjusting expenses	10 624	(180 742)
- permanent differences adjusting incomes	(1 312)	75 360
- transient differences adjusting incomes	(11 119)	13 569
- other	-	(1 246)
4. Income tax basis	24 413	(42 807)
5. Corporate income tax at 19 % rate	1 338	429
6. Increases, reliefs, exemptions, allowances, and reductions of corporate income tax	598	1 637
7. Current corporate income tax as stated in the taxation statement for the period, of which:	5 724	4 592
- disclosed in the profit and loss account	5 724	4 592
- referring to items that decreased or increased the shareholders' equity	-	-
- referring to items that decreased or increased the goodwill or negative goodwill	-	-

Note 38 B

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	(629)	(276)
- 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:	(237)	(25)
- calculated due interests included in result	329	-
- interests paid	(1)	(25)
- write-off updating receivables not being the costs of obtaining the revenues	(565)	-
- reserve for holiday leaves	-	-
Total deferred income tax	(866)	(301)

Note 38 C

TOTAL AMOUNT OF DEFERRED INCOME TAX	30.06.2005	30.06.2004
- included in the shareholders' equity	(606)	8
- included in the goodwill or negative goodwill	-	-

Note 39

NET PROFIT (LOSS)	30.06.2005	30.06.2004
a. net profit (loss) of the dominant entity	1 012	15 201
b. net profits (losses) of subsidiary entities	18 549	30 819
c. net profits (losses) of interrelated entities	-	-
d. net profits (losses) of affiliated entities	(176)	4
e. Profits (losses) of minority	-	-
e. consolidation corrections	(2 015)	(19 339)
Net profit (loss)	17 370	26 685

Financial result according to sectors of activity

	30.06.2005	30.06.2004
Wholesale of metallurgical products	359	17 777
Motorway activity	19 202	17 538
Prefabrication of reinforcement for building industry	-	10 705
Other services	-	4
consolidation adjustments	(2 191)	(19 339)
Total:	17 370	26 685

Note 40

CALCULATION OF PROFIT (LOSS) PER ONE ORDINARY SHARE AND PER DILUTED SHARE	30.06.2005	30.06.2004
Net profit (loss)	2 198	50 274
Average weighted number of ordinary shares	107 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)	0,02	0,47
Average weighted diluted number of ordinary shares		
Diluted profit (loss) per one ordinary share (in zloty)		

THE MANAGEMENT BOARD

Chairman of Management Board, Gneral Director

21.10.2005

Emil Wąsacz

Date

Signature

Vice-Chairman of Management Board , Financial Director

21.10.2005

Mieczysław Skołożyński

Date

Signature

Member of Management Board, Commercial Director

21.10.2005

Urszula Dzierżoń

Date

Signature

Person responsible for keeping books :

21.10.2005

Proxy, Chief Accountant
Małgorzata Michalunio-Kępyś

Date

Signature

**Commentary to consolidated financial report
of the Capital Group of
Stalexport SA
for period from 01.01. to 30.06.2005**

Katowice, 21st October 2005

Consolidated balance sheet

Long-term assets

Tangible fixed assets – note no 1

Increase in tangible fixed assets at the end of 1st half 2005 by 12,825 thousand zloty in comparison with the balance at the end of 2004 concerns:

- increase in fixed assets by 1,193 thousand zloty resulting mainly from accepting from investments the completed investment tasks: overhauls of bridges, surfaces and emergency passages in Stalexport Autostrada Małopolska S.A.,
- increase in fixed assets under construction by 11,632 thousand zloty, which concerns investments continued in Stalexport Autostrada Małopolska S.A. regarding drainage, overhauls of bridges and motorway surface.

Intangible fixed assets - note no 2

A slight decline in intangible fixed assets by 24 thousand zloty is mainly connected with amortisation for the 1st half 2005.

Longterm receivables – note no 4

A slight increase in longterm receivables by 30 thousand zloty concerns deposits from guarantees granted by bank to execute the contract, paid by dominant entity in 1st half 2005.

Long-term investments – note no 5

The value of possessed real estate investments in the amount of 83,604 thousand zloty has not changed and concerns real estates taken over for liabilities in 2003, from Kosciuszko mill in the amount of 36,658 thousand zloty and revaluated, in 2004, right of perpetual usufruct of land in Warsaw, in the amount of 46,946 thousand zloty.

Long-term financial assets declined slightly by 244 thousand zloty, mainly as a result of evaluation - via ownership right method - of shares in associated companies,.

Assets available for sale - note no 6

Assets available for sale comprise:

- in Stalexport S.A.:

- a) tangible fixed assets and intangible fixed assets regarding the A4 motorway Katowice – Kraków with value of 128,011 thousand zloty,
- b) land in Katowice at Mickiewicz Street „Komel” with value of 2,199 thousand zloty,
- c) shares of the company „Projprzem” with value of 15 thousand zloty,

- in Stalexport Serwis Centrum S.A. Katowice:

- d) right of perpetual usufruct of land – plot 10/33 in Wrocław with value of 2,318 thousand zloty,
- e) sale –room and land in Bytom with value of 240 thousand zloty.

Deferred income tax assets – note no 7

Deferred income tax assets increased slightly by 473 thousand zloty. Deferred income tax assets are shown by the companies:

- Stalexport SA	4,101 thousand zloty
The whole amount was taken over as a result of merger with the company Stalexport Centrostal Warszawa S.A. The above amount will be kept till the end of current year. The dominant entity does not activate income tax due to existing high tax loss.	
- Stalexport Autostrada Małopolska S.A. Mysłowice	4,454 thousand zloty
- Stalexport Transroute Autostrada S.A. Mysłowice	1,294 thousand zloty
- Stalexport Serwis Centrum S.A. Katowice	93 thousand zloty
- Stalexport Centrostal S.A. Lublin	95 thousand zloty

Short-term assets

Inventories – note no 9

Inventories decreased considerably in the capital group by 37,294 thousand zloty. The highest drop in inventories in the amount of 11,675 thousand zloty concerns the dominant entity - Stalexport S.A., despite taking over the inventories of the company Stalexport Centrostal Warszawa S.A., on the date of merger, the value of which amounted to 19,285 thousand zloty.

Short-term receivables – note no 10

The decrease in short-term receivables by 28,311 thousand zloty is mainly connected with the decrease in incomes from sale.

Cash and its equivalents – note no 12

The value of cash in comparison with the end of 2004 decreased by 1,641 thousand zloty.

Liabilities

Equity capital

Consolidated equity capital of the capital group as at 30.06.2005 amounts to 99,072 thousand zloty and it is by 17,015 thousand higher in comparison with the end of 2004.

The increase in equity capital was affected by:

- increase in equity capital per the shareholders of the Company 19,383 thousand zloty,
- decrease in minority capitals by 2,368 thousand zloty.

Equity capital per shareholders of the Company increased by the value of the achieved in 1st half 2005 consolidated net profit per shareholders of the Company in the amount of 17,370 thousand zloty and by the value of amortised arrangement liabilities in the dominant entity.

Essential changes concern the structure of the particular components of equity capital.

Share capital – note no 14

The share capital of the dominant entity is the share capital of the capital group of Stalexport S.A. In discussed periods the amount of the share capital did not change. Capital of the dominant entity amounts to 215,524,046.00 zloty and it is divided into 107 762 023 ordinary bearer shares with nominal value of 2.00 zloty (say: two zloty).

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%

Own shares in treasury – note no 15

Own shares of the dominant entity in the amount of 478 thousand zloty concern: the amount of 428 thousand zloty purchased in order to issue them to the minority shareholders of the former company Stalexport Centrostal Warszawa S.A. and the amount of 50 thousand zloty of shares owned by the subsidiary company Stalexport Serwis Centrum S.A. Bełchatów.

Reserve capital – note no 16

Decline in reserve capital of the capital group by 11,513 thousand zloty was mainly caused by its increase by 30,864 thousand zloty in Stalexport Autostrada Małopolska S.A. as a result of profit distribution for 2004 and by its decrease by 42,343 thousand zloty as a result of coverage loss of the previous years in the dominant entity.

Revaluation capital – note no 17

Decline in revaluation capital by 34,683 thousand zloty is connected with elimination of this capital in the company Stalexport Centrostal Warszawa S.A. which was taken over by dominant entity.

Other reserve capital – note no 18

Decrease in other reserve capitals by 91,298 thousand zloty results from designing the amount of 95,979 thousand zloty for coverage of loss from previous years in dominant entity and their increase by 6,148 thousand zloty as a result of posting an entry of amortised part of arrangement liabilities of the dominant entity from interperiod settlements of incomes, proportionally to payments in 1st half 2005.

Previous years' loss

Decline in previous years' losses by 151,454 thousand zloty is connected with their coverage in dominant entity from reserve capital, other reserve capitals and net profit for 2004.

Consolidated net profit

Consolidated net profit per shareholders of Stalexport S.A. amounts to 17,370 thousand zloty and it is by 5,857 thousand zloty higher in comparison with consolidated profit the capital group achieved in 2004.

Minority capitals – note no 20

Decline in minority capitals by 2,368 thousand zloty is connected with their elimination in former company Stalexport Centrostal Warszawa S.A.

Liabilities

Long-term liabilities – note no 22

Long-term liabilities decreased by 43,123 thousand zloty as a result of repaid credits and arrangement instalments as well as of decline in long-term interperiod settlements.

Long-term bank credits decreased by the amount of 14,373 thousand zloty in 1st half 2005. Payment of arrangement liabilities in dominant entity in the amount of 13,956 thousand zloty affected considerably the decline in other long-term liabilities.

Decline in long-term interperiod settlements by 9,898 thousand zloty concerns mainly interperiod income settlements in dominant entity by virtue of amortised arrangement liabilities in the amount of 9,421 thousand zloty.

Short-term liabilities– note no 26

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

Off balance- sheet items

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

Contingent liabilities of the capital group of Stalexport S.A. as at 30.06.2005 amount to 312,447 thousand zloty, of which:

- | | |
|---|------------------------|
| ▪ by virtue of granted guarantees and warranties of which for the benefit of: | 286,047 thousand zloty |
| ▪ related entities – consolidated | 1,987 thousand zloty |
| ▪ related entities – not consolidated | 250 thousand zloty |
| ▪ other entities | 283,810 thousand zloty |
| ▪ by virtue of other liabilities of which for the benefit of: | 26,400 thousand zloty |

- related entities -
- other entities 26,400 thousand zloty

Contingent liabilities of the dominant company Stalexport S.A. amount to total 287,922 thousand zloty by virtue of:

1. granted guarantees and warranties for the benefit of:
 - related entities 112 thousand zloty
 - other entities 283,810 thousand zloty
2. bill liabilities for the benefit of:
 - other entities 4,000 thousand zloty

The guarantee granted Walcownia Rur Jedność Sp. z o.o. in Siemianowice Śląskie in the amount of 276,840 thousand zloty (without interests) is the biggest item in the amount of guarantees, while the amount of 112 thousand zloty is the guarantee of credit granted the subsidiary company covered by consolidation - SSC Bełchatów.

Contingent liabilities of Stalexport Serwis Centrum S.A. Katowice cover total amount of 22,400 thousand zloty, i.e.: - bill guarantee in the amount of 3,900 thousand zloty, being the security of commercial transactions with Stalprodukt Centrostal Sp. z o.o. Krakow (500 thousand zloty), with Bankowa mill in Dąbrowa Górnicza (400 thousand zloty) and credit security of Nordea Bank Polska S.A. (3,000 thousand zloty). Security of credits on fixed and current assets in total amount of 12,000 thousand zloty and alienation of inventories in the amount of 6,500 thousand zloty, being the security of commercial transactions with Stalprofil S.A. in Dąbrowa Górnicza (3,500 thousand zloty), Piecbud Sp. z o.o. in Dąbrowa Górnicza (500 thousand zloty), Centrala Zaopatrzenia Hutnictwa in Katowice (500 thousand zloty), Stalprodukt Centrostal Sp. z o.o. in Kraków (800 thousand zloty) and credit security in Nordea Bank Polska S.A. (1,200 thousand zloty). .

Contingent liability of Stalexport Serwis Centrum S.A. Bełchatów covers the amount of 250 thousand zloty. It is guarantee of the credit granted the subsidiary company In Bud Sp. z o.o. in Ostrołęka not covered by consolidation. Moreover, in off balance-sheet items of SSC Bełchatów S.A. there is contingent liability by virtue of received guarantee from the dominant company Stalexport S.A. in the amount of 500 thousand zloty.

Contingent liability of Stalexport Autostrada Dolnośląska S.A. covers the amount of 1,875 thousand zloty. It is the guarantee granted associated company - Stalexport Autostrada Śląska S.A., covered by consolidation and it is connected with the possibility of obtaining the concession for construction of A4 motorway Katowice - Wrocław section by this company.

Consolidated profit and loss account

Incomes from sales of goods and products

In 1st half 2005 the incomes from sales of goods and products of the capital group of Stalexport SA amounted to 333,623 thousand zloty and were by 271,878 thousand zloty lower in comparison with 1st half 2004.

The decline in turnover was caused by the following factors:

- loss of volume of sales in the amount of ca 89 m zloty of the companies: Ferrostal Łabędy and Złomhut (sale of shares) and Stalexport Wielkopolska (loss of control due to bankruptcy),
- decline in prosperity and prices reduction for steel products in comparison with analogous period of 2004,
- lack of external sources of financing, the same limited working capital did not allow to fully execute higher turnover possible to be achieved,
- in dominant entity – the planned shares issue fell through, and also prolonging date of reimbursement of investment outlays born for A4 motorway. Limited working capital was additionally reduced by repayment of arrangement instalments and off arrangement liabilities,
- change in supplying policy by the company Mittal Steel Poland (the owner of former PHS S.A.), which resulted in exclusion of supplies of iron ores to Katowice and T. Sendzimir mills by Stalexport S.A.; it considerably affected the decline in turnover in import and decrease in incomes.

The structure of incomes from sales by territory is as follows.

- domestic turnover	219,019 thousand zloty
- export sales	114,604 thousand zloty

Domestic turnover in 1st half 2005 was by 54% lower in comparison with the sale executed by the capital group of Stalexport S.A. on this market in the 1st half of 2004. Export sales decreased by 9 %.

The structure of incomes from sales by item is as follows:

- incomes from sale of goods and merchandise	271,198 thousand zloty
- incomes from sales of products	62,425 thousand zloty

Costs of sold goods and products

Costs of sold goods and products for 1st half 2005 amounted to 281,649 thousand zloty including:

- value of sold goods at purchase price	242,203 thousand zloty
- manufacturing costs of sold products	39,446 thousand zloty

Achieved gross profit on sales amounted to 51,974 thousand zloty and it was by 31% lower in comparison with analogous period of 2004.

Sale costs and costs of general management

Costs of sales amounted to 9,219 thousand zloty and decreased by 46 % in comparison with 1st half 2004, which is connected first of all with decline in trade turnover.

General management costs in the amount of 24,472 thousand zloty are by 3,448 thousand zloty higher in comparison with analogous period of 2004. Increase in general management costs refers mainly to dominant entity and results from development of distribution network of Stalexport S.A. up to 11 trade depots, situated mainly in western part of the country. In 1st quarter 2005 5 branch offices, after former company Stalexport Centrostal Warszawa were incorporated. Launching new trade depots was connected with bearing additional costs (ca 3 m zloty), and positive results are expected next years.

Other incomes and costs

Other incomes amounted to 21,353 thousand zloty, while other operating costs amounted to 8,171 thousand zloty, what gives positive result on other operating activity in the amount of 13,182 thousand zloty.

Main items of other incomes are:

- dissolved writes-off updating commercial receivables including: in dominant entity 11,433 thousand zloty	11,681 thousand zloty
- dissolved reserves for contingent liabilities and other including: in dominant entity 1,284 thousand zloty	1,358 thousand zloty
- settlement of interperiod incomes by virtue of repayment of arrangement instalments in dominant entity	3,282 thousand zloty

Main items of other operating costs are:

- established writes-off updating receivables including: in dominant entity 2,459 thousand zloty	3,370 thousand zloty
- established reserves for liabilities including: in dominant entity 783 thousand zloty	1,199 thousand zloty
- interests on liabilities by virtue of works and services	1,120 thousand zloty

Financial incomes and costs

Achieved financial incomes amounted to 8,992 thousand zloty, while born financial costs amounted to 17,093 thousand zloty. The loss in the amount of 8,101 thousand zloty was born on financial activity.

Comparing the amount of balance achieved on financial activity in 1st half 2004 (+ 65,231 thousand zloty) to the level of 1st half 2005 (-8,101 thousand zloty), there is distinct disproportion resulting from the fact that in previous period the process of restructuring of the capital group of Stalexport S.A. was completed, mainly by sale of subsidiary companies: Ferrostal Łabędy, Złomhut and loss of control over Stalexport Wielkopolska.

Financial incomes were achieved by virtue of :

- interests received	6,292 thousand zloty
----------------------	----------------------

including: in dominant entity 5,791 thousand zloty
 - revaluation of investments 2,143 thousand zloty
 refers to evaluation of real estate and land in SSC Katowice
 shown in balance sheet as assets available for sale

Main items of born financial costs were:

- interests due for payment 15,270 thousand zloty
 including: - on credits 4,110 thousand zloty
 - other 11,160 thousand zloty
 - other 1,823 thousand zloty
 including: writes-off updating interests 1,434 thousand zloty

Financial results – summary

The consolidated gross profit of capital group of STALEXPORT SA for the 1st half 2005 amounts to 23,188 thousand zloty.

Gross profit decrease by virtue of incomes tax from legal persons amounts to 4,858 thousand zloty.

Consolidated net profit for 1st half 2005 amounts to 18,330 thousand zloty in comparison with 29,371 thousand zloty in analogous period of 2004.

Profits of minority amounts to 960 thousand zloty.

Consolidated net profit per shareholders of the Company for 1st half 2005 amounts to 17,370 thousand zloty and is by 9,315 thousand zloty lower than in comparison with 1st half 2004.

Net profit achieved by the capital group of Stalexport SA in 1st half 2005 was affected by:

- positive financial results of the trade companies covered by consolidation in the amount of 2,120 thousand zloty, including:

- Stalexport S.A. Katowice	1,012 thousand zloty
- Stalexport Serwis Centrum S.A. Katowice	1,048 thousand zloty
- Stalexport Metalzbyt Sp. z o.o. Białystok	60 thousand zloty

- negative financial results of trade companies covered by consolidation in the amount of -1,760 thousand zloty, including:

- Stalexport Centrostal Warszawa S.A.	-1.475 thousand zloty
- Stalexport Centrostal S.A. Lublin	- 282 thousand zloty
- Stalexport Serwis Centrum Bełchatów S.A. Rogowicz	-3 thousand zloty

- positive financial results of motorway companies covered by consolidation in the amount of 19,201 thousand zloty, including:

- Stalexport Autostrada Małopolska S.A. Mysłowice	16.486 thousand zloty
- Stalexport Transroute Autostrada S.A. Mysłowice	2.666 thousand zloty
- Stalexport Autostrada Dolnośląska S.A. Katowice	49 thousand zloty

- consolidation adjustments per balance -2,192 thousand zloty

**MANAGEMENT BOARD REPORT
ON THE ACTIVITY
OF THE CAPITAL GROUP OF
STALEXPORT S.A.**

for the first half of the year 2005

KATOWICE, October 2005

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

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1. INTRODUCTION

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

The main tasks accepted by the Capital Group of STALEXPORT SA to be executed in the year 2005 and realized in the 1st half of current year, result from accepted in 2002 the "Programme 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 an 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 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. 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 S.A. Till September 2005 – in the framework of 8 arrangement instalments (out of 20) together with interests the total amount of 91,6 m zloty was repaid, out of which in the 1st half 2005 the total amount of 22 m zloty was repaid.

Moreover, the liabilities towards off-arrangement creditors are also currently repaid. Till the end of September 2005 the total amount of 135,7 m zloty was paid by virtue of that, 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 Capital Group shows net 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. **Basic information about the issuer and the Capital Group,** 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. **Characteristics of the Capital Group** together with the description of the financial and economic of the subsidiary companies.
4. **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.
5. **The commercial part,** which contains the basic information about the market and sales.
6. **The part describing the prospects of the development and basic risks and threats for the Capital Group of 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 Capital Group and to continue the Company's activity in the following years.
7. **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 AND THE CAPITAL GROUP

<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>	0000016854 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, metallurgical raw materials 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, and participating in selected tenders for construction or/and operating subsequent motorway projects.

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 TUV 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. The 9th (say: ninth) instalment was to be paid on 5.10.2005.

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 Skołożyński, Vice-Chairman of the Management Board - Financial Director

After the date of the report, i.e. as from 1st August 2005 Urszula Dzierżoń Member of the Management Board, 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-Kępys

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).

d) Changes in compositions of the Management and Supervisory Boards in the subsidiary companies concern:

1. STALEXPORT METALZBYT Sp. z o.o. Białystok

There were no changes in the composition of the Management Board in 1st half 2005.

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.

Changes in the composition of the Supervisory Board:

In 1st half 2005 there were changes in the composition of the Supervisory Board, Piotr Czerski i Tomasz Dąbrowski resigned. Present composition of the Supervisory Board is as follows:

Ignacy Maciejewski - Chairman

Małgorzata Makosz

Elżbieta Sarwa

2. STALEXPORT SERWIS-CENTRUM BĘLCHATÓW S.A

There were no changes in the composition of the Management Board in 1st half 2005.

Changes in the composition of the Supervisory Board.

In 1st half 2005 there were changes in the composition of the Supervisory Board, Piotr Czerski i Tomasz Dąbrowski resigned. Present composition of the Supervisory Board is as follows:

Ignacy Maciejewski - Chairman

Małgorzata Makosz

Elżbieta Sarwa

3. STALEXPORT AUTOSTRADA DOLNOŚLĄSKA Katowice

There were no changes in the composition of the Management Board in 1st half 2005.

Changes in the composition of the Supervisory Board.

At the OGSM on 18th May 2005 the term of the existing Supervisory Board expired and new Supervisory Board was appointed with the following composition:

Anna Górka-Ucinyk – Chairman

Zbigniew Czaplą-Nowicki – Vice- Chairman

Barbara Kępińska – Secretary

Rafał Sulik

Bronisław Groborz

2.2. Remuneration of the persons managing and supervising the issuer

The total remuneration of persons managing the Company STALEXPORT S.A., ie. of the Management Board and the proxies for the 1st half 2005 amounted to 911 955, 57 zloty, 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 1 .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 - Kęps	Proxy	67 200,00	-	0,00	67 200,00
x	TOTAL	x	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 Wludyka	Chairman	10 218,52
2	Przemysław Majka	Vice-Chairman	12 221,52
3	Krystyna Strzelecka	Secretary	10 693,80
4	Bohdan Wyznikiewicz	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 Berkieta	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 of Capital Group (for each person separately)

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

	Name, surname	Number of shares	Nominal value
1.	Emil Wąsacz	59.000	118.000
2.	Urszula Dzierżoń	23.430	46.860
3.	Krystyna Strzelecka	4.075	8.150
4.	Katarzyna Bijak	2000	4000
5.	Zbigniew Czapla-Nowicki	5.472	10.944
6.	Jan Czaja	1	2
7.	Zbigniew Grabara	928	1856
8.	Anna Górską-Ucinyk	100	200
9.	Jerzy Ożana	250	500
10.	Stanisław Kajzer	10	20
11.	Tomasz Niemczyński	85	170

Number of shares in other entities of the Capital Group which are in the possession of managing and supervising persons is as follows:

- Ryszard Niedziela possesses 180 shares of the company Stalexport Centrostal S.A. Lublin with nominal value of 18,000 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.

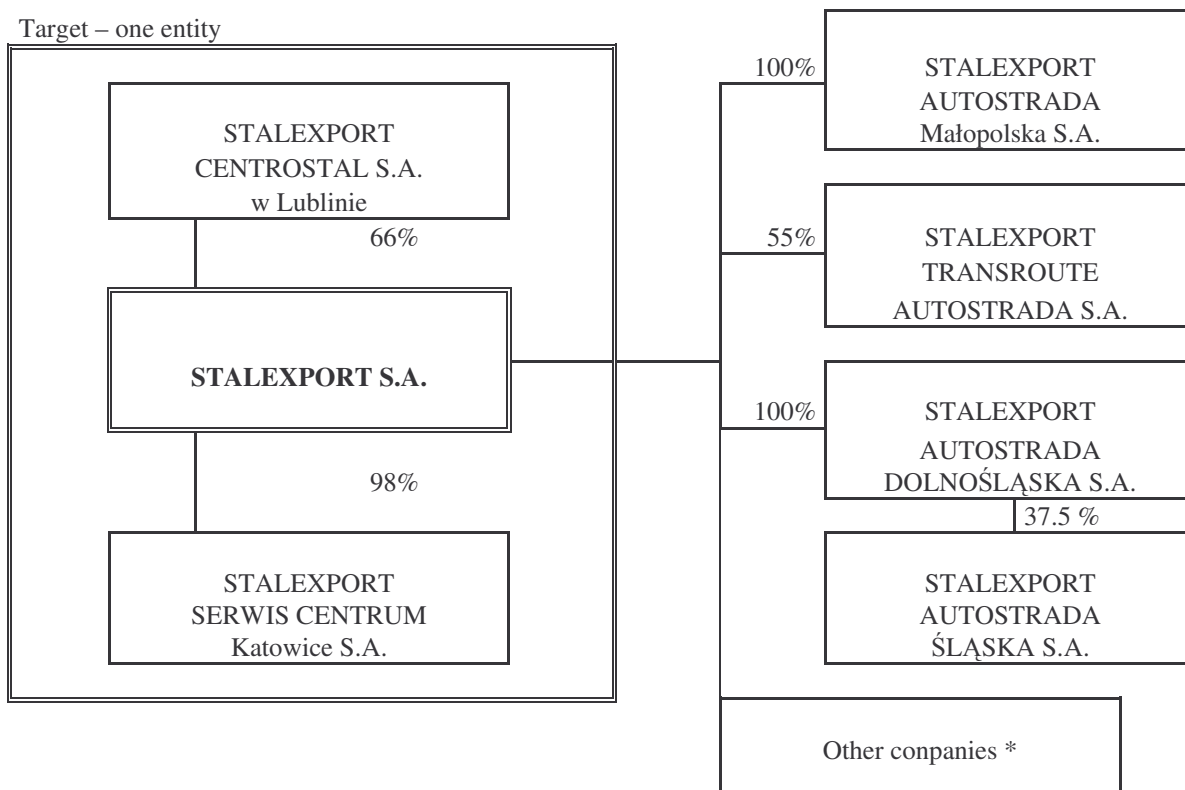
3. CHARACTERISTICS OF THE CAPITAL GROUP OF STALEXPORT

3.1. Economic and financial situation of subsidiary companies

STALEXPORT S.A. is nearly half-way of executing the agreement signed with the creditors, simultaneously carrying out restructuring actions within its group, consisting in:

- withdrawal from production activities (steel industry),
- consolidation of distribution companies in order to take advantage of synergy,
- maintenance and development of motorway activities.

An organizational diagram of the Capital Group of Stalexport S.A- –as on 30.06.2005)



*pther companies: STALEXPORT METALZBYT Białystok Sp. z o.o.(98,8%)
STALEXPORT SERWIS CENTRUM S.A. Bełchatów (95,1%)

The distribution of steel products has been carried out via the network of the commercial trade depots belonging to the organisational structure of STALEXPORT SA, and moreover comprises also two subsidiary companies: STALEXPORT SERWIS CENTRUM Katowice and STALEXPORT CENTROSTAL Lublin, which will be in future incorporated into STALEXPORT SA (as it was in case of the company STALEXPORT CENTROSTAL WARSZAWA at the beginning of 2005).

The commenced process of consolidation of distribution companies – which is planned to be completed in 2006 – will result in establishing one company with branch offices and regional trade depots, functioning in wholesale and retail steel trade segment as well as reinforcement production for building industry.

Consolidation of all trading companies will result in further savings and better use of their resources. The Company is one of the biggest steel distributors in Poland and its sales network covers the whole country.

The concession for maintenance and operating A4 motorway section Katowice – Kraków is a valuable asset. It has been in the possession of the dominant company so far, but in the course of reorganisation of the whole Group and for the purpose of making it easier to obtain financing necessary for financial closing of the project, it was transferred in July 2004 to a subsidiary company Stalexport Autostrada Małopolska S.A., in which STALEXPORT S.A. holds 100% shares.

3.2. Distribution companies of the Capital Group of STALEXPORT S.A.

Table no 1 Financial data of the distribution companies in a synthetic aspect

POZYCJA	STALEXPORT		SSC KATOWICE		S.C. LUBLIN	
	Ist half 2005	Ist half 2004	Ist half 2005	Ist half 2004	Ist half 2005	Ist half 2004
Long-term assets	345 757	349 420	10 423	9 045	1 860	1 994
Short-term assets	170 380	269 594	18 150	23 088	4 501	4 471
Equity	-22 231	-39 121	20 968	21 411	1 540	1 936
Short-term liabilities	185 809	262 962	7 464	10 610	4 081	3 759
Incomes from sales	242 707	438 916	32 686	43 500	11 350	12 596
General management costs	15 021	9 646	722	995	327	396
Profit (loss) on operating activity	5 429	93 917	-924	2 717	-241	904
Net profit (loss)	1 012	11 455	1 048	2 342	-282	992
Margin consumption ratio *	122,2%	55,6%	111,60%	54,30%	128%	59,50%
Profitability of sales**	6,9%	6,9%	7,70%	14,10%	6,60%	17,80%
Current liquidity ratio ***	0,9	1,0	2,4	2,2	1,1	1,2
Cycle of current assets in days ****	7	59	53	48	3	6
Profitability of equity capital ROE*****	-	-	15%	10,90%	-	51,20%
State of employment *****	321	171	79	82	32	35

Explanations to tables No. 1 and 2 – if not indicated otherwise all data are in thousand zloty

* **Margin consumption ratio** calculated as

SALES COSTS + GENERAL MANAGEMENT COSTS/ GROSS PROFIT ON SALES

** **Profitability of sales** calculated as GROSS PROFIT ON SALES/INCOMES FROM SALES

*** **Current liquidity ratio** calculated as

CURRENT ASSETS/SHORT-TERM LIABILITIES

**** **Cycle of current assets in days** calculated as the ROTATION OF COMMERCIAL

RECEIVABLES + ROTATION OF INVENTORIES – ROTATION OF COMMERCIAL LIABILITIES

according to the state as on 30.06.2005

***** **Profitability of equity capital ROE** calculated as NET PROFIT/EQUITY CAPITAL

*****State of employment understood as the number of employed people in the company

STALEXPORT SERWIS CENTRUM S.A. – KATOWICE (SSC KATOWICE)

On steel market – after the prosperity of the year 2004 – 1st half 2005 was the period of decline in demand for steel products, which resulted in fall in prices. At the end of this period there was stabilisation, and at present the tendency of prices increase appeared.

The revenues from sales of the company in this period amounted to 32,686 thousand zloty, what constitutes 75% of the revenues achieved in 1st half 2004. The revenues from sale of goods constituted 92% in the structure of sale, while sale of goods and services - 8%.

Gross profit on sales achieved in 1st half 2005 amounted to 2,686 thousand zloty, what constitutes 43% of profit achieved in analogous period of 2004. Average margin on sales of goods obtained in this period amounted to 7,7%.

A positive tendency was noted in the range of general management costs, which in comparison with 1st half 2004 decreased by 27% and at the end of June 2005 amounted to 722 thousand zloty.

In 1st half 2005 the company achieved net profit in the amount of 1,048 thousand zloty, while in 1st half 2004 profit was more than twice higher. The operating activity was closed with the loss of 924 thousand zloty, while there was profit on financial operations in the amount of 1,972 thousand zloty.

In 1st half 2005 the supplying process was subject to the principle of limiting or avoiding losses connected with price reductions on the market. It resulted in decline in sales, and on the other hand in maintaining satisfactory financial liquidity of the company in the whole period.

In 1st half 2005 there were changes in assets structure of the company. In long-term assets according to i.a.s. the assets designed for sale were shown in the amount of 2,415 thousand zloty (real estates in Bytom and Wrocław). In connection with the above the share of long-term assets in total assets increased to 36,5% and amounted to 10.423 thousand zloty at the end of 1st half 2005.

Short-term assets increased by 23,088 thousand zloty (as at 30.06.2004) to the amount of 18,150 thousand zloty (as at 30.06.2005), and their "age" structure improved considerably.

Receivables constituted the biggest item of short-term assets, i.e. 66,7 %, while share of inventories amounted to 29,2%.

At the end of 2005 the inventories amounted to 5,301 thousand zloty, while at the end of 1st half 2004 their level amounted to 9,004 thousand zloty. Stock rotation dropped to the level of 33 days. The similar tendency occurred in the amount of short-term receivables, which at the end of 1st half 2005 amounted to 12,106 thousand zloty, while a year ago to 13,484 thousand zloty.

The value of short-term liabilities amounted to 7,464 thousand zloty at the end of 1st half 2005, which means their decline by 30 % in relation to the previous half of the year.

Owing to improvement of the structure of short-term assets and liabilities the company improved its financial liquidity – current liquidity ratio amounted to 2,4 – which guarantees maintenance of the financial security of the Company.

STALEXPORT CENTROSTAL SA – Lublin (S.C. LUBLIN)

The subject of activities of the Company is turnover of metallurgical products and ferroalloys, processing and sale of scrap and services consisting in dimension cutting for customers

In 1st half 2005 the company's sales of goods and products amounted to 11,350 thousand, while in comparison with 1st half 2004 the level of sales was by nearly 10 % lower, mainly because of hindrances on scrap market and deficit of working capital. Fall in prices for steel products which occurred in 1st half 2005 resulted in limited sale margin. As a result of this, gross profit on sales amounted to 752 thousand zloty, while in analogous period of 2004 this profit amounted to 2,237 thousand zloty. Achieved gross profit on sales was able to cover sale costs in the amount of 637 thousand zloty, and the company in 1st half 2005 achieved loss on operating activity in the amount of – 241 thousand zloty.

The company closed first half 2005 with negative net result in the amount of – 282 thousand zloty.

As for the balance sheet of the company, there were noticeable changes in short-term assets, where the level of inventories dropped by more than a half – at the end of 1st half 2005 it amounted to 1,138 thousand zloty, while at the end of 1st half 2004 it amounted to 2,385 thousand zloty. Reverse tendency occurred in the same period in the range of short-term receivables, which increased from 2,015 thousand zloty to 3,299 thousand zloty at the end of 1st half 2005.

In the range of liabilities short-term liabilities constituted the biggest item, which at the end of 1st half 2005 amounted to 4,081 thousand zloty, including trade accounts receivables 2,421 thousand zloty, and credits and loans 1,475 thousand zloty.

3.3. Motorway companies of the Capital Group of STALEXPORT S.A

Table no 2 Financial data of the motorway companies in a synthetic aspect

ITEM	SAM		STA	
	Ist half . 2005	Ist half 2004	Ist half 2005	Ist half 2004
Short-term assets	110 235	94 791	5 126	6 483
Long-term assets	70 294	25 220	9 061	8 004
Equity	141 308	109 679	3 984	2 721
Short-term liabilities	37 593	9 243	3 367	3 295
Incomes from sales	39 111	36 833	11 904	11 377
General management costs	6 011	7 510	1 452	1 494
Profit (loss) on operating activity	23 715	19 021	3 725	2 516
Net profit (loss)	16 486	15 721	2 666	1 638
Gross profitability of sales	70,5%	70,3%	43,6%	35,7%
Current liquidity ratio	1,9	2,7	2,7	2,4
Profitability of equity capital ROE	11,7%	14,3%	52%	60%
State of employment	15	14	180	173

Explanations - vide table no 1

STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. (SAM)

The company, originally founded to manage the A-4 motorway on the Kraków-Katowice section on behalf of Stalexport S.A., after transferring the concession on 27.07.2005, is the concessionaire of this section. By virtue of this it collects tolls for motorway passages and the rents, its duties also comprise current maintenance of the motorway and continuation of the investment tasks.

Negotiations held with GDDKiA enabled to sign Annexe no 5 to the Concession Agreement by the Vice-Minister of Infrastructure on 21st March 2005, which came into force after signing all attachments – it took place on 17.10.2005. Coming into force of the Agreement gives possibilities to get financial closing – in a form of long-term credit from Bank consortium – designed for financing necessary investment works and for settlements resulting from concession transfer to STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. by STALEXPORT S.A

Financial results achieved by the company in 1st half 2005 are satisfactory. The incomes from sales amounted to 39,111 thousand zloty, while in analogous period of 2004, the incomes amounted to 36,833 thousand zloty. This increase results mainly from rise in traffic and the same bigger receipts from tolls for motorway passages. After considering additional incomes from rents in the amount of 2,218 thousand zloty, total incomes from operating activity amounted to 41,282 thousand zloty.

Net profitability of sales ratio achieved high level of 70,5%. Net profit at the end of 1st half 2005 amounted to 16,486 thousand zloty. The company from its profit has been executing the current investment needs.

The Company carries out active marketing actions through introduction of discount tickets and discounts for going by the motorway, advertisements and promotion actions aimed at improving the image and increase of the number of rides.

STALEXPORT TRANSROUTE AUTOSTRADA S.A. (STA)

The company deals with current operating and toll collection on the behalf of the concessionaire on section Katowice-Kraków of A4 motorway. The shareholders of the company are: STALEXPORT S.A. (55%) and French company TRANSROUTE INTERNATIONAL S.A. belonging to the group Egis Project.

Incomes from sales in 1st half 2005 amounted to 11,904 thousand zloty and net profit to 2,666 thousand zloty, what in comparison with the amount of equity of 3,984 thousand zloty, gives very high profitability – profitability ratio of equity capital ROE amounts to 52 %.

The Company has got stable financial situation and it settles its liabilities systematically.

STALEXPORT AUTOSTRADA DOLNOŚLĄSKA S.A. (SAD) STALEXPORT AUTOSTRADA ŚLĄSKA S.A. (SAŚ)

STALEXPORT S.A. has also engaged in the project of toll motorway A-4 on the Katowice – Wrocław section, which is to constitute a continuation of the Katowice-Kraków section, establishing the company Stalexport Autostrada Dolnośląska for that purpose.

The Company Stalexport Autostrada Dolnośląska through its subsidiary company Stalexport Autostrada Śląska (remaining shareholders of the company are STRABAG and Egis Project) has been making efforts to sign the contract for management and operation of A-4 motorway on Katowice-Wrocław section. Moreover the Company SAŚ S.A. is engaged in the cooperation with the French company VINCI Concessions in successive motorway projects, preparing tender bids for new concessions.

4. FINANCIAL ANALYSIS OF THE CAPITAL GROUP OF STALEXPORT S.A.

4.1. 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 following table presents the consolidated financial results of the Stalexport Capital Group for 1st half 2005.

In thousand zloty	Ist half 2005	Ist half 2004	Variance	Dynamics Ist half 2005/ Ist half 2004	Structure 1st half 2005	Structure 1st half 2004
I. Net incomes from selling products, goods and materials, including:	333 623	605 501	-271 878	-45%	100%	100%
1. Net incomes from selling products	62 425	117 933	-55 508	-47%	19%	19%
2. Net incomes from selling goods and materials	271 198	487 568	-216 370	-44%	81%	81%
II. Costs of sold goods, products and materials, including:	281 649	529 759	-248 110	-47%	84%	87%
1. Manufacturing cost of sold products	39 446	91 645	-52 199	-57%	12%	15%
2. Value of sold goods and materials	242 203	438 114	-195 911	-45%	73%	72%
III. Gross profit (loss) on sales (I - II)	51 974	75 742	-23 768	-31%	16%	13%
IV. Other incomes	21 353	87 591	-66 238	-76%	6%	14%
V. Sales costs	9 219	17 013	-7 794	-46%	3%	3%
VI. General management costs	24 472	21 024	3 448	16%	7%	3%
VII. Other costs	8 171	122 374	-114 203	-93%	2%	20%
VIII. Share in the net profits (losses) of subordinated entities evaluated via the method of ownership rights	-176	4	-180	-	-	-
IX. Profit (loss) from operating activity (III+IV-V-VI-VII+/-VIII)	31 289	2 926	28 363	-	9%	-
X. Financial incomes	8 992	176 743	-167 751	-95%	3%	29%
XI. Financial costs	17 093	111 422	-94 329	-85%	5%	18%
XII. Profit (loss) on sales of all or part of shares of subordinated entities	-	-34 585	34 585	-100%	-	-6%
XIII. Gross profit (loss) (IX + X - XI +/- XII)	23 188	33 662	-10 474	-31%	7%	6%
XIV. Income tax	4 858	4 291	567	13%	1%	1%
XV. Net profit (loss) (XIII - XIV)	18 330	29 371	-11 041	-38%	5%	5%
XVI. Minority profits (losses)	-960	-2 686	1 726	-64%	-	-
XVII. Net profit (loss) per shareholders of the company (XIV +/- XVI)	17 370	26 685	-9 315	-35%	5%	4%

4.1.1. Incomes and costs of basic operating activity (sale, purchase and sale costs, general management costs).

Incomes from sale of goods and products

In 1st half 2005 the incomes from sales of goods and products of the capital group of Stalexport S.A. amounted to 333,623 thousand zloty and were by 271,878 thousand lower than in comparison with 1st half 2004.

The decline in turnover was caused by the following factors:

- loss of sale volume in the amount of ca 89 m zloty of the companies sold in 2004: Ferrostal Łabędy (sale of shares) and Złomhut (sale of shares) and STALEXPORT WIELKOPOLSKA (loss of control due to bankruptcy),
- prosperity decline and reduction of prices for steel products in comparison with analogous period of the previous year,
- the lack of additional external sources of financing, the same the limited working capital did not allow to fully execute higher turnover possible to be achieved,

- in dominant entity – the planned share issue fell through and also prolonging date of reimbursement of born investment outlays for A4 motorway. Limited working capital additionally was diminished by repayment of arrangement instalments and off-arrangement liabilities,
- change in supplying policy by the company Mittal Steel Poland, which resulted in an elimination of supplies of iron ores to Katowice and T. Sendzimir mills by STALEXPORT S.A., and it affected essentially the decline in turnover in import and decrease in incomes from import.

The structure of incomes from sale - by territory - is as follows:

- domestic turnover	219,019 thousand zloty
- export sales	114,604 thousand zloty

Domestic turnover in 1st half 2005 was by 54% lower in comparison with sale of the Capital Group of STALEXPORT executed on this market in 1st half 2004. The export sale dropped by 9 %.

The structure if incomes from sale by items is as follows:

- incomes from selling goods and materials	271,198 thousand zloty
- incomes from selling products	62,425 thousand zloty

Costs of sold goods and products

Costs of sold goods and products in 1st half 2005 amounted to 281,649 thousand zloty, including:

- value of sold goods at purchase price	242,203 thousand zloty
- manufacturing costs of sold products	39,446 thousand zloty

Achieved gross profit on sale amounted to 51,974 thousand zloty and was by 31% lower in comparison with analogous period of 2004.

Sales costs and general management costs

Costs of sales in the amount of 9,219 thousand zloty decreased by 46 % in compariosn with 1st half 2004 which is first of all connected with decline in trade turnover.

General management costs in the amount of 24,472 thousand zloty are by 3,448 thousand zloty higher than in comparison with analogous period of 2004. Increase in general management costs concerns mainly dominant entity and results from the devvelopment of the distribution network of STALEXPORT S.A. up to 11 trade depots, located mainly in western part of the country. In 1st quarter 2005 5 branch offices of former company STALEXPORT CENTROSTAL WARSZAWA were incorporated. Launching new trade depots was connected with bearing additional costs (ca 3 m. zloty), and positive results are expected in the following years.

4.1.2. Other incomes and costs

Other incomes amounted to 21,353 thousand zloty, while other operating costs amounted to 8,171 thousand zloty, what gives positive result on other activity in the amount of 13,182 thousand zloty.

Main items in other incomes are:

- dissolved write-offs updating commercial receivables including: in the dominant entity 11.433 thousand zloty	11,681 thousand zloty
- reserve dissolution for contingent liabilities and other including: in the dominant entity 1.284 thousand zloty	1,358 thousand zloty
- settlement of interperiod incomes by virtue of repayment of arrangement instalments in dominant entity	3,282 thousand zloty

Main items in other operating costs are:

- established write-offs updating receivables	3,370 thousand zloty
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- including: in the dominant entity 2,459 thousand zloty
- established reserves for liabilities 1,199 thousand zloty
- including: in the dominant entity 783 thousand zloty
- interests on liabilities by virtue of works and services 1,120 thousand zloty

4.1.3. Financial incomes and costs

Achieved financial incomes amounted to 8,992 thousand zloty, while born financial costs amounted to 17,093 thousand zloty. The loss of 8,101 thousand zloty was born on financial activity.

Comparing the balance achieved on financial activity in 1st half 2004 (+65,231 thousand zloty) to the level of 1st half 2005 (-8.101 thousand zloty), one can notice a distinct disproportion resulting from the fact that in previous period the restructuring process of the capital group of Stalexport S.A. had been completed, mainly by sale of the subsidiary companies: Ferrostal Łabędy, Złomhut and loss of control over Stalexport Wielkopolska.

Financial incomes were achieved by virtue of:

- interests received 6,292 thousand zloty
- including: in the dominant entity 5,791 thousand zloty
- revaluation of investments 2,143 thousand zloty
- regards evaluation of real estates and land in SSC Katowice shown in balance-sheet as assets for sale

Main items in financial costs were:

- interests to be paid 15,270 thousand zloty
- of which: - on credits 4,110 thousand zloty
- other 11,160 thousand zloty
- other 1,823 thousand zloty
- of which: write-offs updating interests 1,434 thousand zloty

4.1.4. Financial result – summary

Consolidated gross profit of the Capital Group of STALEXPORT S.A. in 1st half 2005 amounts to 23,188 thousand zloty

The reduction of gross profit by virtue of income tax from legal persons amounts to 4,858 thousand zloty.

Consolidated net profit for 1st half 2005 amounts to 18,330 thousand zloty in comparison with 29,371 thousand zloty of net profit in analogous period of 2004.

Profits of minority amounts to 960 thousand zloty.

Consolidated net profit per shareholders of the Company for 1st half 2005 amounts to 17,370 thousand zloty and it is by 9,315 thousand zloty lower in comparison with 1st half 2004.

Net profit for 1st half 2005 achieved by the Capital Group of Stalexport S.A. was affected by:

- positive financial results of the commercial companies covered by consolidation in the amount of 2,120 thousand zloty, including:

- STALEXPORT S.A. Katowice 1,012 thousand zloty
- STALEXPORT SERWIS CENTRUM S.A. Katowice 1,048 thousand zloty
- STALEXPORT METALZBYT Sp. z o.o. Białystok 60 thousand zloty

- negative financial results of the commercial companies covered by the consolidation in the amount of -1,760 thousand zloty, including:

- STALEXPORT CENTROSTAL Warszawa S.A. 1,475 thousand zloty
- STALEXPORT CENTROSTAL S.A. Lublin - 282 thousand zloty
- STALEXPORT SERWIS CENTRUM Bełchatów S.A. Rogowiec -3 thousand zloty

- positive financial result of the motorway companies covered by the consolidation in the amount of 19,201 thousand zloty, including:

- STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. Mysłowice 16,486 thousand zloty
- STALEXPORT TRANSROUTE AUTOSTRADA S.A. Mysłowice 2,666 thousand zloty
- STALEXPORT AUTOSTRADA DOLNOŚLĄSKA S.A. Katowice 49 thousand zloty

- consolidation adjustments per balance –2,192 thousand zloty

4.2. Material and financial situation of the capital group

4.2.1. Assets of the capital group

Assets in total of the capital group as at 30.06.2005 in comparison with the balance at the end of the year 2004 decreased by 50,834 thousand zloty. In the assets structure there was an increase in long-term assets by 15,510 thousand zloty (by 4%), while short-term assets decreased by 66,344 thousand zloty (by 25%).

The below table presents the structure of assets of consolidated balance sheet.

ASSETS (in thousand zloty)	30.06.2005	31.12.2004	Variance	Dynamics 1 st half 2005/2004	Structure 30.06.2005	Structure 31.12.2004
I. Long-term assets	403 977	388 467	15 510	4%	67%	59%
1. Tangible assets	170 189	157 364	12 825	8%	28%	24%
2. Intangible assets	471	495	-24	-5%	0%	0%
3. Goodwill of subordinated entities	0	0	0			
4. Long-term receivables	972	942	30	3%	0%	0%
5. Long-term investments	89 667	89 891	-224	0%	15%	14%
6. Assets available for sale	132 641	130 211	2 430	2%	22%	20%
7. Deferred income tax assets	10 037	9 564	473	5%	2%	1%
8. Long-term interperiod settlements	0	0	0			
II. Short-term assets	199 947	266 291	-66 344	-25%	33%	41%
1. Inventories	54 418	91 712	-37 294	-41%	9%	14%
2. Short-term receivables	122 271	150 582	-28 311	-19%	20%	23%
3. Short-term investments	271	19	252		0%	0%
4. Cash and its equivalents	20 584	22 225	-1 641	-7%	3%	3%
5. Short-term interperiod settlements	2 403	1 753	650	37%	0%	0%
Assets in total	603 924	654 758	-50 834	-8%	100%	100%

Long-term assets

An increase in tangible fixed assets at the end of 1st half 2005 by 12,825 thousand zloty in comparison with the end of 2004 concerns:

- Increase in fixed assets by 1,193 thousand zloty resulting mainly from accepting completed investment tasks from investment such as: modernisation of bridges, surfaces and emergency passages in STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A.,
- Increase in fixed assets under construction by 11,632 thousand zloty, which concerns investments continued in STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. regarding construction of drainage, modernisation of bridges and motorway surface.

In intangible assets a slight decline by 24 thousand zloty was mainly connected with amortisation for 1st half 2005.

A slight increase in long-term receivables by 30 thousand zloty concerns deposits on guarantees granted by bank for contracts execution paid by dominant entity in 1st half 2005.

Amount of possessed real estate investments in the amount of 83,604 thousand zloty has not changed and it concerns real estates taken over from Kosciuszko mill in 2003 for liabilities, in the amount of 36,658 thousand zloty and revaluation of the right of perpetual usufruct of land in Warsaw in 2004, in the amount of 46,946 thousand zloty.

Long-term financial assets decreased slightly by 244 thousand zloty, mainly because of the evaluation of shares in associated companies via ownership right method.

The assets available for sale comprise:

-in STALEXPORT S.A.:

- a) fixed assets and intangible fixed assets regarding A4 motorway Katowice – Kraków with value of 128,011 thousand zloty,
- b) land in Katowice at Mickiewicza Street - „Komet” with value of 2,199 thousand zloty.
- c) shares of the company „Projprzem” with value of 15 thousand zloty.

- in STALEXPORT SERWIS CENTRUM S.A. Katowice:

- d) right of perpetual usufruct of land – plot no 10/33 in Wrocław with value of 2,318 thousand zloty
- e) sale room and land in Bytom with value of 240 thousand zloty

Deferred income tax assets increased slightly by 473 thousand zloty. Deferred income tax assets show the following companies:

- STALEXPORT S.A. 4,101 thousand zloty

The whole amount was taken over as a result of the merger with the company Stalexport Centrostal Warszawa S.A. The above value will be kept till the end of current year. The dominant entity does not activate income tax because of high tax loss.

- STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. Mysłowice 4,454 thousand zloty
- STALEXPORT TRANSROUTE AUTOSTRADA S.A. Mysłowice 1,294 thousand zloty
- STALEXPORT SERWIS CENTRUM S.A. Katowice 93 thousand zloty
- STALEXPORT CENTROSTAL S.A. Lublin 95 thousand zloty

Short-term assets

Inventories in the capital group decreased slightly by 37,294 thousand zloty. The highest decline in inventories in the amount of 11,675 thousand zloty concerns the dominant entity STALEXPORT S.A., despite taking over, on the date of merger, the inventories of the company STALEXPORT CENTROSTAL WARSZAWA S.A., the value of which amounted to 19,285 thousand zloty.

The decline in short-term receivables by 28,311 thousand zloty is mainly connected with the decline in incomes from sale.

The amount of cash in comparison with the end of 2004 decreased by 1,641 thousand zloty

4.2.2. Liabilities of the Capital Group

An increase in equity capital is the positive change in structure of liabilities at the end of 1st half 2005 in comparison with the end of previous year.

The below table presents the structure of liabilities of consolidated balance sheet:

LIABILITIES (in thousand zloty)	30.06. 2005	31.12. 2004	Variance.	Dyna- mics Ist half 2005/ 2004	Struct ure 30.06. 2005	Struct ure 31.12. 2004
I. Equity capital	99 072	82 057	17 015	21%	16%	13%
I.1. Equity per shareholders of the Company	96 178	76 795	19 383	25%	16%	12%
1. Stock capital	215 524	215 524	-	-	36%	33%
2. Not paid-up share capital (negative value)	-	-	-	-	-	-

3. Own shares in treasury (negative value)	-478	-44	-434	-	-	-
4. Reserve capital	101 640	113 153	-11 513	-10%	17%	17%
5. Revaluation capital	8 699	43 382	-34 683	-80%	1%	7%
6. Other reserve capital	6 148	97 446	-91 298	-94%	1%	15%
7. Prior years' profit (loss)	-252 725	-404 179	151 454	-37%	-42%	-62%
8. Net profit (loss) per shareholders of the Company	17 370	11 513	5 857	51%	3%	2%
I.2. Minority capitals	2 894	5 262	-2 368	-45%	-	1%
II. Negative goodwill of the subordinated entities	0	0	-	-	-	-
III. Long-term liabilities	356 157	399 280	-43 123	-11%	59%	61%
1. Credits and loans	99 373	113 746	-14 373	-13%	16%	17%
2. Liabilities by virtue of financial leasing	7 295	5 834	1 461	25%	1%	1%
3. Liabilities by virtue of trade account receivable	0	0	-	-	-	-
4. Other liabilities	176 537	196 009	-19 472	-10%	29%	30%
5. Reserve by virtue of deferred income tax .	11 897	12 289	-392	-3%	2%	2%
6. Reserves for other liabilities	11 272	11 721	-449	-4%	2%	2%
7. Long-term interperiod settlements	49 783	59 681	-9 898	-17%	8%	9%
IV. Short-term liabilities	148 695	173 421	-24 726	-14%	25%	26%
1. Credits and loans	14 402	10 648	3 754	35%	2%	2%
2. Liabilities by virtue of financial leasing	0	0	-	-	-	-
3. Liabilities by virtue of trade account receivable	63 289	95 568	-32 279	-34%	10%	15%
4. Other liabilities	19 023	14 952	4 071	27%	3%	2%
5. Reserves for liabilities	11 317	11 835	-518	-4%	2%	2%
6. Short-term interperiod liabilities	40 664	40 418	246	1%	7%	6%
Liabilities in total	603 924	654 758	-50 834	-8%	100%	100%

Equity capital

Consolidated equity capital of the capital group as at 30.06.2005 amounts to 99,072 thousand zloty and it is by 17,015 thousand zloty higher in comparison with the end of 2004.

Increase in equity capital was affected by:

- increase in equity capital per shareholders of the Company by 19,383 thousand zloty
- decline in minority capitals by 2,368 thousand zloty.

Equity capital per shareholders of the Company increased by the consolidated net profit per shareholders of the Company achieved in 1st half 2005 in the amount of 17,370 thousand zloty and by amount of amortise arrangement liabilities in the dominant entity.

Essential changes concern structure of particular components of the equity capital.

Stock capital of the Capital Group of STALEXPORT is the stock capital of the dominant entity. In the discussed periods the amount of stock equity did not change. Stock capital of the dominant entity amounts to 215,524,046.00 zloty it is divided into 107 762 023 ordinary bearer shares with nominal value of 2.0 zloty.

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%

Own shares of the dominant entity in the amount of 478 thousand zloty concern: the amount of 428 thousand purchased in order to issue them to the minority shareholders of former company STALEXPORT

CENTROSTAL WARSZAWA S.A. and the amount of 50 thousand zloty which are possessed by the subsidiary company Stalexport Serwis Centrum S.A. Bełchatów.

Decrease in reserve capital of the capital group by 11,513 thousand zloty was mainly caused by its increase by 30,864 thousand zloty in STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. because of the profit distribution of 2004 and decrease by 42,343 thousand zloty, because of coverage of losses from previous years in the dominant entity.

Decline in revaluation capital by 34,683 thousand zloty was connected with elimination of its capital in taken over company STALEXPORT CENTROSTAL WARSZAWA S.A. by the dominant entity.

Decline in other reserve capitals by 91,298 thousand zloty results from designation of the amount of 95,979 thousand zloty for coverage of loss from prior years in the dominant entity and their increase by 6,148 thousand zloty, in result of posting an entry of an amortised part of arrangement liabilities of dominant entity from settlements of interperiod incomes, proportionally to the payments made in 1st half 2005.

Decrease in losses from prior years by 151,454 thousand zloty is connected with their coverage in dominant entity from inventory capital, other reserve capital and net profit for 2004.

Consolidated net profit per shareholders of STALEXPORT S.A. amounts to 17,370 thousand zloty and it is by 5,857 thousand higher in comparison with consolidated profit the capital group achieved in 2004.

Decrease in minority capitals by 2,368 thousand zloty is connected with their elimination in former company STALEXPORT CENTROSTAL WARSZAWA S.A.

Liabilities

Long-term liabilities decreased by 43,123 thousand zloty as a result of repaid credits and arrangement instalmentsh as well as decline in long-term interperiod settlements.

Long-term bank credit decreased by the amount of 14,373 thousand zloty of the repayment in 1st half 2005. The repayment of arrangement liabilities in dominant entity in the amount of 13,956 thousand zloty affected the decrease in other long-term liabilities.

Decline in long-term interperiod settlements by 9,898 thousand zloty concerns mainly settlements of interperiod incomes in dominant entity by virtue of amortised arrangement liabilities in the amount of 9,421 thousand zloty.

In short-term liabilities in the discussed period there was an increase in short-term credits by value of credit of the taken over company STALEXPORT CENTROSTAL WARSZAWA S.A.

5. ANALYSIS OF THE COMMERCIAL ACTIVITY OF THE CAPITAL GROUP

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

In 1st half 2005 the incomes from sales of the Capital Group were by 45% lower than incomes in 1st half 2004.

The decline in revenues from sales was caused by:

- lower consumption of steel and weaker prosperity on market in 1st half 2005,
- fall in steel products prices,
- changes of cooperation conditions with the consortium Mittal Steel Poland S.A., desistance from supplies of supplying materials (iron ore and refractories),
- limitation of working capital for financing commercial activity.

The assortment sale structure is shown in the below table:

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

Merchandise/service	Sale value [in m zloty]	Share in incomes
sections	85,88	25,7%
flat products	62,27	18,7%
bars and wire rod	39,90	12,0%
motorway	39,28	11,8%
prefabricated reinforcement	28,00	8,4%
tubes	24,19	7,3%
semi-finished products	17,87	5,4%
non-ferrous products	16,02	4,8%

Invariably, for the last two years and also in 1st half 2005, the assortment which constitutes the biggest item in the sales of the Capital Group were sections. Their sale decreased however, by 31 % in relation to the 1st half 2004, while their share in turnover increased from 20,6% to 25,7% in 1st half 2005.

There was also a decline in sales in case of flat products by 42% - however there was an increase in share of this assortment group from 17,8% in 1st half 2004 to 18,7% in 1st half 2005.

The sale of reinforcement produced in Warsaw and Katowice had a significant share, despite the fact that their sale was by 40 % lower. The share in assortment structure increased in 1st half 2005 to the level of 8,4% (for comparison in 1st half 2004 it amounted to 7,8 % despite lower turnover).

The decline in sale was noted in case of the following group of products: bars and wire rod (by 33%), semi-finished products (by 6%).

The sale of tubes increased by 11 % in 1st half 2005 in relation to the half of 2004, increasing the same the share in turnover of the Capital Group in compared periods from 3,6 % to 7,2 % respectively.

5.2 Information about sales markets and suppliers

Sale markets – export sale

The turnover of the Capital Group of STALEXPORT S.A. in export and import was carried out nearly in total by the dominant company STALEXPORT S.A. The share of export sales in turnover of the Capital Group increased in 1st half 2005 to 34% from 21% in 1st half 2004. Incomes from export sales increased in comparable period by 33%. Sale of steel products constituted ca 84% of export of Capital Group, while the materials of the metallurgical supply – the remaining 16%.

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

Product	Sale value [in m zloty]]	Share in incomes
sections	62,84	54,8%
semi-finished products	17,72	15,5%
non-ferrous products	15,18	13,2%
tubes	8,74	7,6%

Invariably also in 1st half 2005 sections constituted the biggest share in export of the Capital Group the sale of which decreased by 34%, with simultaneous decline of share in export sales from 75,1% in 1st half 2004 to 54,8% in 1st half 2005.

There was a sale increase in case of : semi-finished products by 60%, non-ferrous metals – by 87%, tubes – by 27%.

The structure of export sales by country of destination in 1st half 2005 was as follows: Europe - 41%, North America – 8%, South America – 50%, Far East – 1%.

Sale markets- sale on domestic market

In 1st half 2005 the incomes from sales on domestic (without incomes from motorway activity) amounted to 55% turnover of the Capital Group.

At least 5% of sold products on domestic market came from import. Turnover of steel products constituted 92 % of domestic sale, materials of metallurgical supply and other products and services constituted remaining 8%.

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

Products/service	Sale value [in m zloty]	Share in sale on domestic market
plates	61,99	34,1%
bars and wire rod	37,34	20,5%
prefabricated reinforcement	28,00	15,4%
sections	23,05	12,7%
tubes	15,45	8,5%

In 1st half 2005 flat products constituted the biggest share in incomes from sale of the Capital Group on domestic market, the sale of which decreased by 43%, simultaneously increasing its share in turnover from 22,5 % in 1st half 2004 to 34,1 % in 1st half 2005.

Increase in share in sales on domestic market (in comparable period) from 11,8% to 20,5% with simultaneous decline in sale by 34% was noted in case of wire rod and bars.

Prefabricated reinforcement was an important item in domestic sales - 15,1% share in 1st half 2005 (in 1st half 2004 - 9,9%), the sale value of which decreased by 40%.

The sale of sections, constituting 12,7% share in sales on domestic market (1st half 2004 - 6,3%), decreased in 1st half 2005 by 24%.

There was an increase in sales value in case of tubes – by 4% - increase in share from 3,1% in 1st half 2004 to 8,5% in 1st half 2005.

Main suppliers

Mittal Steel Poland S.A. was the main supplier (over 10% share in purchases) of the companies of the Capital Group of STALEXPORT S.A. in 1st half 2005.

The purchases at other suppliers of the Capital Group did not exceed a few percent of all supplies in 1st half 2005.

Main customers

From among customers of the Capital Group, the biggest export customers (mainly from South America and UE) constituted 25 % of incomes in 1st half 2005, main customers of prefabricated reinforcement – ca 6%, and over 10 % of incomes – sale to distributors of steel products.

5.3. 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 servicing of customer as well as at increasing the added value of the sold steel by its processing and prefabricating are the subjects of special concern.

The large distribution network, aimed at customer and which possesses 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:

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

The company has been constantly 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.

6. PROSPECTS OF DEVELOPMENT AND DESCRIPTION OF BASIC RISKS AND THREATS, PROFILE OF EXTERNAL AND INTERNAL FACTORS ESSENTIAL FOR THE DEVELOPMENT ISSUER AND CAPITAL GROUP

6.1. Prospects of development

The Capital Group of 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 on 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) conducting 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 an 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 S.A.** ”. 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, to increase goodwill for the shareholders and to increase profits.

The principle of 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 S.A., 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 12 trade depots in the structure of the Company and three 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 be consolidated.

ad 3) Development of motorway activity

STALEXPORT S.A. 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. The net incomes for the entire 2004 amounted to 74,93 m zloty. 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 39,1 m 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 S.A.

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 which will enable execution of the investment of 2nd stage covering: overhauls of bridges, exchange of road surface, development of some road junctions, safety of travellers and environment protection, and also will enable 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 S.A. 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, which was possible to be achieved 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 S.A. to a subsidiary entity.

On 30th January 2004 STALEXPORT S.A. 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 S.A. 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 came into force on 17.10.2005, i.e. after signing by Infrastructure Minister and SAM S.A. all attachments. It is expected that the long-term credit agreement, the conclusion of which is possible due to already binding Annexe to the Concession Agreement, will be signed till the end of current year (so called financial closing of the project). It will allow SAM S.A. after getting credit (in 1st qtr 2006) to reimburse to Stalexport S.A. the outlays born STALEXPORT S.A. , as the former concessionaire, in 1st stage (years 1997-2000).

Coming into force of Annexe no 5 to the Concession Agreement regulates the matter of settlements between concessionaire and the State Treasury by virtue of dispensing lorries from paying fares for

crossing toll motorways, as from 1st September 2005, leaving the concessionaire in the situation not worse than this one in relation to the situation of real tolls collection. The vehicles dispensed from toll collection are the vehicles which pay “so called road fare” (called generally as „winieta”) according to the provisions of the Act on the amendment of the Act on toll motorways and on National Road Fund dated 28.07.2005. Reimbursement of financial means for the benefit of concessionaire takes place by the payment made by the Minister from the means of National Road Fund.

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

On 20th February 2004, the General Director of Domestic Roads and Motorways (GDDKiA) 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 a bid was addressed to three entities. The deadline for submitting the bid expired on 21st June 2004. Two companies submitted bids, including the Company Stalexport Autostrada Śląska S.A., whose shareholders are: Stalexport Autostrada Dolnośląska S.A. - a 100% subsidiary company of STALEXPORT S.A. (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 co 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. The date of determining new guidelines is expected to be fixed after appointing new Minister of Infrastructure.

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

On 1st September 2004, the Management Board of STALEXPORT S.A. 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.

On 11.10.2005 GDDKiA announced two further tenders for executing motorway projects, including this for construction and operating A2 motorway Stryków-Konotopa section (95km) with date of placing pre-qualification bids till 12.12.2005. The company SAD is also going to participate in a/m tender in consortium with the company Vinci Concessions S.A.

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

Description of basic risks and treats, counteractions

The main risk and threats of the business activity of STALEXPORT S.A. 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.

The new principles of trade implemented by it and other investors conduct to the increase in market transparency strengthening 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 inquire new possibilities of rendering additional services including processing ones and it should be noted that simultaneously big customers contact directly with producers.

Competition activity

The Steel Distribution Sector is comprised of a few hundred entities. STALEXPORT S.A. together with the Capital Group conducts research and monitors partly of ca 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. Growing competition resulted in diminishing trade margin.

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 prices fluctuation and prosperity. In order to limit the risk of market monopoly 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 3 on the rights of branch offices. Next 4 selling depots at present are serviced by the subsidiary companies, which in future 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 S.A. 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 S.A. 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 at Mickiewicza, Sobieskiego and Opolska Streets and transfer of the activity of the branch office in Warsaw to the location of lower costs and sale of real estate at Obrzezna Street),
- 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 S.A. 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:

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

The sale proceedings were distinctly 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 submitting the bids 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. On 19.10.2005 a basic agreement between Sinara Handel GmbH, ING Bank Śląski S.A. Towarzystwo Finansowe Silesia Sp. z o.o. and STALEXPORT S.A. was concluded. The agreement is to enable the purchase by the investor, of the assets of WRJ Sp. z o.o. and WRJ Serwis as well as completing and launching the investment.

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 STALEXPORT 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 character (40% reduction),
- the amount of possible liabilities towards Finance Ministry is dependent on the amount obtained by banks from sale of WRJ.

Summary

Analysing the existing situation of STALEXPORT S.A., it should be stated that the main tasks of the Company for the following 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 markets.

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, 21st October 2005

7. 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:

7.1. 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 consolidated 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 the Capital Group of STALEXPORT S.A.

Simultaneously, we state that our the semi-annual report of the Management Board contains a true picture of development and achievements and the situation of the Capital Group, 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, 21st October 2005

7.2. 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 the year 2005, was chosen according to the rules of law, ie. on the basis of § 18 passage 2 item 11 of the Charter of STALEXPORT S.A. in Katowice. It examined also the consolidated financial report for 1st half 2005

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

Vice-Chairman of
the Management Board
Financial Director

Chairman of
the Management Board
General Director

Urszula Dzierżoń

Mieczysław Skołyżyński

Emil Wąsacz

Katowice, 21st October 2005

