

SECURITIES AND STOCK EXCHANGE COMMITTEE

Consolidated SA-RS 2005

according to the Decree of the Finance Minister, dated 19th October 2005, - Journal on Laws no 209, item 1744

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

for the financial year covering the period from 01.01.2005 to 31.12.2005

and for the previous financial year covering the period from 01.01.2004 to 31.12.2004

13.06.2006

(date of publishing)

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

BDO Polska Sp. z o.o.

(entity entitled to carry out the examination)

The consolidated report contains :

- x The opinion and report of the entity entitled to examine the consolidated financial reports from examining the annual consolidated financial report (§ 96, passage 1 point 7 of the a/m decree)
- x Consolidated annual financial report
 - x Preliminary information
 - x Consolidated balance sheet
 - x Consolidated profit and loss account
- x Management Board report report (on activity of the Capital Group)
- x List of changes in the consolidated equity capital
- x Consolidated cash flow account
- x Additional information

SELECTED FINANCIAL DATA	thousand zloty		thousand EURO	
	2005	2004	2005	2004
I. Net incomes from sale of products, goods and materials	620 762	1 004 986	154 292	249 791
II. Profit (loss) on operating activity	-49 403	11 016	-12 279	2 738
III. Gross profit (loss)	-83 582	20 641	-20 774	5 130
IV. Net profit (loss) falling to shareholders of the Company	-102 388	11 513	-25 449	2 862
V. Net cash flows from operating activity	105 587	10 411	27 356	2 588
VI. Net cash flows from investment activity	-46 830	8 660	-12 133	2 152
VII. Net cash flows from financial activity	-54 768	-52 520	-14 189	-13 054
VIII. Net cash flows in total	3 989	-33 449	1 033	-8 314
IX. Assets in total	782 886	654 758	202 831	162 742
X. Long-term liabilities	637 009	399 280	165 037	99 242
XII. Short-term liabilities	112 472	173 421	29 139	43 104
XIII. Equity capital	33 405	82 057	8 655	20 395
XIV. Stock capital	215 524	215 524	55 838	53 569
XV. Number of shares	107 762 023	107 762 023	107 762 023	107 762 023
XVI. Profit (loss) per one ordinary share (in zloty/EUR)	-0,95	0,11	-0,24	0,03
XVII. Diluted profit (loss) per one ordinary share (in zloty/EUR)				
XVIII. Book value per one share (in zloty/EUR)	0,31	0,76	0,08	0,20
XIX. Diluted book value per one share (in zloty/EUR)				
XIX. Declared or paid dividend per one share (in zlotys/EUR)				

**CAPITAL GROUP
Of STALEXPORT SA
40-085 Katowice, 29 Mickiewicza Street**

**Audit Opinion
for the Shareholders of the
STALEXPORT S.A. Group**

We have audited the accompanying financial statements of the **STALEXPORT S.A. Group** with its registered office in Katowice, prepared in accordance with International Accounting Standards, consisting of:

- an introduction;
- the consolidated balance sheet prepared as at 31 December 2005, showing total assets and liabilities of **782.885.391,38 zł**;
- the consolidated profit and loss account for the period from 1 January 2005 to 31 December 2005, showing a net loss of **102.387.710,34 zł**;
- statement of changes in consolidated shareholders' equity, showing a decrease in shareholders' equity of **48.652.753,41 zł**;
- the consolidated cash flow statement for the period from 1 January to 31 December 2005, showing a net cash increase of **3.988.617,23 zł**;
- notes to the financial statements.

The holding company's Management Board is responsible for the preparation of the financial statements.

Our responsibility was to audit the consolidated financial statements and to express an opinion whether the financial statements are free of material misstatements.

We conducted our audit in accordance with:

- 1) Chapter 7 of the Accounting Act dated 29 September 1994 (2002 Journal of Laws No. 76, item 694),
- 2) professional auditing standards issued by the Polish National Chamber of Certified Auditors,
- 3) International Accounting Standards.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provided a reasonable basis for our opinion.

We draw your attention to the fact that the continuation of the holding Company's operations is still mainly dependent on the realization of the provisions of the settlement concluded with the creditors, and the timely repayment of credit installments and interest, which can only be possible if sufficient funds are generated. The activities aimed at generating and obtaining a financial surplus are presented in the Directors' Report on the Company's activities.

We would like to inform you that in the audited period the holding Company changed its accounting policy with regard to accounting for settlement installments. In previous years, written off settlement installments were booked in proportion to paid settlement installments, whereas as at the balance sheet date, as a result of the repayment of 50% of the value of the liabilities arising out of the settlement concluded in 2002, as well as the conclusion of transactions enabling the realization of the remainder of the settlement, the Management has decided to settle the written off value of the liabilities constituting deferred income on a one-off basis. As a result of this decision, the holding Company's reserve capital grew by 37.900 thousand zł, whilst its financial result rose by 22.033 thousand zł.

Subject to the above circumstances and uncertainties, in our opinion the audited consolidated financial statements consisting of financial data and explanations:

- give a true and fair view of the Group's financial position as at 31 December 2005, as well as its financial result for the period from 1 January 2005 to 31 December 2005,
- have been prepared in all material respects in accordance with the accounting regulations arising out of International Accounting Standards, International Financial Reporting Standards, as well as the related interpretations announced in the form of decrees by the European Commission, and in issues not regulated by these Standards – in accordance with the Accounting Act and related regulatory provisions issued on the basis of this Act, as well as on the basis of properly maintained books of account,
- are consistent with the laws and regulations binding in Poland and with the statute of Stalexport S.A., to the extent to which such regulations affect the content of the consolidated financial statements.

We draw your attention to the fact that the merger of the companies Stalexport S.A. and Stalexport Centrostal Warszawa S.A. was registered on 1 March 2005.

The Directors Report on the Group's activities includes all information required by article 49 point 2 of the Accounting Act, and the financial data contained therein is consistent with the audited consolidated financial statements.

Katowice, 6 June 2006

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**CAPITAL GROUP
Of STALEXPORT SA
40-085 Katowice, 29 Mickiewicza Street**

**Report supplementing the opinion
on the examining of the consolidated financial report
for the period from 1st January until 31st December 2005
drawn up according to International Accounting Standards**

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I. GENERAL PART OF THE REPORT

1. Data identifying the dominant Company

1.1 Name and legal form

Stalexport Joint Stock Company.

1.2 Seat of the Company

Katowice, 29 Mickiewicza Street.

1.3 Subject of activity

The subject of the Company's activity is especially wholesale of metals and metal ores.

1.4 Basis of activity

Stalexport SA acts on the basis of:

- the articles of the company drawn up in the form of the notarial deed (Transformation Act Rep. "A" No. 10526/93 and Rep. „A” No. 10772/93) with later amendments,
- the Code of Commercial Companies

1.5 Registration in the District Court – Economic department

On 3rd August 2001 the Company was entered into the National Judicial Registry at the District Court in Katowice under the number KRS 16854.

Earlier the Company was registered in the commercial register under the number RHB – 10130

1.6 Registration in the Inland Revenue and the Provincial Statistical Office

NIP (Tax Identification No.): 634-01-34-211

REGON (Statistical Number): 271936361

1.7 The amount of stock capital of the dominant company and its changes in the course of the reporting period

The Company's share capital as on 31st December 2005 amounts to 215,524 thousand zloty and is divided into 107,762,023 shares of a nominal value of 2 zloty each.

The amount of the share capital in the examined financial year did not change.

The ownership structure is as follows:

- | | |
|---|--------|
| – National Environment Protection and Water Conservation Fund | 16,72% |
| – Powszechna Kasa Oszczędności Bank Polski S.A. | 7,10% |
| – Other | 70,71% |

1.8 Management Board of the Company

The following persons managed the company as on 31st December 2005:

- Emil Wąsacz - President of the Management Board – General Director
- Mieczysław Skołożyński - Vicepresident of the Management Board – Financial Director
- Urszula Dzierżoń - Member of the Management Board – Commercial Director

1.9 Employment

297 people were employed in the dominant company as on 31st December 2005.

2. The composition of the capital group and the information on associated companies on the balance sheet date

The list of the entities covered by consolidation and basic data before exclusion and consolidated adjustments

No	Specification	Share of STX S.A. In equity of the companies %	Balance sheet sum In thousand zloty	Incomes from sales In thousand zloty	Financial result In thousand zloty
STALEXPORT S.A.		-			
Subsidiary companies					
1	Stalexport Autostrada Małopolska S.A. Mysłowice	100,00	481.817	89.326	46.923
2	G K Stalexport Autostrada Dolnośląska S.A. Katowice	100,00	15.322	81	-322
3	Stalexport Metalzbyt Białystok Sp. z o.o.	98,76	938	3.686	111
4	Stalexport Serwis Centrum S.A. Bełchatów	95,14	3.688	918	-463
5	Stalexport Serwis Centrum S.A. Katowice	97,78	36.240	69.044	462
6	Stalexport Centrostal S.A. Lublin	66,00	5.715	21.654	-396
6	Stalexport Transroute Autostrada S.A. Mysłowice	55,00	15.966	23.772	4.763
Subsidiary companies total			559.687	208.481	51.078
Associated companies					
1	Biuro Centrum Sp. z o.o. Katowice	40,63	1.641	6.550	444
Associated companies total			1.641	6.550	444
Total			561.328	215.031	51.522

CG – Capital Group of the lower level

Share of STX in equity of the Companies - means the direct and indirect share, in relation to which the control is carried out.

Because of the loss of control the consolidation did not cover the financial report of the companies Stalexport Zaptor S.A. in bankruptcy and Stalexport Wielkopolska Sp. z o.o. in bankruptcy and financial reports of the companies Petrostal S.A., Centrostal Profil Sp. z o.o. and Inwest Centrostal Sp. z o.o. because of the loss of control over these companies and slight impact of their results upon the results of the Group.

Moreover the subsidiary company „Stalexport Autoroute S.a.r.l” with seat in Luxembourg which was registered on 30.12.2005 was not covered by the consolidation.

3. Data identifying the examined financial report

The subject of the examination was the consolidated financial report drawn up according to the International Accounting Standards for the period from 1st January 2005 until 31st December 2005 which included:

- the introduction to the consolidated financial report;
- consolidated balance sheet drawn up as on 31st December 2005, which on the side of assets and liabilities indicates the sum 782,886 thousand zloty,
- consolidated profit and loss account for the period from 1st January 2005 until 31st December 2005 indicating net loss in the amount of 102,388 thousand zloty;
- a list of changes in the equity capital of the capital group indicating the equity capital decrease by the amount of 48,652 thousand zloty;
- the consolidated cash flow statement indicating an increase in the state of net cash means in the period from 1st January 2005 until 31st December 2005 by the amount of 3,989 thousand zloty;
- additional information and explanations.

The examined report is the first full financial report drawn up according to standards of International Financial Reporting Standards. For the needs of this financial report, the date 1st January 2004 is the date of transition to applying IRFS.

According to IRFS 1 the Company transformed the comparable data for the period from 1st January 2004 to 31st December 2004 according to the same principles of accounting which was applied for drawing up the examined consolidated financial report.

4. Data identifying the entitled entity and the chartered auditor carrying out the reexamination

BDO Polska Sp. z o.o. with the seat in Warsaw, 12 Postępu Street is an entity entitled to examine the financial reports, entered on the list under number 523.

The examination was carried out on the basis of the agreement signed on 11th August 2005 by BDO Polska Sp. z o.o. represented by the Chartered Auditor Halina Żur-Zuber Record No. 8450/497.

We declare that the entitled entity BDO Polska Sp. z o.o. and the chartered auditor examining the report meet the terms to express an objective and independent opinion on the examined report – according to art. 66 passage 1 and 2.

The Company, in the course of the examination, rendered the required data accessible to the Chartered Auditor and provided information and explanations indispensable to carry out the examination and informed about the essential events, which occurred after the balance sheet day until the day of submitting the statement.

The chartered auditor was not restricted in selecting the proper examination methods.

5. Information on the consolidated financial report for the previous year

The basis for opening the accounting books was consolidated financial report drawn up for the period from 1st January 2004 until 31st December 2004, which was examined by BDO Polska Sp. z o.o. with the seat in Warsaw, Katowice Branch Office and obtained the opinion from the examination with an explanation.

The consolidated financial report of the Company for the period from 1st January 2004 until 31st December 2004 was approved by Resolution No.5 of the Ordinary General Meeting of Shareholders of 23rd June 2005.

The consolidated financial report for 2004 was handed over to the Inland Revenue, submitted to the National Judicial Registry and was published in the Polish Official Journal (Monitor Polski) "B" No. 1869 of 8th December 2005.

6. Information on examinations of the financial reports of the entities covered by the consolidated financial report as at 31.12.2005

1. Stalexport S.A. Katowice – examined by BDO Polska Katowice Branch Office, the opinion covers the explanation to the contents:
 - „We draw attention to the fact that the continuation of the activity is still dependent on executing the decisions of the agreement concluded with the creditors and repayment of the instalments of credits and interests in due time, which will be possible in case of working out the financial means of the appropriate value. The actions aimed at obtaining the financial surplus as well as the ways of achieving it, were presented in the Management Board report
 - We are informing that in the examined period the Company changed the accounting policy in the range of settling arrangement instalments. In previous years the amortised arrangement liabilities were settled proportionally to the repaid arrangement instalments while on the date of drawing up of the balance sheet, as a result of repaying of 50% of liabilities resulting from arrangement agreement concluded in 2002, as well as concluding transactions giving the possibility to execute the remaining part of the agreement, the Management Board decided to settle one-off the amortised value of liabilities constituting the revenues from future periods. Due to the above described decision the reserve capital increased by 37,900 thousand zloty, while the financial result increased by 22,033 thousand zloty.
2. Stalexport Centrostal S.A. Lublin – the examination carried out by BDO Polska Branch Office in Katowice, the opinion comprises the following explanation:
 - „We draw attention to the fact that the Company records the fixed assets in the hitherto historic value and it amortises them according to tax rates, which may not correspond with an economic period of their use and disfigure the net value of fixed assets.”
3. Stalexport Serwis Centrum S.A. Katowice – examined by BDO Polska Branch Office in Katowice, opinion without reservations.
4. Stalexport Autostrada Małopolska S.A. Mysłowice – examined by BDO Polska Branch Office in Katowice, opinion without reservations.
5. Stalexport Transroute Autostrada S.A. Mysłowice – examined by BUFIKS, opinion without reservations.
6. The Capital Group of Stalexport Autostrada Dolnośląska S.A. Katowice – examined by the Office of Chartered Auditors Sp. z o.o. Katowice, the opinion comprises the following explanation:

„We are not declaring reservations to the correctness of the examined financial report, we are drawing attention to the threat, presented in the additional information and in the Management Board report, for continuation of activity connected with canceling the tender proceedings for constructing and operating the A4 motorway, section Katowice – Wrocław by GDDKiA”.

7. Stalexport Serwis Centrum S.A. Bełchatów – examined by Accounting Office „Audytor” Regina Pawłowska in Bełchatów, the opinion comprises the following explanation:
..We would like to draw the attention to the fact that the occurring in the examined period, negative profitability and financial liquidity results, considerable decline in incomes from sale and maintaining loss deepen the bad situation and they are the essential threat for continuation of activity”.
8. Stalexport Metalzbyt Białystok Sp. z o.o. – not examined.
9. Biuro Centrum Sp. z o.o. Katowice – under examination.

7. Other essential information occurring in the reporting period

7.1. The Companies merger

On 1st March 2005 the merger of the Companies: Stalexport S.A.(as the taking over company) with the Company Stalexport-Centrostal Warszawa S.A.(as the company being taken over) was registered by the decision of the District Court in Katowice.

7.2. An agreement on reimbursement of outlays

In connection with transferring by Stalexport S.A. to Stalexport Autostrada Małopolska S.A. all rights and duties resulting from the concession for constructing via adapting and operating the A4 motorway on section Katowice-Kraków, on 22nd December 2005 the companies signed an agreement in regard to the reimbursement of outlays of the I Phase, borne by Stalexport S.A. in the amount of 127,000 thousand zloty in real values on 28th July 2004.

7.3. Setting up of the subsidiary company

On 30th December 2005 the company "Stalexport Autoroute S.a.r.l." Societe a responsabilite limitee with seat in Luxembourg was registered. On the date of the registration the equity capital of the Company amounted to 15 thousand EUR and it was divided into 600 shares with nominal value of 25 EUR each. The Company's equity was fully paid up in cash and subscribed in 100% by Stalexport S.A.

8. Events after the balance sheet date

8.1. Liquidation of the subsidiary company

On 6th February 2006 the liquidation process of Petrostal S.A., subsidiary company in 100% of od Stalexport S.A. began. The shares owned by the Company will be covered fully by the write-off.

8.2. A capital increase in the subsidiary company

The dominant company received, on 24th February 2006, from its proxy in Luxembourg, the documents concerning the registration of the increase in equity of the company „Stalexport Autoroute S.a.r.l.” from the amount of 15,000 EUR to the amount of 42,765 thousand EUR, by a in kind contribution made by Stalexport S.A. in a form of 100 % shares of the company Stalexport Autostrada Małopolska S.A. with value of 42,973 thousand EUR, out of which the amount of 42,750 thousand EUR was allocated for the equity capital and the amount of 223 thousand zloty for reserve capital.

On 22nd March 2006 the Company was notified by its proxy in Luxembourg about registration of the increase in equity of the company „Stalexport Autoroute S.a.r.l.” to the amount of 47,565 thousand EUR a contribution in kind made by Stalexport S.A. in a form of 55 % shares of the company Stalexport TRANSROUTE Autostrada S.A. with value of 5,068 thousand EUR, out of which the amount of 4,800 thousand EUR was allocated for the equity capital, while the amount of 268 thousand EUR was allocated for reserve capital.

8.3. Agreement with banks regarding Walcownia Rur Jedność

On 4th May 2006 the dominant Company signed an agreement with the bank syndicate represented by ING Bank Śląski, regarding the liabilities towards banks by virtue of guarantees of Stalexport securing the repayment of credits granted Walcownia Rur Jedność.

Receivables of the bank syndicate as covered by arrangement proceedings will be subject to the reduction of 40%. The total amount of the liabilities of Stalexport S.A., was finally fixed by the Court of Arbitration in the amount of 33,447 thousand zloty.

In connection with terminating the credit agreements to WRJ Sp. z o.o. by banks, the existing contingent liability became due and was included in books of the Company Stalexport S.A. in the amount of 119,208 thousand zloty. .

II. FINANCIAL ANALYSIS OF THE CAPITAL GROUP

The selected amounts from the profit and loss account, balance sheet and basic financial ratios are presented below.

The financial report for the period from 1st January to 31st December 2005 is the first financial report drawn up by the Company according to International Financial Reporting Standards. According to IRFS 1 the Company transformed the comparable data for the period from 1st January to 31st December 2004 according to the same accounting principles which were applied to draw up the consolidated financial report. In connection with that the financial analysis covers data for two turnover years.

1. Balance sheet

	(in thousand zloty)			
ASSETS	31.12.05	% of balance sheet sum	31.12.04	% of balance sheet sum
Long-term assets				
Intangible assets	413	0,0	495	0,1
Goodwill	-	-	-	-
Tangible fixed assets	307,310	39.3	157,364	24,0
Long-term receivables	509	0.1	942	0,1
Long-term investments	62,780	8.0	89,891	13,7
Assets for sale	4,231	0.5	130,211	19,9
Assets by virtue of deferred income tax	6,064	0.8	9,564	1,5
Long-term interperiod settlements	213,694	27.3	-	-
	595,001	76.0	388,467	59,3
Current assets				
Inventories	53,151	6.8	91,712	14,0
Short-term receivables	97,418	12.4	150,582	23,0
Short-term investments	235	0.0	19	0,0
Cash and its equivalents	26,214	3.4	22,225	3,4
Short-term interperiod settlements	10,867	1.4	1,753	0,3
	187,885	24.0	266,291	40,7
SUM OF ASSETS	782,886	100.00	654,758	100,00
LIABILITIES				
Equity capital				
Stock capital	215,524	27,5	215,524	32,9
Own shares	(73)	0,0	(44)	0,0
Inventory capital	101,675	13,0	113,153	17,3
Capital from revaluation	16,393	2,1	43,382	6,6
Other reserve capital	51,017	6,5	97,446	14,9
Prior years' result	(252,791)	(32,3)	(404,179)	(61,7)
Net result of the current year	(102,388)	(13,1)	11,513	1,7
	29,357	3,7	76,795	11,7
Minority capital	4,048	0,5	5,262	0,8
Negative goodwill	-	-	-	-
	31.12.05	% of balance sheet sum	31.12.04	% of balance sheet sum
Long-term liabilities				
Credits and loans	78,040	10,0	113,746	17,4
Liabilities by virtue of financial leasing	6,302	0,8	5,834	0,9
Trade accounts liabilities	-	-	-	-

Other liabilities	509,714	65,1	196,009	29,9
Reserve by virtue of deferred income tax	11,209	1,4	12,289	1,9
Reserves for liabilities	13,418	1,8	11,721	1,8
Long-term interperiod settlements	18,326	2,3	59,681	9,1
	637,009	81,4	399,280	61,0
Short-term liabilities				
Credits and loans	5,528	0,7	10,648	1,6
Liabilities by virtue of financial leasing	-	-	-	-
Trade accounts liabilities	74,126	9,5	95,568	14,6
Other liabilities	19,761	2,5	14,952	2,3
Reserves for liabilities	6,282	0,8	11,835	1,8
Short-term interperiod settlements	6,775	0,9	40,418	6,2
	112,472	14,4	173,421	26,5
SUM OF LIABILITIES	782,886	100,00	654,758	100,00

2. Profit and loss account

	(in thousand zloty)		
	Dynamics		
	31.12.05	31.12.04	2005/2004
Incomes from sales, including:	620,762	1,004,986	61,8
Incomes from sales of products	139,728	175,630	79,5
Incomes from sales of goods and merchandise	481,034	829,356	58,0
Costs of sold goods, products and merchandise	502,931	869,211	57,9
Cost of manufacturing sold products	59,922	113,581	52,8
Value of sold goods and materials	443,009	755,630	58,6
Gross profit/loss from sale	117,831	135,775	86,8
Other incomes	61,718	118,295	52,2
Sale costs	19,191	31,082	61,7
General management costs	54,558	44,739	121,9
Other costs	155,012	166,719	93,0
Shares in net profits/losses of subordinated entities evaluated via ownership rights method	(191)	(514)	37,2
Profit/loss from operating activity	(49,403)	11,016	(448,5)
Financial incomes	135,704	197,883	68,6
Financial costs	169,883	155,476	109,3
Profit/loss on sale of all or part of shares of subordinated entities	-	(32,782)	-
Gross profit/loss	(83,582)	20,641	(404,9)
Income tax from legal persons	16,976	9,678	175,4
Net profit/loss	(100,558)	10,963	(917,2)
Profits/losses of minority	(1,830)	550	(332,7)
Net profit / loss falling to the shareholders of the Company	(102,388)	11,513	(889,3)

3. Basic financial ratios

	1.01.05 – 31.12.05	1.01.04 – 31.12.04
Profitability of assets		
$\frac{\text{net financial result}}{\text{sum of assets}}$	(13,1%)	1,7%
Profitability of equity capital		
$\frac{\text{net financial result}}{\text{equity capital without net result}}$	(77,7%)	17,6%
Net profitability of sales		
$\frac{\text{net financial result}}{\text{incomes from selling products}}$	(16,5%)	1,1%
Liquidity ratio I		
$\frac{\text{current assets in total}}{\text{short-term liabilities}}$	1,9	2,2
Liquidity ratio II		
$\frac{\text{current assets – in total – inventories}}{\text{short-term liabilities}}$	1,3	1,4
Rate of repaying receivables in days		
$\frac{\text{average state of receivables from supplies \& services x 365 days}}{\text{incomes from selling products}}$	73	57
Rate of repaying liabilities in days		
$\frac{\text{average state of liabilities from supplies \& services x 365 days}}{\text{costs of operating activity}}$	80	70
Rate of turnover of inventories		
$\frac{\text{average state of inventories x 365 days}}{\text{costs of operating activity}}$	52	33

4. Interpretation of ratios

In 2005 there were organisational changes within the Capital group consisting in the merger of the companies Stalexport S.A with the company Stalexport -Centrostal Warszawa S.A.

In the examined period Capital group obtained the negative net financial result in the amount of 102,388 thousand zloty, which was reflected in levels of profitability ratios.

In comparison with the previous year there was a substantial drop in incomes from sale (by 38%), which despite more favourable structure of operating activity costs resulted in reduction of gross profit from sale by 13% to the amount of 117,831 thousand zloty.

The achieved gross result on sale was corrected by negative balance of other incomes and operating costs as well as financial ones, as a result of that the gross loss amounted to 83,582 thousand zloty.

The liquidity ratios slightly decreased and at present they are on the levels which are acknowledged as optimal.

The continuation of activity of the Group in the following years still depends on executing by the Company the provisions of the arrangement concluded with creditors and the restructuring agreements with lenders. In the examined period the Company met the aforementioned obligations repaying instalments in the agreed amounts.

The restructuring process brings measurable effects, however, the Company still remains in a difficult financial situation. Despite concluding an agreement on reimbursement of investment outlays regarding A4 motorway and other agreements which guarantee obtaining the additional financial funds, there is still uncertainty of achieving suitable financial liquidity by the Company, which enables to repay the consecutive arrangement instalments, what is the basic condition for the further functioning of the Company.

The external and internal conditions and executing the strategy regarding prospects of the development of the Group were described in detail in the Report of the Management Board from the activity.

III. DETAILED PART OF THE REPORT

1. Applied accounting principles

1.1. Consolidation principles

The consolidated financial report of the Capital Group for 2005 was drawn up according to International Financial Reporting Standards and International Accounting Standards-.

The consolidated financial report of the Capital Group of Stalexport S.A. was drawn up on the basis of the financial reports of entities constituting the capital group and compiled in such a way as if the group was one entity.

According to IRFS 1, the consolidated financial report was drawn up in such a way as if the Capital Group have always applied IRFS.

The dominant and subsidiary entities were consolidated via full method.

Consolidation does not cover the entities the financial report of which are not essential for the financial report. .

During consolidation proper exclusions were made in the range of mutual receivables and liabilities, incomes and costs regarding the operations made between entities covered by consolidation, profits and losses which originated on operations carried out between entities covered by consolidation, concluded in amounts subject to consolidation of assets and liabilities.

The value of shares and stocks possessed by dominant entity in capitals of subsidiary entities was excluded.

The amount of margin contained in assets of consolidated entities was also excluded.

Basic capital of the dominant entity is the basic capital of the capital group.

Calculation of other items of equity capital of the capital group was made by adding to particular items of equity capital of the dominant entity, the suitable item of the equity capital of subsidiary entities covered by consolidated financial report, which correspond with the shares of the dominant entity in ownership of subsidiary entities as on the date of balance sheet. Equity capital of the capital group comprises only these parts of proper items of the equity capital of the subsidiary entities, which originated from the date of controlling them by the dominant entity.

Calculation of equity capital of the minority shareholders in subsidiary entities covered by consolidated financial report was carried out on the basis of share of these shareholders in the ownership of the subsidiary entities as on the balance sheet date.

1.2. Detailed principles of accounting of entities covered by consolidation

The detailed principles of accounting applied by the dominant entity were described in the introduction to the financial report.

1.3. Comparability of data

Organisational changes within the Capital Group consisted in the merger of the companies Stalexport S.A. with the company Stalexport-Centrostal Warszawa S.A.

The balance sheet continuity principle was retained.

3. Introduction to the financial report, additional information and explanations

The Capital Group of Company of Stalexport S.A. drew up the additional information containing introduction to the consolidated balance sheet and additional information and explanations according to the binding law.

The data in additional information were drawn up regularly and thoroughly.

3. A list of changes in consolidated equity capital

The list of changes in consolidated equity capital shows correctly a decline in equity capital equity in the amount of 48,652 thousand zloty; it was correctly drawn up and it is correctly related to the consolidated balance sheet and consolidated profit and loss account.

4. Consolidated profit and loss account

Consolidated profit and loss account was drawn up by:

- Summing proper items of profit and loss account of subsidiary entities covered by consolidated financial report,
- consolidation adjustments consisting in exclusion of cash flows between entities covered by consolidated financial report.

5. Report of the Management Board on the activity of the Capital Group

Information indicated in the report of the Management Board on the activity of the Group is compatible with the information contained in the annual consolidated financial report and it is complete under the art 49 passage 2 of the Act on accounting.

6. Information on essential violations of law and the articles of the companies, ascertained in the course of the audit and having an impact upon the financial report.

There was no events, except for those discussed in this report, causing violations of law and the articles of the company, which could effect the consolidated financial report.

7. Statement of the management of the dominant entity

The management of the dominant entity submitted a written statement on including complete data in the account books, disclosing all contingent liabilities and essential events which occurred after the balance sheet day.

Katowice, 6th June 2006

BDO Polska Spółka z o.o.
12, Postępu Street
02-676 Warsaw
Record No. 523
Katowice Branch
15, Drzymały Street
40-059 Katowice

Halina Żur-Zuber
Chartered Accountant
Identification No.8450/497

dr Andrè Helin
State Authorized
Public Accountant
Chartered Accountant 90004/502
President of BDO Polska Sp. z o.o.

Dear Shareholders,

With great satisfaction I would like to inform that STALEXPORT S.A. constantly and with success stabilizes its financial and legal situation. From point of view of restructuring history its successive phase has just been closed.

During the whole year 2005 and the passing months of current year the Management Board of STALEXPORT S.A. undertook actions aimed at solving the problem of the guarantees of credits contracted by Walcownia Rur Jedność Sp. z o.o. in 90-ties, in particular, at determining the amount of liabilities burdening the Company by this virtue, as well as at their non-cash settlement. The negotiates which lasted many months, ended successfully.

On 4th May 2006 the Company signed an agreement with the Bank Syndicate. These banks receivables, ipso jure, are covered by the arrangement proceedings of STALEXPORT S.A., as the receivables of main creditors and their amount are subject to 40% reduction. Settlement by the Company of all receivables of the Bank Syndicate, along with interests, will take place by conversion into shares in the equity of STALEXPORT S.A., by contributing the a/m receivables as the in-kind contribution in exchange for shares. The matter of so called bill of exchange security regarding Walcownia Rur Jedność Sp. z o.o. which was granted by the State Treasury, still requires final explanation. The Management Board has been making efforts so as to solve this matter on the conditions not worse than those the Company managed to negotiate, in case of guarantees of credits contracted by Ostrowiec Mill S.A. (the agreement with the State Treasury dated 1st September 2004).

It was possible to achieve the above mentioned, extremely difficult purposes of financial restructuring first of all owing to friendly attitude of the creditors. However, also have to mention here the unusual engagement of the employees in the process of recovering the Company.

I would like to stress that STALEXPORT S.A. systematically repays the arrangement instalments, and other liabilities resulting from the agreements concluded with the creditors. Till today 11 out of 20 main instalments along with interests have already been repaid.

In the range of motorway activity I would like to inform that the Annexe no 5 to the Concession Agreement was signed, which closed many months process of adjusting the stipulations of the agreement to the standards binding while financing this type of projects. Owing to that the Company STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. signed the credit agreement with the Bank Syndicate. The means obtained from the credit will allow to carry out the overhaul works on A4 motorway, section Kraków-Katowice, which improve the traveling security of their users.

Together with a leading European company Autostrade S.p.A. we placed a preliminary offer for constructing and operating the two sections of the motorways: A1 Stryków-Pyrzowice and A2 Stryków-Konotopa. Unfortunately the Management Board cancelled the tender for selection of the concessionaire for the A4 motorway section Wrocław-Katowice.

Dear Ladies and Gentlemen,

We have been systematically restoring the confidence to STALEXPORT' mark, known in Poland and abroad for more than 43 years. We have been executing, in due financial measures, our intentions connected with trade – the core business of the Company and the Capital Group, so considerably limited in the past years.

I would like to stress that we are still functioning without the access to the credits, within very limited working capital. That's why our task is to improve the effectiveness of our trade activity. Within the framework of these actions we modernized the machinery park in steel processing plants, this way we enriched the commercial offer of the Company. We prepared logistically a central store in Częstochowa which will be fully used after obtaining the access to the increased working capital. We purchased a few real estates with aim at further developing of sale through trade depots. We flexibly react to the demand changes, also in the geographic aspect.

Within the framework of the above actions the consolidation with the Company STALEXPORT-CENTROSTAL Warszawa S.A., was carried out, this operation allowed to use more effectively the possessed material means.

The scale of turnover is still far from the potential possibilities, which the experience of several score years in the business and professional staff give the Company. Thus the Management Board has intensified lately the talks with potential investors in order to gain capital for the trade development. The way to increase the capital was open due to settling the matter connected with the historic liabilities of the Company, which I mentioned earlier.

Dear Ladies and Gentlemen,

Summing up, the most essential events which had the considerable impact upon the functioning of the Capital group of STALEXPORT in 2005 and in the current year, I first of all include:

- § coming into force of the Annexe no 5 to the Concession Agreement for constructing via adapting and operating of toll A4 motorway on section Kraków-Katowice, which enable to obtaining so called financial close by the Company STALEXPORT Autostrada Małopolska S.A. i.e. signing the credit agreement for the IInd Phase of modernization covering among others overhauls of overpasses and exchange of surface in the amount of 380 m zloty,
- § concluding an agreement with the Banks constituting the Syndicate which finances construction of Walcownia Rur Jedność, and which settled the conditions of repayment of liabilities resulting from guarantees granted by STALEXPORT S.A.,
- § incorporating the Company STALEXPORT CENTROSTAL Warszawa S.A. into the organisational structure of STALEXPORT S.A. and its deep asset-organisational restructuring,

§ modernization and development of processing and enriching of steel executed by production and reinforcement prefabricating plants in Warsaw and in Katowice,

The matters, mentioned above, constitute an introduction to the situation of the Company, the detailed description of which can be found in the consolidated financial report of the Capital group of STALEXPORT S.A. and in the report on activity of the Capital group of STALEXPORT S.A. for 2005, available also on our website www.stalexport.com.pl

I also invite You to participate in regular meetings with shareholders and analysts organised by STALEXPORT S.A. The schedule of these meetings and other corporate events is published on our website.

I hope that you will find reasons to share our optimism as far as the favourable future of the Company is concerned.

Chairman
of the Management Board
General Director
/-/ Emil Wąsacz

Katowice, May 2006

Preliminary information and description of applied accounting principles in the consolidated financial report of STALEXPORT S.A. as at 31 grudnia 2005 roku.

1. Submitted consolidated financial report covers data for the period from 1.01.2005 to 31.12.2005.

All financial data are shown in thousand, unless it was stated otherwise.

The consolidated financial report for 2005 was drawn up according to International Accounting Standards and International and International Financial Reporting Standards binding on 31.12.2005, and in the matters not regulated in the above mentioned standards according to the Act on accounting dated 29th September 1994 (Journals of Law (Dz. U.) of 2002 no 76, item 694 with later amendments).

All financial data are shown in thousand zloty, unless it was stated otherwise.

2. Stalexport S.A. is the dominant company and draws up the consolidated financial report.

Full consolidation in the dominant entity included the following subsidiary companies (in brackets - share of Stalexport S.A. in equity capital at the end of 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 and also the entities, the shares of which, do not constitute essential items in consolidated financial report were not covered by consolidated financial report.

The evaluation of shares with ownership right method was applied for associated company:

Biuro Centrum Sp. z o.o. Katowice - 40.63%.

3. 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 merger method and the results of the merger were presented in the additional information.
4. The consolidated financial report for 2005 was drawn up under the assumption of continuation of the business activity by the Capital Group of Stalexport S.A.
5. The financial report and comparable financial data were presented in the way securing their comparability with application of uniform accounting principles. Explanation of the differences resulting from adjustments of applying International Accounting Standards and International and International Financial Reporting Standards for the first time were presented in the additional information.

6. In the opinion of the chartered auditors from examining the financial report there was no reservations, which would result in necessity of making adjustments in relation to data presented in the financial report or comparable financial data.

The principles of accounting policy accepted by the capital group

Principles of consolidation

The 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.

All the financial operations between entities of the capital group are excluded from the consolidated financial report. All profits and losses regarding business 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 the financial report according to evaluation via ownership right 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 use.

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 borne.

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 assets purchased from the economic entity within separate transaction are activated according to the purchase price. Intangible assets purchased within a taking over transaction from the economic entity are shown in assets separately from the goodwill, if at the initial presenting one can reliably determine their fair value.

Intangible assets with determined use period 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

Merchandise and goods stocks are evaluated as on the date of balance sheet according to the purchase price. Finished products and production in progress are evaluated according to the technical manufacturing cost (determined as the direct costs and surcharge of indirect costs fixed while assuming normal use of production capacity). The technical manufacturing cost does not comprise activated costs of external financing.

As the method of disposal of inventories the entity accepted the method *FIFO* „first in – first out”.

If the purchase price or technical manufacturing cost of inventories is higher than anticipated purchase price, the Company establishes the updating write-offs which correct the own cost of sale.

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 market rate as on 31.12.2005 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 31.12.2005.

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 the 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. The repayments of 9 arrangement instalments were settled proportionally for reserve capital and financial result. In December 2005 the Management Board decided to totally settle the 40% depreciation of arrangement liabilities from long-term settlements of interperiod revenues for reserve capital and financial result.

Short-term liabilities

These liabilities are shown in the amount due for payment.

The negative rate differences were included in costs of financial transactions, while the 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.

Consolidated balance sheet

	note	2005	2004
ASSETS			
I. Long-term assets		595 001	388 467
1. Fixed assets	1	307 310	157 364
1. Intangible assets, including:	2	413	495
- goodwill		-	-
3. Goodwill of subordinated entities	3	-	-
4. Long-term receivables	4	509	942
5. Long-term investments	5	62 780	89 891
5.1 Real estates		56 946	83 604
5.2 Intangible assets		-	-
5.3 Long-term financial assets		5 834	6 287
a) in related entities, including:		3 631	4 461
- stocks or shares in subsidiary entities evaluated via the method of ownership rights		3 451	3 642
shares in subsidiary and correlated entities not covered by consolidation		180	819
b) in other entities		2 203	1 826
5.4 Other long-term investments		-	-
6. Assets available for sale	6	4 231	130 211
7. Assets by virtue of the deferred income tax	7	6 064	9 564
8. Long-term interperiod settlements	8	213 694	-
II. Short-term assets		187 885	266 291
1. Inventories	9	53 151	91 712
2. Short-term receivables	10	97 418	150 582
3. Short-term investments	11	235	19
4. Cash and its equivalent	12	26 214	22 225
5. Short-term interperiod settlements	13	10 867	1 753
Assets in total		782 886	654 758

	note	2005	2004
LIABILITIES			
I. Equity capital		33 405	82 057
I.1 Equity capital per shareholder(s) of the Company		29 357	76 795
1. Share capital	14	215 524	215 524
2. Not paid-up share capital (negative value)		-	-
3. Own shares in treasury (negative value)	15	(73)	(44)
4. Inventory capital	16	101 675	113 153
5. Revaluation capital	17	16 393	43 382
6. Other reserve capitals	18	51 017	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)		(252 791)	(404 179)
9. Net profit (loss) falling to the shareholders of the company		(102 388)	11 513
10. Deductions from net profit during the financial year (negative value)	19	-	-
I.2.Minority capitals	20	4 048	5 262
II. Long-term liabilities	21	637 009	399 280
1. Credits and loans		78 040	113 746
2. Liabilities by virtue of financial leasing		6 302	5 834
3. Trade creditors		-	-
4. Other liabilities		509 714	196 009
5. Reserve by virtue of the deferred income tax	22	11 209	12 289
6. Reserves for other liabilities	23	13 418	11 721
7. Long-term interperiod settlements	24	18 326	59 681
IV. Short-term liabilities	25	112 472	173 421
1. Credits and loans		5 528	10 648
2. Liabilities by virtue of financial leasing		-	-
3. Trade creditors		74 126	95 568
4. Other liabilities		19 761	14 952
5. Reserves for liabilities	26	6 282	11 835
6. Short-term interperiod settlements	27	6 775	40 418
Liabilities in total		782 886	654 758

Book value		33 405	82 057
Number of shares		107 762 023	107 762 023
Book value per share (in zlotys)	29	0,31	0,76
Diluted number of shares			
Book value per share (in zlotys) - diluted	29		

Consolidated profit and loss account

	note	2005	2004
I. Net incomes from the sale of products, goods and materials, including:		620 762	1 004 986
1. Net incomes from the sale of products	29	139 728	175 630
2. Net incomes from the sale of goods and materials	30	481 034	829 356
II. Costs of sold goods, products and materials, including:		502 931	869 211
1. Cost of manufacturing sold products	31	59 922	113 581
2. Value of sold goods and materials		443 009	755 630
III. Gross profit (loss) on sales (I - II)		117 831	135 775
IV. Other operating incomes	32	61 718	118 295
V. Sales costs		19 191	31 082
VI. Costs of general management		54 558	44 739
VII. Other costs	33	155 012	166 719
VIII. Share in profits (losses) in subordinated entities evaluated by property right method		(191)	(514)
IX. Profit (loss) from operating activity (III + IV - V - VI - VII +/- VIII)		(49 403)	11 016
X. Financial incomes	34	135 704	197 883
XI. Financial costs	35	169 883	155 476
XII. Profit (loss) on sales of total or part of shares in subordinated entities	36	-	(32 782)
XIII. Gross profit (loss) (IX + X - XI +/- XII)		(83 582)	20 641
XIV. Income tax	37	16 976	9 678
a) current part		14 556	12 683
b) deferred part		2 420	(3 005)
XV. Net profit (loss) (XIII - XIV) including:		(100 558)	10 963
XVI. Profits (losses) of minority		(1 830)	550
XVII. profit (loss) falling to the shareholders of the company (XIV +/- XVI.)	38	(102 388)	11 513
Net profit (loss) (annualized)		(102 388)	11 513
Average weighted number of ordinary shares	39	107 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)		-0,95	0,11
Average weighted diluted number of ordinary shares	39		
Diluted profit (loss) per one ordinary share (in zloty)			

Changes in consolidated equity

	2 005	2004
I. Equity capital at the beginning of period (opening balance)	82 057	150 926
a) changes in accepted accounting principles (policy)	-	-
b) corrections of material faults	-	-
Ia. Equity capital at the beginning of period (opening balance), after restatement to comparative data	82 057	150 926
1. Share capital at the beginning of period	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
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)
consolidation adjustments re SAD S.A.	(5 638)	(5 638)
	-	-
b) reductions, of which:	(5 638)	(5 638)
- settlement of due payments	(752)	(752)
consolidation adjustments re SAD S.A.	(4 886)	(4 886)
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)
3.1. Changes in own shares in treasury	(29)	3 405
a) additions, of which:	(576)	-
- issue for minority shareholders	(576)	-
	-	-
b) reductions, of which:	(547)	(3 405)
- issue for minority shareholders	(547)	(3 405)
	-	-
3.2. Own shares in treasury at the end of period	(73)	(44)
4. Reserve capital at the beginning of period	113 153	18 200
4.1. Changes in reserve capital	(11 478)	94 953
a) additions, of which:	31 832	99 140
- shares issue above nominal value	-	-
- distribution of profit (by law)	30 888	99 105
- distribution of profit (in excess of value required by law)	347	-
- consolidation adjustments	562	-
- other	-	4
- sale, disposal of fixed assets	35	31
b) reductions, of which:	43 310	4 187
- loss coverage	42 894	32
- exclusion of surcharges to capital	-	-
- other	-	4 155
- excluding Centrostal warszawa from the Capital Group	416	-
4.2. Reserve capital at the end of period	101 675	113 153
5. Revaluation capital at the beginning of period	43 382	13 323
5.1. Changes in revaluation capital	(26 989)	30 059
a) additions, of which:	7 904	31 002
- re-evaluation of fixed assets	7 903	31 002
- other	1	-
b) reductions, of which:	34 893	943
- sale, liquidation of fixed assets	35	31
- exclusion of the company Centrostal warszawa from the capital group	34 683	-
- other	175	912
5.2. Revaluation capital at the end of period	16 393	43 382

	2005	2004
6. Other reserve capital at the beginning of period	97 446	82 560
6.1. Changes in other reserve capital	(46 429)	14 886
a) additions, of which:	51 215	14 886
profit distribution	-	-
- execution of the arrangement liabilities - repayment of instalments	51 017	14 886
- exclusion of the company Centrostal Warszawa from the capital group	198	-
b) reductions, of which:	97 644	-
- re-booking for inventory capital	-	-
- loss coverage	95 979	-
- other	-	-
- exclusion of the company Centrostal Warszawa from the capital group	1 665	-
6.2. Other reserve capitals at the end of the period	51 017	97 446
7. Rates differences from re-calculation of subordinated entities	-	-
8. Prior years' profit (loss) at the beginning of period	(404 179)	(284 497)
8.1. Prior years' profit at the beginning of period	10 288	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
a) additions, of which:	19 728	14 022
prior years' profit distribution	19 469	3 249
- other	-	-
- elimination re the minority shareholders	259	10 773
b) reductions, of which:	27 364	315 357
- transition to reserve capital	13 246	39 731
- dividend payment	1 965	3 184
- other	783	12
- exclusion of the company Centrostal Warszawa from the capital group	3 628	-
- consolidated adjustments re exclusion of updating write-offs from previous years	7 742	272 430
8.3 Prior years' profit at the end of period	2 652	10 288
8.4 Prior years' loss at the beginning of period	414 467	596 120
a) changes in accepted accounting principles (policies)	(95)	-
b) corrections of material faults	-	-
8.5 Prior years' loss at the beginning of the period after restatement to comparative data	414 372	596 120
a) additions, of which:	3 389	7 023
transition of prior years' loss to be covered	834	1 020
- other	-	-
- elimination re the minority shareholders	2 555	6 003
b) reductions, of which:	162 318	188 676
- loss coverage	154 398	903
- the capital group increase	800	-
- consolidated adjustments regarding the excluding of dissolved updating write-offs from previous years	769	187 773
- exclusion of the company Centrostal Warszawa from the capital group	6 351	-
8.6. Prior years' loss at the end of period	255 443	414 467
8.7. Prior years' profit (loss) at the end of period	(252 791)	(404 179)
9. Net profit (loss) falling to the shareholders of the company	(102 388)	11 513
a) net profit falling to the shareholders of the company	-	11 513
b) net loss falling to the shareholders of the company	102 388	-
c) charges on the profit	-	-
10.1. Minority capital at the beginning of period	5 262	25 987
a) increases	2 618	2 223
b) decreases	3 832	22 948
10.2 Minority capital at the end of period	4 048	5 262
II. Equity capital at the end of period (closing balance)	33 405	82 057
III. Equity capital adjusted by the proposed distribution of profit (coverage of loss)	33 405	82 057

Consolidated cash flow account (indirect method)

	2 005	2 004
A. Cash flows from operating activities - indirect method		
I. Net profit (loss) falling to the shareholders of the Company	(102 388)	11 513
II. Total adjustments	207 975	(1 102)
1. Profits (losses) of minority	1 830	(550)
2. Share in net (profits) losses of subordinated companies valued under the equity method	191	514
3. Depreciation of which	8 980	13 826
- write-offs of goodwill of subordinated entities or negative goodwill of the subordinated entities	-	-
4. (Gain) loss on foreign exchange differences	-	246
5. Interests and shares in profits (dividends)	2 713	13 901
6. (Gain) loss on investing activities	5 994	184 493
7. Change in provisions	(1 027)	233
8. Change in inventories	19 608	(39 736)
9. Change in receivables	91 973	24 627
10. Change in current liabilities (excluding loans and bank credits)	297 945	30 215
11. Change in deferred and accrued expenses	(302 174)	(195 633)
12. Other adjustments	81 942	(33 238)
III. Net cash flows from operating activities (I+/II)	105 587	10 411

	2 005	2 004
B. Net cash flows from investing activities		
I. Inflows	101 962	58 295
1. Disposal of intangible assets and tangible fixed assets	3 818	5 001
2. Disposal of investments in real-estate and intangible assets	13 200	-
3. Disposal of financial assets, of which:	7 582	51 935
a) in related companies	2 284	11 265
- disposal of financial assets	-	9 050
- dividends and shares in profits	2 221	1 632
- payment of long-term loans granted	-	512
- interest	63	71
- other income from financial assets	-	-
b) in other companies	5 298	40 670
- disposal of financial assets	555	10 935
- dividends and shares in profits	1	5
- payment of long-term loans granted	159	28 530
- interests	4 334	-
- other income from financial assets	249	1 200
4. Other investing income	77 362	1 359
II. Expenditure	148 792	49 635
1. Purchases of intangible assets and tangible fixed assets	148 009	48 917
2. Investments in real-estate and intangible assets	-	-
3. For financial assets, of which:	783	317
a) in related companies	390	302
- acquisition of financial assets	190	302
- long-term loans granted	200	-
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	-	401
III. Net cash flows from investing activities (I-II)	(46 830)	8 660

	2005	2004
C. Cash flows from financing activities		
I. Inflows	1 536	27 007
1. Inflows from shares issuing and other capital instruments and surcharges to capital	992	-
2. Credits and loans	301	26 806
3. Issuance of debt securities	-	-
4. Other financial income	243	201
II. Expenses	56 304	79 527
1. Acquisition of own shares	23	-
2. Dividends and other payments to shareholders	4 008	2 967
3. Other than payments in favour of owners, expenses by virtue of profit distribution	-	-
4. Payments of credits and loans	39 043	42 024
5. Redemption of debt securities	-	-
6. Payments of other financial liabilities	-	-
7. Finance lease commitments paid	1 699	2 005
8. Interests	10 038	16 521
9. Other financial expenses	1 493	16 010
III. Net cash flows from financing activities (I-II)	(54 768)	(52 520)
D. Total net cash flows (A.III+B.III+C.III)	3 989	(33 449)
E. Change in balance-sheet cash and cash equivalents	3 989	(33 449)
- of which change in cash and cash equivalents due to foreign exchange differences	-	34
F. Cash and cash equivalents - beginning of period	22 225	55 674
G. Cash and cash equivalents - end of period (D+F)	26 214	22 225
- of which those with restricted availability	-	-

Explanatory notes to consolidated balance sheet

Note 1A

TANGIBLE FIXED ASSETS	2 005	2004
a) tangible assets, of which:	292 471	105 914
- land (including the right of perpetual usufruct of land)	17 760	5 963
- buildings, premises and land and water engineering structures	248 041	72 337
- machinery and technical equipment	19 397	20 347
- transportation vehicles	4 494	3 943
- other tangible assets	2 779	3 324
b) tangible assets in progress	14 839	51 450
c) prepaid tangible assets in progress	-	-
Total tangible fixed assets	307 310	157 364

Note 1B

CHANGES IN TANGIBLE FIXED ASSETS (by category)	
see page	

Note 1C

BALANCE SHEET TANGIBLE FIXED ASSETS (BY OWNERSHIP)	2 005	2004
a) owned	289 137	99 811
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:	3 334	6 103
- passenger's car leasing	223	1 857
Total balance sheet tangible fixed assets	292 471	105 914

Note 1D

TANGIBLE FIXED ASSETS SHOWN in OFF-BALANCE SHEET	2 005	2004
used under leasing, rent, tenancy or similar contract, including lease contract, of which:	773	127
- value of land in perpetual usufruct	-	-
- by virtue of operating leasing agreement	773	127
Total off-balance sheet tangible fixed assets	773	127

Note 1B

CHANGES IN TANGIBLE FIXED ASSETS - by category						
SPECIFICATION	-land (inclusive of right perpetual usufruct of land)	- buildings, premises and land and water engineering structure	-machinery and technical equipment	- means of transport	- other tangible assets	Total tangible fixed assets
a) gross value of tangible fixed assets at the beginning of period	6 290	83 155	51 269	10 013	8 132	158 859
b) additions of which)	11 904	180 259	1 715	1 945	1 696	197 519
- purchase	26	477	464	446	44	1 457
- accepted from investment	-	54 450	-	-	1 550	56 000
- donations	-	-	-	-	-	-
- widening of the Capital Group	-	-	-	-	-	-
- other	11 878	125 332	1 251	1 499	102	140 062
c. Reductions, of which :	57	440	2 083	286	1 478	4 344
- sale	2	405	1 273	55	2	1 737
- liquidation	-	35	214	231	51	531
- donations	-	-	16	-	-	16
- changes by virtue of transition to IAS/IRFS	55	-	-	-	-	55
- other	-	-	580	-	1 425	2 005
d. Gross value of tangible fixed assets at the end of period	18 137	262 974	50 901	11 672	8 350	352 034
e. Accumulated depreciation (amortisation) at the beginning of period	327	10 818	30 922	6 070	4 808	52 945
f. Depreciation for the period of which)	50	4 115	582	1 108	763	6 618
- current amortisation	145	4 201	2 174	1 339	923	8 782
- other	-	-	(125)	-	(108)	(233)
- disposal, liquidation and donations of tangible fixed assets and other deductions	(95)	(86)	(1 467)	(231)	(52)	(1 931)
g. Accumulated depreciation (amortisation) at the end of period	377	14 933	31 504	7 178	5 571	59 563
h. 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	17 760	248 041	19 397	4 494	2 779	292 471

Note 2A

INTANGIBLE FIXED ASSETS	2005	2004
a. Costs of finished research and development work	-	-
b) goodwill	-	-
c) concessions, patents, licenses and similar assets, of which:	410	489
- computer software	394	470
d) other intangible assets	3	6
e) prepaid intangible assets	-	-
Total intangible assets	413	495

Note 2B

CHANGES IN INTANGIBLE ASSETS - by category
<i>seepage</i>

Note 2C

INTANGIBLE ASSETS - by ownership	2 005	2004
a) owned	413	495
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:	-	-
-	-	-
Total intangible assets	413	495

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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	-	-	3 004	2 269	979	-	3 983
b) additions, of which:	-	-	165	153	-	-	165
- purchase	-	-	160	148	-	-	160
- accepted from investment	-	-	-	-	-	-	-
- widening of the Capital Group	-	-	-	-	-	-	-
- other	-	-	5	5	-	-	5
c. Reductions, of which :	-	-	18	18	-	-	18
- sale	-	-	1	1	-	-	1
- liquidation	-	-	10	10	-	-	10
- Capital Group decrease	-	-	-	-	-	-	-
- other	-	-	7	7	-	-	7
d. Gross value of intangible fixed assets at the end of period	-	-	3 151	2 404	979	-	4 130
e. Accumulated depreciation (amortisation) at the beginning of period	-	-	2 515	1 799	973	-	3 488
f. Depreciation for the period of which)	-	-	226	211	3	-	229
- current amortisation	-	-	236	221	3	-	239
- other	-	-	-	-	-	-	-
- disposal of intangible fixed assets	-	-	(10)	(10)	-	-	(10)
g. Accumulated depreciation (amortisation) at the end of period	-	-	2 741	2 010	976	-	3 717
h. 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 intangible fixed assets at the end of period	-	-	410	394	3	-	413

Note 3A

GOODWILL OF SUBORDINATED ENTITIES	2 005	2004
a. Goodwill - subsidiary entities	-	-
b. Goodwill - affiliated entities	-	-
Goodwill of subordinated entities in total	-	-

Note 3B

CHANGE IN GOODWILL - SUBSIDIARY ENTITIES	2 005	2004
a. Gross goodwill at the beginning of the period	1 879	68 577
b. Increase (by virtue of)	-	18
- purchase	-	18
- calculation corrections	-	-
c. decrease (by virtue of)	588	66 716
- capital group decreasing	588	66 716
d. gross goodwill at the end of the period	1 291	1 879
e. deduction of the goodwill at the beginning of the period	1 879	68 577
f. deduction of the goodwill for the period (by virtue of)	(588)	(66 698)
- depreciation	-	-
- capital group decreasing	(588)	(66 698)
g. Deduction of the goodwill at the end of the period	1 291	1 879
h. net goodwill at the end of the period	-	-

Entity	Way of determining goodwill	Gross Goodwill	Existing write off
SSC Belchatów		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	2 005	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	2 005	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)	509	64
- supplies and services	-	-
- deposits	509	64
Net long-term receivables	509	942
c) write-off updating receivables	-	2 021
Gross long-term receivables	509	2 963

Note 4B

CHANGES IN LONG-TERM RECEIVABLES (by genre)	2 005	2004
a. Balance at the beginning of period	942	2 087
b. Additions (in virtue of)	-	950
- widening of the capital group	-	-
- reclassification	-	-
- other	-	950
c. Reductions (in virtue of)	433	2 095
- capital group reduction	-	-
- reclassification	-	-
- other	433	2 095
Long-term receivables at the end of period	509	942

Note 4C

CHANGES IN ALLOWANCES FOR LONG-TERM RECEIVABLES	2 005	2004
a. Balance at the beginning of period	2 021	2 500
b. Additions (in virtue of)	-	4 026
- trade accounts receivable	-	-
- widening of the capital group	-	-
- rate differences	-	-
- other	-	4 026
c. Exercised (in virtue of)	2 021	-
- trade accounts receivable	1 354	-
- capital group reduction	-	-
- rate differences	-	-
- other	667	-
d. Dissolution (in virtue of)	-	4 505
- trade accounts receivable	-	-
- other	-	4 505
Allowances for long-term receivables at the end of period	-	2 021

Note 4D

LONG-TERM RECEIVABLES (CURRENCY STRUCTURE)	2 005	2004
a) in Polish currency	-	878
b) in foreign currencies (acc.to currencies and after calculating into zloty)	509	64
b1. unit/currency in thousand USD	156	22
in zloty	509	64
b2. unit/currency in thousand EUR	-	-
in zloty	-	-
b3. unit/currency: GBP	-	-
in zloty	-	-
b4. other currencies in zloty	-	-
Long-term receivables in total	509	942

Note 5A

CHANGES IN REAL ESTATE (BY CATEGORY)	2005	2004
a.balance at the begining of period including:	83 604	36 658
b. Additions (in virtue of)	-	46 946
- widening of the Capital Group	-	-
- reclassification	-	-
- purchase	-	-
- other	-	46 946
c. Reduction (in virtue of)	26 658	-
- capital group decrease	-	-
- reclassification	20 643	-
- other	6 015	-
Balance at the end of period	56 946	83 604

Note 5B

CHANGES IN INTANGIBLE ASSETS (BY CATEGORY)	2 005	2004
a.balance at the begining 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	2005	2004
a. in subsidiary and interrelated entities which are not subject to consolidation	180	819
- shares	180	819
- 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	3 451	3 642
- shares	3 451	3 642
- debt securities	-	-
- other securities (by type)	-	-
- loans granted	-	-
- other long-term financial assets (by type)	-	-
c. in other entities	2 203	1 826
- shares	2 203	1 826
- debt securities	-	-
- other securities (by type)	-	-
- loans granted	-	-
- other long-term financial assets (by type)	-	-
Long-term financial assets in total	5 834	6 287

Note 5D

CHANGE IN THE STATE OF LONG-TERM FINANCIAL ASSETS (ACC. TO GENRE GROUPS)	2 005	2004
a. state at the beginning of the period	6 287	34 385
b. increase (by virtue of)	2 177	19 519
- widening of the capital group	-	-
- shares and stocks	2 177	19 519
- other	-	-
c. decrease (by virtue of)	2 630	47 617
- capital group decrease	-	-
- shares and stocks	2 225	32 094
- other long-term financial assets	-	-
- updating write offs	-	15 519
- reclassification	405	-
- other	-	4
State at the end of the period	5 834	6 287

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	29 553	134 197	163 750	100,00%	100,00%	
2.	Stalexport Autostrada Dolnośląska SA	Katowice	construction and exploitation of the A-4 motorway on Wrocław-Katowice stretch	subsidiary	full	1997	28 075	(7 548)	20 527	100,00%	100,00%	
3.	Petrostal S.A. w likwidacji	Warszawa	building products and materials trading	subsidiary	not consolidated	2005	1 727	(1 727)	-	100,00%	100,00%	
4.	Stalexport Metalzbyt Sp. z o.o.	Białystok	Steel products trading	subsidiary	full	2005	1 287	(1 287)	-	98,76%	98,76%	
5.	Stalexport Zaptor S.A. w likwidacji	Olsztyn	Steel products trading	subsidiary	not consolidated	2002	173	(173)	-	98,69%	98,69%	
6.	Stalexport Wielkopolska Sp. z o.o.w upadłości	Komorniki	Steel products trading	subsidiary	not consolidated	1990	12 072	(12 072)	-	97,96%	97,96%	
7.	Stalexport Serwis Centrum S.A. Katowice	Katowice	Steel products trading	subsidiary	full	1992	22 214	(600)	21 614	97,78%	97,78%	
8.	Stalexport Serwis Centrum S.A. Belchatów	Rogowiec	Steel products trading	subsidiary	full	2005	4 723	(3 223)	1 500	95,14%	95,14%	
9.	Stalexport Centrostal S.A. Lublin	Lublin	Steel products trading	subsidiary	full	1992	500	-	500	66,00%	66,00%	
10.	Stalexport Transroute Autostrada S.A.	Mysłowice	Activity connected with operating A4 motorway section Kraków-Katowice	subsidiary	full	1998	275	19 455	19 730	55,00%	55,00%	

C.d. Note 5E

SHARES OR STOCKS IN SUBORDINATED ENTITIES												
	a	b	c	d	e	f	g	h	i	j	k	l
Item no.	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.	Centrostral Profil Sp. z o.o. in liquidation	Kraków	Production, processing, sale of steel products	associated	not consolidated	2 005,00	14 548	(14 548)	-	49,15%	49,15%	
12.	Invest Centrostal Sp. z o.o.	Warszawa	General building industry	associated	not consolidated	2005	297	(297)	-	42,00%	42,00%	
13.	Biuro Centrum Sp. z o.o.	Katowice	Administration of the building at 29 Mickiewicza Street	associated	method of ownership right	1994	32	-	32	40,63%	40,63%	
14.	Stalexport Autostrada Śląska S.A.	Katowice	construction +exploitation of the Katowice-Wrocław motorway	associated	method of ownership right	01.09.2001	16 500	(13 309)	3 191	37,50%	37,50%	
15.	In-Bud Sp. z o.o.	Ostrołęka	production of steel construction and trade	sunsidiary	not consolidated	17.05.2001	451	(4)	447	99,00%	99,00%	
16.	Stalexport Autoroute S.A.r.l.	Luksemburg	motorway project servicing	sunsidiary	not consolidated	2005	58	-	58	100,00%	100,00%	
	TOTAL:						132 427	98 864	231 291			

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/shares 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	
					profit (loss) from previous years	net profit (loss)											
1.	Stalexport Autostrada Małopolska S.A.	171 745	29 553	95 269	46 923		46 923	310 072	273 592	36 480	4 338		4 338	481 817	89 326		
2.	Stalexport Autostrada Dolnośląska SA	15 078	40 100	(4 886)	371	(20 507)	(20 185)	(322)	244	179	65	400		400	15 322	81	(4 886)
3.	Petrostal 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
4.	Stalexport Metalzbyt Sp. z o.o.	(1 360)	2 980			(4 340)	(4 451)	111	2 298		2 298	225		225	938	3 686	
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
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
7.	Stalexport Serwis Centrum S.A. Katowice	28 381	22 719		4 628	1 034	(7 369)	462	7 859	456	7 403	12 630	495	12 135	36 240	69 044	
8.	Stalexport Serwis Centrum S.A. Belchatów	2 877	3 335	9		(467)	(4)	(463)	811		811	129		129	3 688	918	
9.	Stalexport Centrostal S.A. Lublin	1 426	500	2 193		(1 267)	(1 184)	(396)	4 289	726	3 563	2 421		2 421	5 715	21 654	
10.	Stalexport Transroute Autostrada S.A.	6 322	500		87	5 735	972	4 763	9 644	5 967	3 677	3 838		3 838	15 966	23 772	1 333

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/shares 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		
					profit (loss) from previous years	net profit (loss)	long-term liabilities	short-term liabilities											long-term receivables	short-term receivables
11.	Centrostal Profil Sp. z o.o. in liquidation	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.	Biuo Centrum Sp. z o.o.	595	80		254	261	(183)	444	1 046	110	936	839	99	740	1 641	6 550				
14.	Stalexport Autostrada Słaska S.A.	8 510	44 000	(33 000)	361	(2 851)	(1 812)	(1 039)	239		239	484		484	8 749		(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		
16.	Stalexport Autoroute S.A.r.l.	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:	233 574	143 767	(35 684)	100 970	24 521	(34 216)	50 483	336 502	281 030	55 472	25 304	594	24 710	570 076	215 031	(37 886)	1 350		

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.	Katowice	Transport nad spedition				19,37%	19,37%		
2.	Walcownia Rur Jedność S.A.	Siemianowice Śl.	Production of steel pipes				7,26%	7,26%		
3.	Konsorcjum Autostrada Śląska S.A.	Katowice	coordination of motorways constructing	393	7 154	1 987	5,43%	5,43%		
4.	Beskidzki Dom Maklerski S.A.	Bielsko Biala	turnover of the securities	1 171			5,10%	5,10%		
5.	Other			639						
	Total			2 203	7 154	1 987				

Note 5H

SECURITIES, SHARES AND OTHER LONG-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)	2005	2004
a) in Polish currency	5 140	5 650
b) in foreign currencies (acc. to currencies and after calculating into zloty)	694	637
b1. unit/currency in USD	117	128
in zloty	383	383
b2. unit/currency in EUR	81	62
in zloty	311	254
b3. unit/currency/GBP	-	-
in zloty	-	-
b4. other currencies in zloty	-	-
Securities, shares and other long-term financial assets in total	5 834	6 287

Note 5I

GRANTED LONG-TERM LOANS (BY CURRENCY STRUCTURE)	2 005	2004
a) in Polish currency	-	-
b) in foreign currencies (acc. to currencies and after calculating into zloty)	-	-
b1. unit/currency in USD	-	-
in zloty	-	-
b2. unit/currency in EUR	-	-
in zloty	-	-
b3. unit/currency/GBP	-	-
in zloty	-	-
b4. other currencies in zloty	-	-
Securities, shares and other long-term financial assets in total	-	-

Note 5J

OTHER LONG-TERM INVESTMENTS (ACCORDING TO GENRE)	2005	2004
		-
		-
		-
		-
		-
Other long-term investments	-	-

Note 5K

CHANGE IN THE STATE OF OTHER LONG- TERM INVESTMENTS (ACCORDING TO GENRE GROUPS)	2 005	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)	2 005	2004
a) in Polish currency	-	-
b) in foreign currencies (acc.to currencies and after calculating into zloty)	-	-
b1. unit/currency in USD		-
in zloty		-
b2. unit/currency in EUR		-
in zloty		-
b3. unit/currency:GBP		-
in zloty		-
b4. Other currencies in zloty		-
Other long-term investments in total	-	-

Note 6

CHANGE IN ASSETS AVAILABLE FOR SALE	2005	2004
a. state at the beginning of the period	130 211	2 199
b. increase (by virtue of)	2 047	128 012
- fixed assets of A4 motorway	-	128 012
- revaluation of assets for sale	2 032	-
- other	15	-
c. Decrease (by virtue of)	128 027	-
- sale	128 027	-
- other	-	-
d. state at the end of the period	4 231	130 211

Note 7

CHANGES IN ASSETS BY VIRTUE OF DEFERRED INCOME TAX	2005	2004
1. Balance of deferred income tax at the beginning of period, of which:	9 564	6 258
a) assigned to financial results	6 648	3 342
b) assigned to equity capital	2 916	2 916
c) assigned to goodwill	-	-
2. Additions	6 187	5 724
a) assigned to financial results for the period due to negative timing differences:	1 929	5 635
- remuneration by virtue of task work contract not paid on the balance sheet date	133	11
- penal interests not paid on balance sheet date	-	470
- other	1 796	5 154
b) assigned to financial results for the period due to taxation loss:	157	89
- other	157	89
c) assigned to equity capital for the period due to negative timing differences:	-	-
- liabilities by virtue of capital (financial leasing)	-	-
- by virtue of transforming to i.a.s. /i.r.f.s.	-	-
d) assigned to equity capital for the period due to taxation loss:	-	-
		-
e) assigned to goodwill due to negative timing differences:	4 101	-
- reclassification	4 101	-
- other		-
3. Reductions	9 687	2 418
a) assigned to financial results for the period due to negative timing differences:	2 821	2 418
- interests payment	2 362	254
- other	178	2 164
	281	-
b) assigned to financial results for the period due to taxation loss:	4 101	-
- reclassification	4 101	-
c) assigned to equity capital for the period due to negative timing differences:	2 765	-
- reclassification	2 765	-
d) assigned to equity capital for the period due to taxation loss:	-	-
		-
e) assigned to goodwill due to negative timing differences:	-	-
		-
4. Total assets by virtue of deferred income tax at the end of period, of which:	6 064	9 564
a) assigned to financial results	1 812	6 648
b) assigned to equity capital	151	2 916
c) assigned to goodwill	4 101	-

Note 8

LONG-TERM DEFERRED EXPENSES	2005	2004
a. deferred expenses of which:	213 694	-
- costs of the credit of EBRD in SAM S.A.	213 694	
b) other deferred expenses, of which:	-	-
- other		
Total long-term deferred expenses	213 694	-

Note 9

INVENTORIES	2 005	2004
a. Materials	4 419	3 332
b. Semi-products and products in progress	-	-
c. Finished products	1 139	-
d. Merchandise	45 924	86 065
e) prepaid supplies	1 669	2 315
Total inventories	53 151	91 712

Note 10A

CURRENT RECEIVABLES	2 005	2004
a) from related companies	1 098	495
- trade accounts receivable, with maturity of:	336	492
- less than 12 months	336	477
- over 12 months	-	15
- other	762	3
- receivables in litigation	-	-
b) from subsidiary and associated companies	96 320	150 087
- trade accounts receivable, with maturity of:	66 433	89 351
- less than 12 months	62 117	84 169
- over 12 months	4 316	5 182
- by virtue of taxes, subsidies, tariffs, social and health security, or other benefits receivable	19 461	24 891
- other	10 407	32 217
- receivables in litigation	19	3 628
Total net current receivables	97 418	150 582
c. Receivables updating allowances	334 590	225 654
Total gross current receivables	432 008	376 236

Note 10B

CHANGES IN ALLOWANCES FOR CURENT RECEIVABLES	2005	2004
a. Balance at the beginning of period of which:	225 654	224 811
b. Additions of which:	168 741	28 284
- by virtue of trade account receivable	35 061	25 815
- interests	1 719	-
- other (interests adjudged, law costs)	131 961	2 469
c. Reduction of which:	59 805	27 441
- utilisation	25 696	24 724
- changes in capital group	33 405	-
- other	704	2 717
d. Balance of allowances for receivables at the end of period	334 590	225 654

Note 10C

GROSS CURRENT RECEIVABLES - by currency	2 005	2004
a) in Polish currency (zlotys)	418 388	361 298
b) in foreign currencies (and as restated in zlotys)	13 620	14 938
b1. Unit / currency in USD	2 570	2 424
in zlotys	8 334	7 397
b2. Unit / currency in EUR	1 370	1 849
in zlotys	5 286	7 541
b3. Unit /currency in GBP	-	-
in zlotys	-	-
b4. Other currencies in zlotys	-	-
Total current receivables	432 008	376 236

Note 10D

LONG-TERM AND SHORT-TERM CONTESTED AND OVERDUE DEBTS	2 005	2004
a. Contested and overdue debts by virtue of:	133 364	101 074
- trade accounts receivable	105 652	80 010
- other	27 712	21 064
Long-term and short-term contested and overdue debts in total, including:	133 364	101 074
- from which updated write offs were not executed	19 120	54 486
- not indicated as" receivables in litigation"	68 079	9 593

Note 11A

SHORT-TERM FINANCIAL ASSETS	2005	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	235	19
- shares	-	19
- receivables in virtue of dividends and shares in profits	-	-
- debt securities	-	-
- other securities (by type)	-	-
- other	-	-
- loans granted	235	-
- other short-term financial assets (by type)	-	-
- interests on loans	-	-
Total short-term investments	235	19

Note 11B

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (BY CURRENCY)	2005	2004
a) in Polish currency (zlotys)	-	19
b) in foreign currencies (and as restated in zlotys)	-	-
b1. Unit / currency in USD in zlotys		
b2. Unit / currency in EUR in zlotys		
b3. Unit /currency in GBP in zlotys		
b4. Other currencies in zlotys		
Total securities, shares and other short-term financial assets	-	19

Note 11C

GRANTED SHORT-TERM LOANS (BY CURRENCY)	2 005	2004
a) in Polish currency (zlotys)	235	-
b) in foreign currencies (and as restated in zlotys)	-	-
b1. Unit / currency in USD in zlotys		
b2. Unit / currency in EUR in zlotys		
b3. Unit /currency in GBP in zlotys		
b4. Other currencies in zlotys		
Total granted short-term loans	235	-

Note 11D

OTHER SHORT-TERM INVESTMENTS (BY CATEGORY)	2 005	2004
Total other short-term investments	-	-

Note 11E

OTHER SHORT-TERM INVESTMENTS (BY CURRENCY)	2 005	2004
a) in Polish currency (zlotys)	-	-
b) in foreign currencies (and as restated in zlotys)	-	-
b1. Unit / currency in USD in zlotys		
b2. Unit / currency in EUR in zlotys		
b3. Unit /currency in GBP in zlotys		
b4. Other currencies in zlotys		
Total other short-term investments	-	-

Note 12A

CASH AND CASH EQUIVALENTS	2005	2004
- cash at bank and on hand	23 941	13 574
- cash equivalents	2 273	8 651
Total cash and cash equivalents	26 214	22 225

Note 12B

CASH AND CASH EQUIVALENTS (BY CURRENCY)	2 005	2004
a) in Polish currency (zlotys)	24 100	21 410
b) in foreign currencies (and as restated in zlotys)	2 114	815
b1. Unit / currency in USD	218	143
in zlotys	711	427
b2. Unit / currency in thousand EUR	364	95
in zlotys	1 403	388
b3. Unit /currency in GBP	-	-
in zlotys	-	-
b4. Other currencies in zlotys	-	-
Total cash and cash equivalents	26 214	22 225

Note 13

SHORT-TERM INTERPERIOD SETTLEMENTS	2005	2004
a. deferred expenses of which:	10 803	1 626
- taxes and securities	90	446
- VAT to be settled next months	334	183
- the Institutional Social Benefit Fund deduction	22	53
- other	10 357	944
b) other interperiod settlements, of which:	64	127
- employees' compensations	44	124
- general overhauls	1	2
- costs of company's organisation	8	1
- other	11	-
Total short-term interperiod settlements	10 867	1 753

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
0	0,00	0,00	-	-

Note 15B

ISSUER'S SHARES OWNED BY THE SUBORDINATED ENTITIES			
Name of a company, location	Number	Value at purchase price	Balance sheet value
Total	0	0,00	0,00

Note 16

INVENTORY CAPITAL	2005	2004
a. sale of shares above the nominal value	-	2 464
b) capital established by law	4 810	104 441
c) capital established due to statutory/contractual provisions, in excess of the (minimum) value required by law	92 519	45
d. From surcharges of the shareholders	4 263	4 463
e. Other	83	1 740
Total inventory capital	101 675	113 153

Note 17

REVALUATION CAPITAL	2 005	2004
a. Revaluation of tangible assets	8 771	8 806
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)	7 622	34 576
- revaluation of financial assets	7 622	34 576
- other	-	-
Total revaluation capital	16 393	43 382

Note 18

OTHER RESERVE CAPITAL (BY APPROPRIATION)	2 005	2004
a. Investments	-	1 467
b. Loss coverage	-	-
c. Re-assessment of fixed assets	-	-
d. partial execution of the arrangement commitments conversion	-	74 099
e. Partial execution of the arrangement commitments - instalments	51 017	21 880
f. Other	-	-
Total other reserve capital	51 017	97 446

Note 19

NET PROFIT WRITE OFFS DURING THE FINANCIAL YEAR - specifically	2 005	2004
-		
-		
-		
Total net profit write-offs during the financial year		-

Note 20

CHANGE IN MINORITY CAPITALS	2005	2004
State at the beginning of the period	5 262	25 987
a. Increase (by virtue of)	2 438	2 223
- change in funds and share in the financial result	2 438	2 223
- capital group increase	-	-
- consolidation correction	-	-
-		
b. decrease (by virtue of)	3 652	22 948
- change in funds and share in the financial result	3 652	1 655
- capital group decrease	-	21 293
- consolidation adjustment	-	-
-		
Minority capitals at the end of the period	4 048	5 262

Note 21A

LONG-TERM RECEIVABLES	2005	2004
a. Towards subsidiaries	-	-
- credits and loans		
- issue of debt securities		
- other financial liabilities, of which:	-	
- financial lease agreements		
- other (by type)	-	-
- by virtue of trade account receivable		
- other		
b. Towards associated entities	-	-
- credits and loans		
- issue of debt securities		
- other financial liabilities, of which:	-	-
- financial lease agreements		
- other (by type)	-	-
- other		
c. Towards dominant entity	-	-
- credits and loans		
- issue of debt securities		
- other financial liabilities, of which:	-	-
- financial lease agreements		
- other (by type)	-	-
- by virtue of trade account receivable		
- other		
d. Towards other entities	594 056	315 589
- credits and loans	78 040	113 746
- issue of debt securities	-	-
- other financial liabilities, of which:	-	-
- interests	-	-
- other	-	-
- financial lease agreements	6 302	5 834
- other (by type)	509 714	196 009
- arrangement liabilities	88 681	123 417
- other	421 033	72 592
Total long-term liabilities	594 056	315 589

Note 21B

LONG-TERM LIABILITIES (BY CURRENCY)	2005	2004
a) in Polish currency (zlotys)	594 056	315 075
b) in foreign currencies (and as restated in zlotys)	-	514
b1. Unit / currency in USD	-	-
in zlotys	-	-
b2. Unit / currency in EUR	-	126
in zlotys	-	514
b3. Unit /currency in GBP	-	-
in zlotys	-	-
b4. Other currencies in zlotys	-	-
Total long-term liabilities	594 056	315 589

Note 21C

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	7 489	PLN	7 489	PLN	WIBOR+margin	according to the restructuring agreement	cash inflows on to account, credit in current account, mortgage	
Bank Handlowy S.A.	Katowice	14 850	PLN	14 850	PLN	WIBOR+margin	according to the restructuring agreement	credit on foreign currency account, mortgage	
Bank Handlowy S.A.	Katowice	14 740	PLN	14 740	PLN	WIBOR+margin	according to the restructuring agreement	mortgage	
BRE Bank S.A.	Katowice	5 314	PLN	5 314	PLN	WIBOR+margin	according to the restructuring agreement	cash inflows on credit accounts, sole blank bill, pledge on shares, credit in current account	
ING Bank Śląski	Katowice	600	PLN	600	PLN	WIBOR+margin	according to the restructuring agreement	cash inflows on account, mortgage, credit on current account	
PKO BP S.A.	Katowice	22 317	PLN	22 317	PLN	WIBOR+margin	according to the restructuring agreement	mortgage revolving credit, pledge on shares, sole bill in blanco	
BPH PBK S.A.	Sosnowiec	4 938	PLN	4 938	PLN	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	7 792	PLN	7 792	PLN	WIBOR+margin	04.04.2007	sole bill in blanco,proxy to current account, mortgages, cession of policy rights	
TOTAL:		78 040		78 040					

Note 21D

LONG-TERM LIABILITIES IN VIRTUE OF ISSUED HEDGING INSTRUMENTS							
Debt securities by category	Nominal value	Interests conditions	Redemption date	Guarantes /securities	Additional rights	Quotations	Other
	-						
TOTAL:	-						

Note 22

CHANGES IN RESERVE FOR DEFERRED INCOME TAX	2005	2004
1. Reserve for deferred income tax at the beginning of	12 289	3 763
a) assigned to financial result	1 734	1 405
b) assigned to equity capital	10 555	2 358
c) assigned to goodwill		-
2. Additions	11 921	9 333
a) assigned to financial results for the period due to positive timing differences:	2 568	1 136
- interests included in income	514	553
- interests on loans included in income	88	391
- other	1 966	192
b) assigned to equity capital for the period due to positive timing differences:	-	8 197
- fixed assets (financial leasing)	-	8 197
c) assigned to goodwill due to positive timing differences:	9 353	-
- reclassification	9 353	
3. Reductions:	13 001	807
a) assigned to financial result for the period due to positive timing differences (of which)	2 629	807
- interests included in income (paid, cancelled)	1 945	483
- change in tax rate	-	
- other	684	324
b) assigned to equity capital due to positive timing differences (of which)	10 372	-
- reclassification	10 372	
c) assigned to goodwill due to positive timing differences (of which)	-	-
4. Reserve for deferred income tax at the end of period, of which:	11 209	12 289
a) assigned to financial result	1 673	1 734
b) assigned to equity capital due to positive timing diff	183	10 555
c) assigned to goodwill or negative goodwill	9 353	-

Note 23

CHANGES IN OTHER LONG-TERM PROVISIONS - specifically	2 005	2004
a. Balance at the beginning of period of which:	11 721	60 895
b. Additions (in virtue of)	6 899	2 864
- holiday leaves	-	-
- termination pays, jubilee bonuses	2 086	100
- severance pays for dismissed employees	-	1 984
- contingent liabilities	-	-
- interests on credits	4 813	780
- other	-	-
c. Exercised of which	2 636	8 132
- holiday leaves	-	190
- termination pays, jubilee bonuses	527	-
- severance pays for dismissed employees	-	-
- contingent liabilities	2 100	2 593
- interests on credits	-	5 349
- other	9	-
d) reversals, of which:	2 566	43 906
- interests on liabilities towards State Treasury	1 984	38 977
- interests on credits	-	2 816
- contingent liabilities	582	2 113
e. Balance at the end of period	13 418	11 721

Note 24

LONG-TERM INTERPERIOD SETTLEMENTS	2 005	2004
a) accrued expenses, of which:	-	-
- other	-	-
b) deferred income, of which:	18 326	59 681
- settlement of incomes	16 841	449
- land amortisation	726	-
- redeemed arrangement liabilities	-	58 455
- evaluation of shares	741	741
- other	18	36
Total long-term deferred expenses	18 326	59 681

Note 25A

SHORT-TERM RECEIVABLES	2005	2004
a. Towards subsidiary companies	-	1 127
- 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:	-	776
- less 12 months		776
- over 12 months		-
- trade prepayments received		-
- promissory notes payable		-
- other (by type)	-	351
- arrangement liabilities		-
-other		351
b. Towards associated entities	4 589	3 683
- credits and loans of which	3 340	3 340
- issue of debt securities		-
- dividends		-
- other financial receivables :	258	-
- interests on loans and prepayments	258	-
- prepayments for capital increase		-
- trade accounts payable, with maturity of:	991	258
- less 12 months	991	258
- over 12 months		-
- trade prepayments received		-
- promissory notes payable		-
- other (by type)	-	85
- penal interests and other		-
-other		85
e. Towards the dominant entity	-	-
- credits and loans of which:		-
- by virtue of debt		-
- 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 interests and other		-
- other		-
f. towards other entities	94 826	116 358
- credits and loans of which:	2 188	7 308
- issue of issuing debt securities		-
- dividends		-
- other financial receivables :	-	1 465
- interests on loans and prepayments		1 465
- guarantees		-
- trade accounts payable, with maturity of:	73 135	94 534
- less 12 months	73 135	94 501
- over 12 months		33
- trade prepayments received	15	494
- promissory notes payable	350	-
- other (by type)	19 138	12 557
- penalty interests and other	942	8 993
- by virtue of arrangement proceedings	149	-
- other	18 047	3 564
Total short-term receivables	99 415	121 168

Note 25B

SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE)	2005	2004
a) in Polish currency (zlotys)	96 949	114 390
b) in foreign currencies (and as restated in zlotys)	2 466	6 778
b1. Unit / currency in USD	376	1 220
in zlotys	1 227	3 648
b2. Unit / currency in EUR	304	755
in zlotys	1 172	3 077
b3. Unit /currency in GBP	9	-
in zlotys	50	-
b4. Other currencies in zlotys	17	53
Total short-term receivables	99 415	121 168

Note 25D

SHORT-TERM LIABILITIES IN VIRTUE OF ISSUED HEDGING INSTRUMENTS						
Geding instruments by catwgory	Nominal value	Interest terms	Redemptiun date	Guarantees /secutirties	additional rights	Other
TOTAL	-	x	x	x	x	x

Note 26

CHANGES IN OTHER SHORT-TERM PROVISIONS - specifically	2005	2004
a. Balance at the beginning of period	11 835	10 005
b. Additions (in virtue of)	3 398	4 997
- holiday leaves	716	410
- termination pays, jubilee bonuses	395	-
- severance pays for dismissed employees	9	-
- contingent liabilities	581	-
- interests on credits	-	-
- other	1 697	4 587
c) applications, of which:	5 896	176
- holiday leaves	25	130
- termination pays, jubilee bonuses	-	-
- severance pays for dismissed employees	-	-
- contingent liabilities	-	-
- interests on credits	5 746	-
- other	125	46
d) reversals, of which:	3 055	2 991
- holiday leaves	384	351
- interests on credits	2 671	-
- capital group dimishing	-	2 640
e. Balance at the end of period	6 282	11 835

Note 27

SHORT-TERM INTERPERIOD SETTLEMENTS	2 005	2004
a) accrued expenses, of which:	910	967
- agreements on maintaining the A4 motorway	832	831
- other	78	136
b) deferred income, of which:	5 865	39 451
- settlements of incomes	5 776	-
- Motorway rents	-	17 666
- redeemed arrangement liabilities	-	21 453
- advanced payments for goods and services	-	281
- other	89	51
Total short-term interperiod settlements	6 775	40 418

Note 28**Off-balance sheet items**

	2005	2004
1. Contingent liabilities	500	500
1.1. From related entities (by virtue of)	-	500
- received warranties and guarantees	-	500
1.2. From other entities (by virtue of)	500	-
- received warranties and guarantees	500	-
2. Contingent liabilities	53 428	315 843
2.1. In favour of related entities (by virtue of)	1 959	1 875
- granted warranties and guarantees	84	1 875
- customs warranties	-	-
- other	1 875	-
2.2. In favour of other entities (by virtue of)	8 540	289 873
- granted warranties and guarantees	4 640	287 573
- opening of the letter of credit	-	-
- customs warranties	3 900	2 300
3. Other (by virtue of)	42 929	24 095
- mortgage	14 250	13 995
- third party goods	6 698	3 900
- other	21 981	6 200
Total off-balance sheet liabilities	53 928	316 343

Explanatory notes to profit and loss account

Note 29A

NET REVENUES FROM SALE OF GOODS (by class of business)	2005	2004
a. Maintenance and Construction of motorways	89 812	48 116
- of which: from related companies	-	577
b. Reinforcement production for building industry	42 712	121 960
- of which: from related companies	-	58
c. Sale of services	7 204	5 554
- of which: from related companies	459	161
Total net revenues from sale of goods	139 728	175 630
- of which: from related companies	459	796

Note 29B

NET REVENUES FROM SALE OF GOODS (by geographic area)	2 005	2 004
a. Domestic sales	139 645	175 630
- of which: from related companies	459	796
b. Export sales	83	-
- of which: from related companies	-	-
Total net revenues from sale of goods	139 728	175 630
- of which: from related companies	459	796

Note 30A

NET REVENUES FROM SALE OF GOODS AND MERCHANDISE (BY CLASS OF BUSINESS)	2005	2004
a. Export	211 141	249 325
- of which: from related companies	-	-
c. Sale of imported goods	20 873	92 029
- of which: from related companies	146	1 113
d. Sale of goods purchased in Poland	248 640	487 935
- of which: from related companies	819	7 927
j. Sale of goods	380	67
- of which: from related companies	-	-
Total net revenues from sale of goods and merchandise	481 034	829 356
- of which: from related companies	965	9 040

Note 30B

NET REVENUES FROM SALE OF GOODS AND RAW MATERIALS (by geographic area)	2 005	2 004
a. Domestic sales	267 844	580 031
- of which: from related companies	965	9 040
b. Export sales	213 190	249 325
- of which: from related companies	-	-
Total net revenues from sale of goods and raw materials	481 034	829 356
- of which: from related companies	965	9 040

Note 31

EXPENSES BY TYPE	2005	2004
a. Depreciation	8 980	13 826
b) raw materials and energy used	16 955	23 163
c) third party work	64 825	107 660
d) taxes and charges	6 282	3 395
e) salaries and wages	26 792	29 503
f) social security and other employee benefits	5 409	5 657
g) other expenses:	3 673	5 322
Total expenses by type	132 916	188 526
- Changes in inventories, products and deferred expenses	755	885
- Cost of work and services for own needs (negative value)	-	(9)
- Distribution expenses (negative value)	(19 191)	(31 082)
- General administrative expenses (negative value)	(54 558)	(44 739)
Costs of products sold	59 922	113 581

Note 32

OTHER INCOMES	2 005	2 004
a. Profit from disposal of non-financial fixed assets	2 646	475
a) provisions and allowances cancelled, of which:	17 404	100 225
- dissolved allowances updating receivables	13 527	546
- dissolved other updating allowances	897	58 979
- dissolution of reserve for contingent liabilities	2 100	40 093
- dissolution of other reserves	880	607
c. Other income of which:	41 668	17 595
- settlement of payment by virtue of contingent liabilities	28 136	7 080
- interests on receivables by virtue of supplies, works and services	1 808	1 933
a) provisions and allowances cancelled, of which:	11 724	8 582
Total other operating income	61 718	118 295

Note 33

OTHER EXPENSES	2 005	2 004
a. loss on sale of non-financial fixed assets	9	1 902
b. Revaluation of non financial assets, of which:	139 233	23 225
- established receivables updating allowances	135 013	22 157
- established other updating allowances	1 126	1 068
- established allowances for contingent liabilities	-	-
- established other provisions	3 094	-
c. other, of which:	15 770	141 592
- judicial fees	656	1 953
- penalties	260	136
- donations	31	233
- costs of non-effective investments	915	-
- interests on liabilities by virtue of supplies, works and services	3 257	-
- prior years' costs and receivables in arrears	5 268	-
- other	5 366	15 662
- assigned to extraordinary losses of the period - the prior years losses and withdrawn updating writeoffs re the company Ferrostal Łabędy	17	123 608
Total other expenses	155 012	166 719

Note 34

FINANCIAL INCOMES	2005	2004
a. Dividends and shares in profits, including:	17	6
- from related entities	-	-
b. Interests, including:	8 197	8 503
b.1. From bank accounts and investments	730	1 524
b.2. By virtue of granted loans, out of which:	12	251
- from related entities	-	-
b.3. other interests: out of which:	7 455	6 728
- from related entities	171	63
c. Profit on sale of investment	-	-
d. Re-valuation of the investment	7 511	172 751
e. other income, including:	119 979	16 623
e.1. Balance of positive difference in rates, of which:	110	629
- realized	19	613
- unrealized	91	16
e.2. Dissolved updating write-off (by virtue of)	581	84
- calculated interests	501	84
- other	80	-
e.3. Other, of which:	119 288	15 910
- bills discount	-	1 130
- receivables from Walcownia Rur Jedność	119 208	-
- other	80	14 780
Total financial incomes	135 704	197 883

Note 35

FINANCIAL EXPENSES	2005	2004
a. Interests, including:	25 579	28 155
a.1. On credits and loans, of which:	8 780	14 435
- for related entities	404	560
a.2. Other interests, of which:	16 799	13 720
- for related entities	-	6
b. Loss on sale of investment	14 624	16 898
c. Revaluation of investments	6 251	18 416
d. Other financial costs, including:	123 429	92 007
d.1. Balance of the negative differences in rates of which:	906	1 076
- executed	606	445
- not executed	300	631
d.2. Created other updating allowance (by virtue of)	2 218	5 231
- for calculated interests	2 207	5 171
- loss by virtue of the sale of receivables	11	60
- other reserves	-	-
- other	-	-
d.3.. Other, of which:	120 305	85 700
- liabilities towards bank syndicate and the State Treasury	119 208	72 592
	-	-
-	-	-
- other	1 097	13 108
Total financial costs	169 883	155 476

Note 36

PROFIT (LOSS) ON SALE OF ALL OR PART OF SJHARES IN SUBORDINATED ENTITIES	2 005	2 004
a. Profit on sale of shares and stocks	-	-
-in subsidiary entities		
- in associated entities		
- in correlated entities		
a. Loss on sale of shares and stocks	-	32 782
- sale of shares of Ferrostal Łabędy		32 782
- in associated entities		
- in correlated entities		
Profit (loss) on sale of all or part of shares in subordinated entities	-	(32 782)

Note 37A

CURRENT CORPORATE INCOME TAX	2005	2004
1. Gross profit (loss) consolidated	(81 828)	20 920
2. Consolidation adjustments	(1 830)	(564)
3. Differences between gross profit (loss) and the income tax basis (by type)	127 548	(150 946)
- permanent differences adjusting expenses	137 452	(8 458)
- transient differences adjusting expenses	162 547	(269 293)
- permanent differences adjusting incomes	(162 689)	81 601
- transient differences adjusting incomes	(9 664)	46 226
- other	(98)	(1 022)
4. Income tax basis	43 890	(130 590)
5. Corporate income tax at 19 % rate	14 556	12 657
6. Increases, reliefs, exemptions, allowances, and reductions of corporate income tax	-	(1 697)
7. Current corporate income tax as stated in the taxation statement for the period, of which:	14 556	12 683
- disclosed in the profit and loss account	14 556	12 683
- referring to items that decreased or increased the shareholders' equity	-	-
- referring to items that decreased or increased the goodwill or negative goodwill	-	-

Note 37B

DEFERRED CORPORATE INCOME TAX IN PROFIT AND LOSS ACCOUNT	2 005	2 004
- decrease (increase) due to occurrence or reversal of timing differences	(1 798)	1 061
- decrease (increase) due to change of taxation rates	-	-
- decrease (increase) due to formerly not recognized losses, tax reliefs, or timing differences of prior periods	-	(89)
- 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	4 054	-
- other components of deferred income tax, of which:	164	(3 977)
- calculated due interests included in result	141	325
- interests paid	(346)	39
- write-off updating receivables not being the costs of obtaining the revenues	376	(4 334)
- reserves for holiday leaves	(7)	(7)
Total deferred income tax	2 420	(3 005)

Note 37C

TOTAL AMOUNT OF DEFERRED INCOME TAX	2 005	2 004
- included in equity capital	3 640	
- included in goodwill		

Note 38

NET PROFIT (LOSS)	2005	2004
a. net profit (loss) of the dominant entity	(146 849)	13 937
b. net profits (losses) of subsidiary entities	51 752	13 486
c. net profits (losses) of interrelated entities	-	-
d. net profits (losses) of affiliated entities	(1 039)	(514)
e. Profits (losses) of minority	-	-
e. consolidation corrections	(6 252)	(15 396)
Net profit (loss) per shareholders of the Company	(102 388)	11 513

Financial result according to sectors of activity

	2005	2004
Wholesale of metallurgical products	(146 850)	(7 180)
Motorway activity	51 364	34 019
Other services	(650)	70
consolidation adjustments	(6 252)	(15 396)
Total:	(102 388)	11 513

Note 39

CALCULATION OF PROFIT (LOSS) PER ONE ORDINARY SHARE AND PER DILUTED SHARE	2005	2004
Net profit (loss)	(102 388)	11 513
Average weighted number of ordinary shares	107 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)	-0,95	0,11
Average weighted diluted number of ordinary shares		
Diluted profit (loss) per one ordinary share (in zloty)		

**Additional information to the consolidated financial report of
STALEXPORT S.A.
for 2005**

1. Transformation of the consolidated financial report on the date of changing to International Financial Reporting Standards (IFRS)

The consolidated financial report for 2005 was drawn up according to the binding International Accounting Standards and International Financial Reporting Standards binding as at 31.12.2005. 01.01.2005 is the date of change to International Accounting Standards.

The year 2005 was the first year in which the financial reports of the companies of the Capital Group of Stalexport S.A. were drawn up according to International Financial Reporting Standards. The last consolidated financial report drawn up according to the Act on accounting was a report for 2004, thus in order to obtain comparable data – according to principles of IFRS – suitable transformation was made in 2004.

Adapting the accounting principles to International Accounting Standards / International Financial Reporting Standards International (IAS/IFRS) - except for the subsidiary company Stalexport Transroute Autostrada S.A. Myslowice did not affect the financial result and equity capital of the companies covered the consolidation. The changed principles affected only the presenting of particular items of assets and liabilities of the balance sheet, profit and loss account.

In the subsidiary company Stalexport Transroute Autostrada S.A. Myslowice the transformation connected with the change to IFRS regarded:

- Establishing a reserve for pensions in the amount of 55,890.00 zloty and activate deferred income tax connected with it in the amount of 10,619.00 zloty,
- adapting the period of depreciation of fixed assets according to anticipated period of use (resignation from tax depreciation rates), which resulted in increase in mentioned fixed assets by the amount of 1,255,663.67 zloty and increase in reserve by virtue of deferred income tax by 238,576.00 zloty.

As a result of introduced transformations the equity capital increased by 971,816.67 zloty.

In the consolidated financial report for 2004 some transformations were made which consisted in assigning the goodwill of subordinated companies in the amount of 33,356.96 zloty and negative goodwill of the subordinated entities in the amount of 27,729.94 to the balance sheet item “prior years’ loss/profit”.

2. The events which have essential influence on the change in assets and liabilities in the consolidated balance sheet and the consolidated financial result.

The most essential, non-typical events which influenced the consolidated financial report of the Capital Group of Stalexport S.A. in 2005 are:

- a) Merger of the companies: Stalexport S.A. and the subsidiary company Stalexport Centrostal Warszawa S.A.
- b) Change of the hitherto applied principles of settling depreciated part of liabilities resulting from executing the arrangement agreement.
- c) Introducing, to the balance sheet of Stalexport S.A., the off-balance sheet liability regarding the guarantees granted by the Company for the credit granted Walcownia Rur Jedność Sp. z o.o. in Siemianowice Śląskie.
- d) Introducing longterm liabilities towards the State Treasury, so called payments by virtue of concession, to the balance sheet of Stalexport Autostrada Małopolska S.A.

Ad. a) The merger of the Companies Stalexport S.A. and Stalexport Centrostal Warszawa S.A. as from 1.03.2005 was made on the basis of IFRS no 3 – by purchase method. The evaluation of Stalexport Centrostal Warszawa S.A., hitherto subsidiary company of Stalexport S.A. was carried out by method of adjusted net assets.

The financial report of the company as on 31.12.2004, examined by expert auditor, and not verified financial report on 28.02.2005 was the basis of the evaluation.

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

As a result of the above approved price, the negative goodwill occurred in the amount of 1,191 thousand zloty, which in the balance sheet of Stalexport S.A., as at 31.12.2005 was settled in the financial result.

Ad. b) Stalexport S.A. in previous years, i.e. in 2003 and 2004 settled the arrangement liabilities in „careful” mode i.e. proportionally to the repaid instalments, it assigned the proper value of depreciated liabilities from „revenues from future periods” to “reserve capital” and financial result of the given reporting period.

Stalexport S.A. as on the date of drawing up the report repaid 11 arrangement instalments out of 20 due instalments, so it executed over 50% of value of liabilities resulting from the arrangement agreement concluded in 2002.

In the light of the concluded transactions, i.e. reimbursement of investment outlays regarding A4 motorway, signed agreement of sale of real estate, at Obrzeźna Str. in Warsaw (for 62 m zloty), the Management Board of Stalexport S.A. decided to settle one-off as on 31.12.2005 the depreciated value of liabilities constituting „revenues from future periods”, assuming very substantial limitation of risk of the lack of repaying other arrangement liabilities (ca 76 m zloty), which allowed to obtain a positive equity capital of the Company (at the end of 2002 this capital was negative, for the amount of 367 m zloty), for the first time since commencing the restructuring if the Company,

One-off settlement of value of „revenues from future periods” influenced an increase in reserve capital by the amount of 37,901 thousand zloty and the financial result in the reporting period by the amount of 22,033 thousand zloty.

Ad. c) In 1998 Stalexport S.A. granted the Bank Syndicate the guarantee of credits of Walcownia Rur Jedność Sp. z o.o. (141.5 m zloty plus interests) and simultaneously it re-guaranteed the State Treasury its securities for WRJ Sp. z o.o. (114.8 m zloty). In 2005 the Bank Syndicate terminated the credit agreements to WRJ Sp. z o.o.

Simultaneously the Company, expecting the call by banks to fulfill the guarantee agreements, held talks with the Bank Syndicate so as to fix the amount and principles of restructuring these liabilities.

In the connection with the above to correctly evaluate assets and liabilities, the Management Board of Stalexport S.A. considering the current engagement of banks in WRJ Sp. z o.o., decided to make real and to include the off-balance sheet liabilities towards banks and the State Treasury to the balance sheet liabilities.

This operation unfavourably affected the financial result as at 31.12.2005, reducing it by the amount of 119,208 thousand zloty.

On 4.05.2006 Stalexport S.A. signed with Bank Syndicate an agreement, which defined the basic principles of settling the liabilities, i.e.:

- a) arrangement character of liabilities (reduction by 40%),
- b) the amount of reduced liability (33.5 m zloty or 65.2 m zloty – to be settled by the Court of Arbitration appointed by the parties),
- c) the repayment of total liability by conversion into shares of the Company, at the price resulting from the average of the last six months before signing the Agreement.

Ad. d) In 2005 two essential events occurred in motorway activity which affected the value of assets of consolidated balance sheet. Firstly, the Annexe no 5 to the Concession Agreement became valid (October 2005) concluded between the company SAM S.A. and the Ministry of Infrastructure. Secondly, on this basis SAM S.A. signed the credit agreement with Bank Syndicate (December 2005), constituting so called „Financial Close”, the lack of which in time stated in the concession could be the ground for withdrawing the concession.

Assigning by SAM S.A. the concession agreement resulted in including in books (in liabilities of the balance sheet) long-term liabilities towards the State Treasury, so called payments by virtue of concession (repayment of credit of EBRD contracted by the State Treasury in the period before concession) in the amount of 256,194 thousand zloty as well as long-term and short-term, interperiod settlements (in assets of the balance sheet).

3. Financial instruments

The companies covered by consolidated financial report for 2005 do not show the financial instruments.

4. Fixed assets shown off-balance sheet

The value of not depreciated and not amortised fixed assets used on the basis of lease agreements as at 31.12.2005 amounts to 773 thousand zloty and concerns the rented hardware and passengers cars.

5. Data concerning liabilities towards the state budget or local authorities by virtue of obtaining the ownership right to buildings and structures in the capital group

Stalexport SA and subsidiary companies covered by the consolidation as at 31.12.2005 do not indicate any liabilities towards the State Treasury or local authorities due to obtaining the title to buildings and structures, except for Stalexport Autostrada Małopolska S.A., which as on the balance sheet date according to the granted concession has got the ownership right to the buildings and structures and in connection with the above it is obliged to pay tax on real estate to the commune of Kraków Zabierzów and the town of Mysłowice.

6. Information on basic capital

The detailed description of the ownership structure of basic capital as well as number and nominal value of subscribed shares, including preference ones are shown in explanatory note no 14 of the consolidated financial report.

Stock capital:

Share capital	value	215,524 thousand zloty
Subscribed shares	number	107 762 023 shares
Nominal value	value	2 zloty

Main shareholders are:

Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej	16,72%
Powszechna Kasa Oszczędności Bank Polski S.A.	7,10%
Other shareholders	76,18%

7. Essential data on contingent liabilities

Contingent liabilities of the Capital Group of Stalexport S.A. as at 31.12.2005 amount to 48,180 thousand zloty, of which: :

- by virtue of granted guarantees and warranties 6,599 thousand zloty
of which for:
 - related entities – consolidated 1,959 thousand zloty
 - other entities 4,640 thousand zloty
- by virtue of other liabilities 37,681 thousand zloty
of which for:
 - related entities -
 - other entities 37,681 thousand zloty

Contingent liabilities of the dominant company Stalexport S.A. amount to total 4,474 thousand zloty by virtue of:

- granted guarantees and warranties for the benefit of:
 - related entities 84 thousand zloty
 - other entities 4,390 thousand zloty

The amount of guarantees granted by Stalexport S.A. in comparison with 2004 decreased by 283,650 thousand zloty. The decrease in liabilities resulted in including the guarantee in the amount of 119,208 thousand zloty, granted Walcownia Rur Jedność Sp. z o.o. in Siemianowice Śląskie among the balance sheet items.

A list of groups of liabilities secured on assets of the dominant company comprises an additional information to the individual financial report.

8. Abandoned activity

The subsidiary company covered by consolidated financial report for 2005 did not abandon any business activity and they do not plan any abandonment in next periods.

9. Planned investment outlays

Borne and planned investment outlays were discussed in the report of the Management Board.

10. Data concerning related companies of Stalexport S.A.

- mutual receivables and liabilities

Specification in thousand zloty	Receivables Stalexport SA.	Liabilities Stalexport SA
Stalexport Autostrada Małopolska Myslowice	49 638	-
Stalexport Autostrada Dolnośląska Katowice	36	13 863
Stalexport Serwis Centrum Katowice	341	2 950
Stalexport Serwis Centrum Bełchatów	558	3
Stalexport Metalzbyt Białystok	1 881	-
Stalexport Centrostal Lublin	286	257
Stalexport Transroute Autostrada Myslowice	346	1 005
Stalexport Autostrada Śląska S.A. Katowice	9	3 598
Biuro Centrum Sp. z o.o. Katowice	-	402
Total	53 095	22 078

- mutual incomes and costs

incomes 20,912 thousand zloty

costs 8,460 thousand zloty

11. Mutual undertakings

In 2005 the capital group did not execute mutual undertakings, which would not be subject to the consolidation via the full method or ownership rights..

12. Average employment

Total employment (in persons)	602
In this:	
- non-manual workers	305
- manual workers	297

13. Information on remuneration

Total remuneration paid to Proxies, the members of the Supervisory and Management Boards for 2005 was presented in the report of the Management Board.

14. Information about the amounts of advances, credits, loans and guarantees given to managing and supervising persons

In Stalexport SA and in subsidiary and associated companies in 2005 no advances, credits, loans or guarantees were given to managing or supervising persons or to other people, with whom they are personally related.

15. Events after the balance sheet date

On 06.02.2006 ten District Court for the city of Warsaw, XXII Economic Department entered the liquidation of the subsidiary company (in 100%) Petrostal S.A. with seat in Warsaw in the National Judicial Register (KRS).

**REPORT OF THE MANAGEMENT BOARD
ON THE ACTIVITY
OF THE STALEXPORT CAPITAL GROUP
for the year 2005**

Katowice, May 2006

**REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITY OF THE
STALEXPORT CAPITAL GROUP for the year 2005
(SA - RS 2005)**

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1. INTRODUCTION

The Report of the Management Board on the activity of the STALEXPORT Capital Group for the year 2005 contains the most important information concerning the functioning of the Group in the reporting period, as well as, it also describes the most important events after the balance sheet day.

The main tasks adopted by STALEXPORT SA for execution in the year 2005 resulted from the "Strategy execution programme of STALEXPORT SA in the years 2002-2007 on terms of arrangement proceedings" adopted in 2002. Among the former tasks which, largely remain current, were:

- 1) repayment of arrangement and off-arrangement liabilities;
- 2) conducting an effective commercial activity on the basis of the existing and optimized sales network and reconstruction of the market position in steel trade,
- 3) further organizational restructuring of the Company and the Capital Group aiming at consolidating its distributional part,
- 4) continuing the motorway activity via:
 - § executing the granted concession for the exploitation of the A-4 toll motorway on the Kraków-Katowice section by the company of the Capital Group, including signing Appendix No.5 to the Concession Agreement and obtaining the financial closure of the undertaking,
 - § participating in tenders for granting concession for the construction and operation of toll motorways: A4 on the Wrocław-Katowice section, A1 on the Pyrzowice-Stryków section and A2 on the Stryków –Konotopa and Konin-Stryków sections by the companies of the STALEXPORT Capital Group,
- 5) development of steel processing,
- 6) maintaining cost discipline.

The most important task of the Company is to repay the arrangement and off-arrangement liabilities. The arrangement proceedings (605 m PLN) and the restructuring of off-arrangement liabilities (251 m PLN), enabled the further functioning of STALEXPORT SA. The Company systematically settles its arrangement liabilities. As a reminder, 605 m PLN was covered by the arrangement proceedings, out of which:

- a) ca.240 m PLN was reduced,
- b) nearly 190 m PLN was repaid via conversion into shares,
- c) the value of more than 120 m PLN (capital + arrangement interests) was settled in cash until April 2006, out of which 42 m PLN was paid in 2005.

Moreover, the restructured liabilities towards banks – off-arrangement creditors amounting on the day of signing the agreements to 173 m PLN, are systematically repaid. Repayment by virtue of this until April of the current year amounted to (capital + interests) 151 m PLN, out of this 37 m PLN was repaid in 2005. The off-arrangement liability towards the Treasury by virtue of guarantees for Ostrowiec Mill (abt. 78 m PLN) will be repaid from the second half of 2008. Interests on it are settled currently. Such significant financial burdens decrease the current capitals and thus restrict the commercial possibilities.

We commenced the process of consolidating the distribution network of the Capital Group in 2004. At the beginning of March 2005 there was a merger of the biggest subsidiary company – STALEXPORT CENTROSTAL Warszawa S.A. with STALEXPORT SA. The gained experience will certainly facilitate a further consolidation of this part of the Group.

The reporting year was also essential for the motorway section of the Capital Group. Thanks to signing Appendix No.5 to the Concession Agreement, STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. effectively concluded a long-term credit agreement with the Consortium of Banks for a value not exceeding 380 m PLN. It constitutes a so-called „financial closure” in the light of the Concession Agreement what means that the risk of revoking the concession (real in case of a lack of financial closure) was effectively eliminated and thereby the value of the motorway property in STALEXPORT SA assets was saved. On the other hand, the variability of the motorway policy of the successive governments hampers the execution of the adopted strategy.

The taken up actions and the achieved results were presented in the consecutive chapters of this report.

The Report of the Management Board contains:

- 1. the introduction,**
- 2. the general part,** which includes the basic information on the Company and the Capital Group,
- 3. the financial part,** which contains the analysis of the financial results, account of unusual factors, having an impact upon the business result, account of the property and financial situation and the account of investment activity in the reporting period,
- 4. the commercial part,** which contains the basic information on the market and sale,
- 5. the detailed part,** which contains other information required by the Decree of the Minister of Finance, including, among others: the composition of the management board, the supervisory board, information on remuneration of managing persons, a list of the Company's shareholders,
- 6. the part describing the development prospects and an account of basic risks and threats for the STALEXPORT Capital Group,** as well as actions of the Management Board taken up in order to determine the conditions of the further development of the Capital Group and to continue its activity in the following years,
- 7. the part containing the statement of the Management Board** required by the Decree of the Minister of Finance of 19th October 2005 in regard to current and periodic information handed over by the issuers of securities.

The presented report covers issues determined in the Decree of the Minister of Finance of 19th October 2005 in regard to current and periodic information passed on by issuers of securities (Journal on Laws No. 209, item 1744).

2. BASIC INFORMATION ON STALEXPORT SA 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 National Domestic Register
<i>Seat of the Company:</i>	40-085 Katowice, ul. Mickiewicza 29
<i>Judicial National 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 SA commenced business on 1st January 1963 as a Foreign Trade Enterprise, specializing in the export and import of metallurgical products and the import of raw materials for the Polish metallurgical industry. In 1993 it transformed into a single member Company of the Treasury and privatization took place. Currently, it has the legal status of a Joint Stock Company, whose shares were admitted for the public turnover at the Warsaw Stock Exchange on 26th October 1994.

In 1997 STALEXPORT SA won the tender process and received for a period of 30 years the concession for the construction, adaptation and operation of the A-4 toll Kraków-Katowice motorway section. Thereby, the company's activity concentrates on two main sections:

- a) **the commercial sector including:** export, import, domestic turnover with steel products, metallurgical raw materials and processing of steel products,
- b) **the sector of motorway services** including, among others, the adaptation to the conditions of a toll motorway and the operation of the A-4 Kraków-Katowice motorway section.

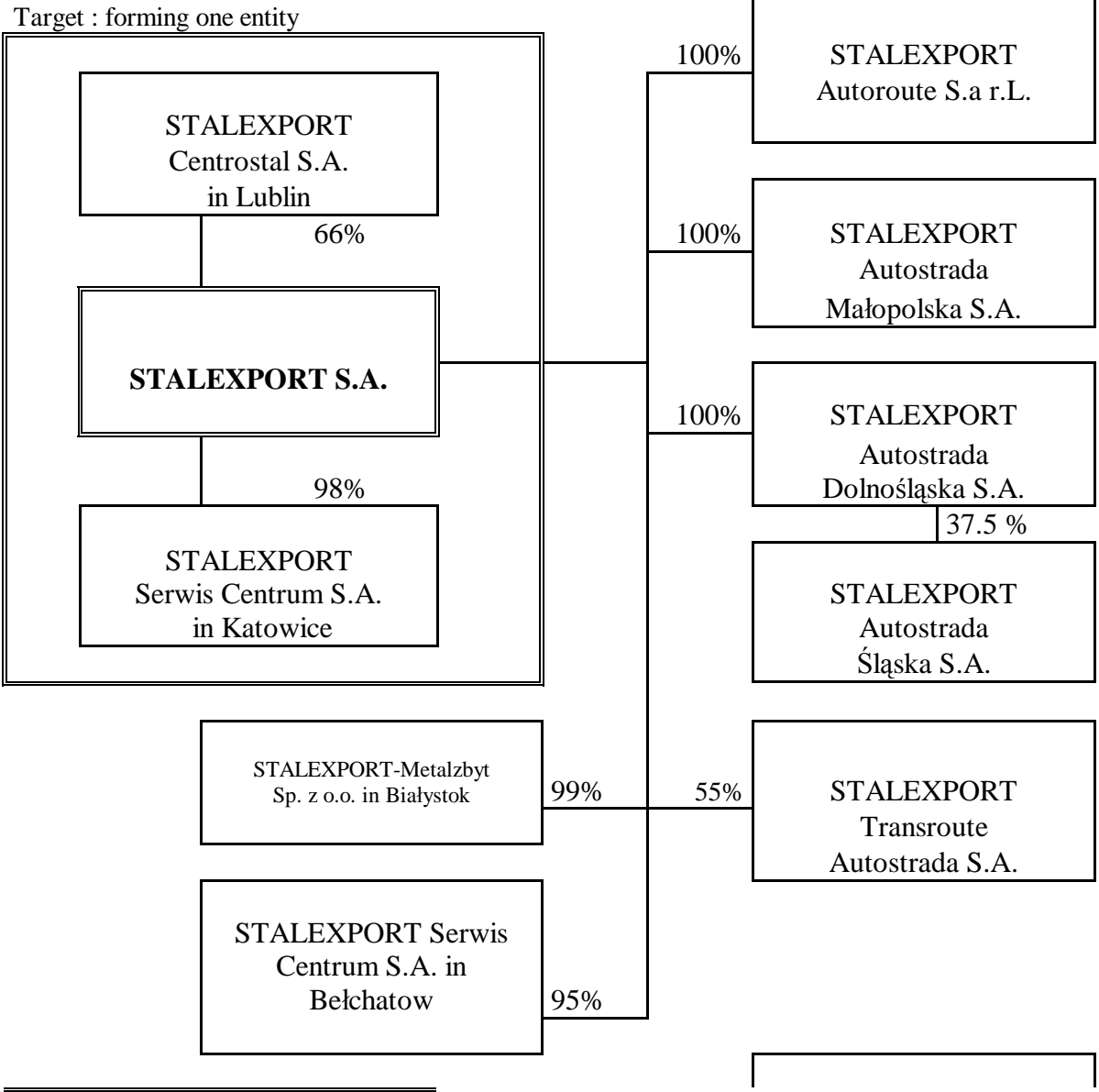
The strategic goal of STALEXPORT SA is the development of these business sectors by winning new customers in business, as well as, gaining successive contracts for the construction and operation of motorways.

Since 1998 the Company confirms the high quality of offered services, solidity and reliability in servicing customers , the constantly improving Quality Management System certified by TÜV Systems GmbH, initially in conformity with the ISO 9002:1994 norm, and currently in conformity with the amended norm requirements of ISO 9001:2000.

Currently, STALEXPORT SA is in the course of executing the arrangement with creditors, approved by the resolution of the District Court in Katowice of 27th June 2002. According to the terms of the arrangement, the repayment of the liabilities should occur in 20 quarterly instalments. Until now STALEXPORT SA repaid 11 arrangement instalments.

STALEXPORT SA, carrying out the restructuring process of the Capital Group, discontinued the directly executed metallurgical production activity, it conducts the consolidation and optimization of the distribution network, develops the processing activity and concentrates on maintaining and developing the motorway activity. **The organizational scheme of the STALEXPORT Capital Group, according to the state as on 31st December 2005, was presented below.**

Target : forming one entity



The distribution of products is conducted via a chain of wholesalers comprising the organizational structure of STALEXPORT SA and, moreover, it also encompasses two subsidiary companies: STALEXPORT Serwis Centrum S.A. in Katowice and STALEXPORT Centrostal S.A. in Lublin, which in the end are going to be merged with STALEXPORT S.A. (as was the case with the company STALEXPORT Centrostal Warszawa S.A. at the beginning of 2005) and other companies: STALEXPORT-Metalzbyt Sp. z o.o. and STALEXPORT Serwis Centrum S.A. Belchatów taken over from STALEXPORT Centrostal Warszawa S.A. (an analysis is currently conducted to determine their future in the structure of the Capital Group),

The concession for the operation and maintenance of the A-4 Kraków-Katowice motorway section is a valuable asset. Initially it was in the hands of STALEXPORT SA, but in the course of reordering the whole group and to easily win financial means indispensable for the financial closure of the project, in July 2004 it was transferred to a subsidiary company STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. (SAM S.A.) in which STALEXPORT SA at the end of the year possessed 100% of shares.

According to the credit agreement signed by SAM on 28th December 2005 with the Consortium of Banks financing the financial closure of the A-4 Kraków-Katowice project, the STALEXPORT Group was obliged to set up a holding structure for the above mentioned project. Carrying out the above provisions, STALEXPORT SA set up a holding company - STALEXPORT Autorute S.a.r.L. on 30th December 2005 with the seat in Luxembourg, onto which shares possessed by STALEXPORT SA in Companies: SAM SA and STA SA, executing the A-4 Kraków-Katowice motorway project, were transferred in the first quarter of 2006.

2.1. Distribution companies of the STALEXPORT Capital Group

Table No.1 Financial data of distribution companies in a synthetic aspect

ITEM	STALEXPORT SA		SSC KATOWICE		S.C. LUBLIN	
	2005	2004	2005	2004	2005	2004
Long-term assets	338 653	335 916	17 981	8 792	1 859	1 920
Short-term assets	179 972	181 601	18 259	19 596	3 856	3 763
Equity capital	1 399	-28 963	28 381	19 920	1 426	1 822
Short-term liabilities	93 909	178 421	7 403	8 326	3 563	3 106
Incomes from sale	441 964	693 332	69 044	79 063	21 654	23 508
General management costs	31 369	21 029	1 540	1 963	599	782
Profit (loss) from operating activity	-108 355	103 884	515	1 515	-299	847
Net profit (loss)	-145 089	12 876	462	851	-396	878
Sale profitability *	7,5%	6,4%	8,1%	12,0%	7,8%	14,4%
Liquidity ratio **	1,92	1,02	2,47	2,35	1,08	1,21
Return on Equity (ROE)***	-	-	1,6%	4,3%	-	48,2%
State of employment ****	300	182	77	81	31	36

Explanations to tables No.1 and No.2

- if it was not indicated otherwise, all data are in thousand PLN

* **Sale profitability** calculated as: GROSS PROFIT ON SALE/INCOMES FROM SALE

** **Liquidity ratio** calculated as: SHORT-TERM ASSETS/SHORT-TERM LIABILITIES

*** **Return on equity (ROE)** calculated as: NET PROFIT/EQUITY CAPITAL

****State of employment understood as the average number of employees in the company per year.

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

Two main periods can be distinguished in the commercial activity of the company in 2005. In the first half year there was a drop in demand for steel products, what consequently led to a drop of prices which did not bring about an increase of customers' orders. Throughout the entire first half year the programme of supply was subordinated to the principle of limiting or avoiding losses connected with price reductions of products on the market. It resulted in a sales drop but, on the other hand, the company maintained full financial liquidity in the entire period. The second half year was a period of stabilization and slow growth, the profitability of commercial activity improved. Incomes from sales achieved the value of 69.044 thousand PLN, what constitutes 87% of the value of incomes in 2004. In the structure of sales there was an increased share of stock sale (66%) coming prior transit sale (34%). The profit achieved in 2005 from gross sale amounted to 5 596 thousand PLN and the average margin of profit on sales amounted to 8,1%.

The costs of general management in 2005 reached the level of 1 540 thousand PLN and in comparison with 2004 they decreased by 423 thousand PLN. The sale, which was lower by 13% in relation to the previous year, had a negative impact upon the profit value from operating activity, which amounted to 515 thousand PLN, whereas, in 2004 it amounted to 1 515 thousand PLN. At the end of 2005, the Company generated a net profit of 462 thousand PLN what gives a net profitability at the level of 0,7%.

In 2005 the company, for the first time, drew up a financial report, pursuant to the guidelines determined by the International Accounting Standards what had an impact mainly upon the state of long-term assets and equity capitals.

Assets appropriated for sale in the amount of 2 032 thousand PLN (real estate in Wrocław) were disclosed in long-term assets, moreover, the value of the real estates of the branch offices in Opole and Wrocław was updated for a total value of 7 903 thousand PLN. The carried out reevaluation of the right of perpetual usufruct of land was also related to the capital from reevaluation what had an impact upon the increase of equity capitals.

The share of equity capital in financing the assets of the company, at the end of 2005, amounted to 78% what ensured the company's financial safety. The liquidity ratio increased to the level of 2,47.

Stocks at the end of 2005 constituted 30% of short-term assets and their rotation dropped from 41 days at the end of 2004 to 31 days at the end of 2005. The level of commercial receivables amounted to 10 395 thousand PLN and the level of commercial liabilities amounted to 5 741 thousand PLN.

2.1.2. CENTROSTAL SA – LUBLIN (S.C. LUBLIN)

The core business of the company is the turnover of metallurgical products and ferro-alloys, processing and sale of scrap and services in the range of cut to size for customers. The distribution companies commenced the year 2005 with big stocks of steel products with very

high prices. The period of deep price corrections which even reached the level of 50%, caused drops of incomes and profits both for producers, as well as, distributors.

The unfavourable market situation caused the deterioration of financial results of the company in 2005 in comparison with 2004. In 2005 the company sold goods and services in the amount of 21 654 thousand PLN, including sale of scrap – 1 300 thousand PLN. The margin of profit from selling metallurgical products and scrap reached the level of 7,8%, whereas, in 2004 it amounted to 14,4%.

Such a big drop in the commercial margin of profit had an impact upon the result which was achieved from sales (loss of 269 thousand PLN) – despite a favourable downward trend of sales costs (drop by 22%) and of general management costs (drop by 23%). At the end of 2005 the company indicates a net loss in the amount of 396 thousand PLN.

As a result of the occurred net loss, equity capital decreased, which at the end of 2005 amounted to 1 426 thousand PLN.

2.2. Motorway companies of the STALEXPORT Capital Group

Table No.2 Financial data of motorway companies in a synthetic aspect

ITEM	SAM S.A.		STA S.A.	
	2005	2004	2005	2004
Long-term assets	453 416	98 168	4 521	5 696
Short-term assets	28 401	70 430	11 445	9 923
Equity capital	171 745	124 822	6 322	4 755
Short-term liabilities	36 480	24 815	3 677	3 211
Incomes from sale	89 326	74 215	23 772	22 675
General management costs	16 838	15 267	3 251	3 266
Profit (loss) from operating activity	58 423	39 819	6 690	5 495
Net profit (loss)	46 923	30 864	4 763	3 672
Net yield	52,5%	41,6%	20,0%	16,2%
Liquidity ratio	0,78	2,84	3,11	3,09
Return on equity (ROE)	27%	25%	75%	77%
State of employment	15	14	191	173

Explanations – vide table No.1

2.2.1. STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. (SAM S.A.)

The Company was initially set up to administer the A-4 Kraków-Katowice motorway section on behalf of STALEXPORT SA and after the concession transfer on 27th July 2004, it became a concessionaire of this section. By virtue of this it collects toll for the motorway and rents and among its duties are the current “maintenance” of the motorway and the continuation of investment tasks.

Negotiations conducted with GDDKiA enabled the Minister of Infrastructure to sign Appendix No.5 to the Concession Agreement on 21st March 2005. It came into force after signing all enclosures – what took place on 17th October 2005. Once the Agreement came into force, it was possible to obtain the financial closure – in the form of a long-term credit from the bank Consortium – appropriated for financing indispensable investment works and

settlements resulting from transferring the concession to STALEXPORT Autostrada Małopolska S.A. by STALEXPORT SA.

The concession transfer had an impact mainly upon the increase of long-term assets where fixed assets were included in the amount of 127 000 thousand PLN, (until now they were depreciated in STALEXPORT SA). The next factor which increased long-term assets was the specification of costs of the EBRD credit in the amount of 213 694 thousand PLN which was contracted by the Treasury to finance the motorway construction in the 1990s and, pursuant to the Concession Agreement, it will have to be reimbursed by the company SAM SA. in the future.

The financial results which the company achieved in 2005 are satisfactory. The value of incomes from sale amounted to 89 326 thousand PLN, whereas, in the analogous period of the previous year it amounted to 74 215 thousand PLN. This increase is mainly a consequence of increasing traffic and what follows bigger proceeds from fees for using the motorway.

The net yield ratio reached a high level of 52,5%. The net profit at the end of 2005 amounted to 46 923 thousand PLN. The company used the entire profit for executing needs in the range of operation and investments (among others, repairs of bridge objects and pavements).

The company is actively engaged in marketing activity via applying discount tickets and price reductions for using the motorway, advertisement and special offers, whose aim is to improve the image and increase the number of cars on the motorway.

2.2.2. STALEXPORT TRANSROUTE AUTOSTRADA S.A. (STA S.A.)

The Company currently operates the A-4 motorway and collects toll on behalf of the concessionaire on the Kraków-Katowice section. The shareholders of the company are: STALEXPORT SA (55%) and the French company Transroute International S.A. belonging to the Egis Project group.

Incomes from sales in 2005 amounted to 23 772 thousand PLN and the net profit achieved the value of 4 763 thousand PLN, what in comparison with the equity capital value of 6 322 thousand PLN gives a very high profitability – the return on equity amounts to 75%. The Company has a stable financial situation and it settles liabilities up to date.

2.2.3. STALEXPORT AUTOSTRADA DOLNOŚLĄSKA S.A. (SAD S.A.)

2.2.4. STALEXPORT AUTOSTRADA ŚLĄSKA S.A. (SAŚ S.A.)

STALEXPORT SA also committed itself to the undertaking of the A-4 toll motorway on the Katowice-Wrocław section which is to constitute a prolongation of the present Kraków-Katowice section by setting up the company STALEXPORT Autostrada Dolnośląska S.A.

The Company STALEXPORT Autostrada Dolnośląska S.A. via its subsidiary company STALEXPORT Autostrada Śląska (the remaining shareholders are STRABAG and Egis Project) made attempts to sign the agreement to administer and maintain the A-4 motorway on the Katowice-Wrocław section, these efforts were interrupted when the government cancelled the tender proceedings. The company SAŚ S.A. set up consortiums with the Italian company Autostrade SpA (the biggest concessionaire in Europe), which, at the end of 2005, submitted offers in pre-qualificatory tenders announced by GDDKiA for the construction and

operation of motorway sections: A1 Stryków-Pyrzowice (180km), A2 Stryków-Konotopa (95 km) and the operation of the A2 Konin-Stryków motorway section (103 km) while, the latter of the mentioned tenders was cancelled.

3. FINANCIAL ANALYSIS OF THE CAPITAL GROUP

3.1. Account of financial results of the Capital Group

The below table presents the consolidated financial results for the year 2005:

in thousand PLN	2005	2004	Dynamics 2005 / 2004
I. Net incomes from selling products, goods and materials, including:	620 762	1 004 986	-38%
1. Net incomes from selling products	139 728	175 630	-20%
2. Net incomes from selling goods and materials	481 034	829 356	-42%
II. Costs of goods, products and materials, including:	502 931	869 211	-42%
1. Production cost of sold products	59 922	113 581	-47%
2. Value of sold goods and materials	443 009	755 630	-41%
III. Gross profit(loss) on sale (I - II)	117 831	135 775	-13%
IV. Other incomes	61 718	118 295	-48%
V. Costs of sales	19 191	31 082	-38%
VI. General management costs	54 558	44 739	22%
VII. Other costs	155 012	166 719	-7%
VIII. Share in net profits (losses) of the subordinated entities evaluated via the method of ownership rights	-191	-514	-
IX. Profit(loss) from operating activity (III+IV-V-VI-VII+/-VIII)	-49 403	11 016	-
X. Financial incomes	135 704	197 883	-31%
XI. Financial costs	169 883	155 476	9%
XII. Profit (loss) on the sale of the whole stake or a part of the shares of subordinated entities	0	-32 782	-
XIII. Gross profit (loss) (IX + X - XI +/- XII)	-83 582	20 641	-
XIV. Income tax	16 976	9 678	75%
XV. Net profit (loss) (XIII - XIV)	-100 558	10 963	-
XVI. Minority profits (losses)	-1 830	550	-
XVII. Net profit (loss) for the shareholders of the Company (XIV +/- XVI)	-102 388	11 513	-

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

Incomes from selling goods and products

In 2005 the incomes from selling goods and products of the STALEXPORT SA Capital Group amounted to 620 762 thousand PLN and were by 384 224 thousand PLN lower in comparison with the previous year.

The following factors had an impact upon the drop of turnovers:

- loss of the sale volume in the amount of about 89 m PLN due to the sale in 2004 of the companies: Ferrostal Łabędy (sale of shares) and Złomhut (sale of shares) and STALEXPORT Wielkopolska (loss of control due to bankruptcy),
- repayment of arrangement instalments and off-arrangement liabilities in the amount of about 81 m PLN without access to external sources of financing in the dominant entity essentially restricted the value of the working capital and thus did not allow to execute higher incomes from sales (which would have been possible to be achieved in a different arrangement),
- failure of the planned emission of shares in the dominant entity,
- change of the supply policy by the company Mittal Steel Poland, which stopped STALEXPORT SA supplies of iron ore to Katowice Mill and T. Sendzimir Mill what, caused a significant drop in the turnovers in import and led to a decrease of incomes,
- the lasting bad economic situation on the market of steel products in the first half of 2005 caused a significant drop in their prices, as a result of which stocks were reevaluated, what additionally had an impact on lowering the result on sale.

In a territorial aspect the structure of incomes from sale is as follows:

- | | |
|----------------------|----------------------|
| - domestic turnovers | 407.489 thousand PLN |
| - export sale | 213.273 thousand PLN |

Domestic turnovers in 2005 were by 46 % lower in comparison with the sale which the STALEXPORT Capital Group executed on this market in 2004. Export sale dropped by 14%.

In a tangible aspect, the structure of incomes from sale is as follows:

- | | |
|--|----------------------|
| - incomes from selling goods and materials | 481.034 thousand PLN |
| - incomes from selling products | 139.728 thousand PLN |
| including: | |
| - incomes from motorway activity | 89.812 thousand PLN |
| - production of reinforcements for the construction industry | 42.712 thousand PLN |
| - sale of services | 7.204 thousand PLN |

Costs of sold goods and products

The costs of sold goods and products for the year 2005 amounted to 502 931 thousand PLN, including:

- | | |
|---|----------------------|
| - value of sold goods at purchase price | 443 009 thousand PLN |
| - production costs of sold products | 59 922 thousand PLN |

The achieved gross profit on sale amounted to 117 831 thousand PLN and was by 13% lower in comparison with the year 2004.

Costs of sale and general management costs

The costs of sale together with the general management costs amounted in 2005 to 73 749 thousand PLN and decreased in comparison with the year 2004 by 2 072 thousand PLN. Significant changes in both types of costs (increase of general management costs and drop in the costs of sale) are, first of all, a result of the reclassification of both items of costs after merging on 1st March 2005 STALEXPORT Centrostal Warszawa S.A. with STALEXPORT SA. From the date of the merger the majority of costs incurred in the current branch office Warszawa is included in the general management costs and not like before the merger in costs

of sale. The impact of the change of the approach to the classification to the level of particular types of costs is estimated at about 6 m PLN (ie. the general management costs are higher and the costs of sale under comparable conditions are lower by this amount).

Moreover, launching new commercial warehouses (about 2,5 m PLN) and incurring additional single costs by the subsidiary company STALEXPORT Autostrada Małopolska S.A. in connection with obtaining a credit, constituting the so-called “financial closure” (about 1,5 m PLN) had a smaller impact upon the increase of general management costs.

The drop in the costs of sale was also connected with the decrease of commercial turnovers.

The general management costs in the other subsidiary companies dropped slightly in 2005 in comparison with 2004.

3.1.2. Other (operating) incomes and costs

Other incomes were achieved in the amount of 61.718 thousand PLN, whereas, the other operating costs amounted to 155 012 thousand PLN.

Among the main items of other incomes are:

- settlement of future period incomes in the dominant entity concerning the amortized part of the arrangement liabilities	28.136 thousand PLN
- dissolved updating write offs and reserves including:	17.404 thousand PLN
a) dissolved deductions updating receivables, including	13.527 thousand PLN,
- STALEXPORT Centrostal Warszawa S.A.	7.334 thousand PLN
- receivables from customers of the former STALEXPORT Centrostal Warszawa S.A.	1.790 thousand PLN
- Centrozap Service Katowice	1.578 thousand PLN
- STALEXPORT Wielkopolska Sp. z o.o.	939 thousand PLN
b) dissolved deductions for investment outlays	897 thousand PLN
c) dissolved reserve for contingent liability (granted guarantee concerning Szczecin Mill S.A.)	2.100 thousand PLN
d) dissolved reserves for holiday leaves and jubilee bonuses	880 thousand PLN
- profit from selling non-financial fixed assets (per balance it includes the profit on the sale of the real estate in Warsaw at Przasnyska Street in the amount of 3.660 thousand PLN and a loss on the sale of other fixed assets)	2.646 thousand PLN
- interests on commercial receivables	1.808 thousand PLN
- other items of incomes including:	11.724 thousand PLN
a) settlement of negative goodwill and write off of liabilities towards shareholders of the former STALEXPORT Centrostal Warszawa S.A.	2.257 thousand PLN
b) surplus of the current assets	1.444 thousand PLN
c) re-invoicing foreign costs in SAM S.A.	3.161 thousand PLN
d) updating assets appropriated for sale (real estates in Wrocław) in SSC Katowice	1.997 thousand PLN
e) received conventional penalties and fees	1.236 thousand PLN

The main items of other operating costs are:

- formed updating deductions and reserves including:	139.233 thousand PLN,
a) formed deductions updating receivables, out of which	135.013 thousand PLN
- Jedność Pipe Rolling Section Sp. z o.o. Siemianowice Śl.	119.208 thousand PLN
- Kościuszko Mill S.A. Chorzów	6.858 thousand PLN
- receivables from customers of the former STALEXPORT Centrostal Warszawa S.A.	4.338 thousand PLN
- STALEXPORT Wielkopolska	2.228 thousand PLN
b) set up deductions updating the stocks of goods	1.126 thousand PLN
c) set up reserves for holiday leaves and jubilee bonuses	3.094 thousand PLN
- interests on commercial receivables	3.257 thousand PLN
- written off into costs of expired receivables including: what remained after STALEXPORT Centrostal Warszawa S.A.	5.268 thousand PLN
- other items of costs	4.881 thousand PLN
	5.366 thousand PLN

3.1.3. Financial incomes and costs

The achieved financial incomes amounted to 135 704 thousand PLN, whereas, the incurred financial costs amounted to 169 883 thousand PLN. A loss in the amount of 34 179 thousand PLN was incurred on the financial activity.

A distinct disproportion can be noticed when comparing the value of the balance achieved on financial activity in 2004 (+ 42 407 thousand PLN) with the level of 2005 (- 34 224 thousand PLN) due to the fact that in the previous year the restructuring process of the STALEXPORT Capital Group was being finalized, mainly via selling subsidiary companies: Ferrostal Łabędy Sp.z o.o., Żłomhut Sp. z o.o. and the loss of control over STALEXPORT Wielkopolska Sp. z o.o.

The restructuring of the off-balance liabilities of the dominant entity by virtue of guarantees granted to the Bank Consortium financing the investment in the Jedność Tube Rolling Section and the Treasury which was also engaged in this undertaking had the biggest impact upon the value of financial incomes and costs in the year 2005.

Receivables from the Jedność Tube Rolling Section Sp. z. o.o. in the amount of 119 208 thousand PLN for which an updating deduction was set up, included in other operating costs, were disclosed on the side of incomes and the liability towards banks and the Treasury by virtue of guarantees granted to them on the side of financial costs.

The main items of financial incomes are:

- receivable from the Jedność Tube Rolling Section	119.208 thousand PLN
- received interests including, among others:	8.197 thousand PLN
a) from receivables by virtue of guarantees encompassed by the arrangement proceedings	2.672 thousand PLN
b) amortized interests on credits	2.184 thousand PLN
c) from sold shares of Żłomrex	2.137 thousand PLN

- investment revaluation 7.511 thousand PLN
 which relates to the dissolution of updating deductions in the dominant entity and in STALEXPORT Autostrada Dolnośląska SA. The deductions were set up in the previous years and concern the TI “Merkury” S.A. shares sold in 2005 .

The main items of financial costs are:

- liability towards the Bank Consortium and the Treasury (WRJ)	119.208 thousand PLN
- interests due	25.579 thousand PLN
including, among others:	
a) from credits	8.780 thousand PLN
b) from arrangement liabilities	7.848 thousand PLN
c) from liabilities by virtue of guarantees in favour of the Treasury	3.783 thousand PLN
- loss from investment sale	14.624 thousand PLN
including:	
a) from the sale of the Kościuszko Mill real estate	7.443 thousand PLN
b) from the sale of shares of TI „Merkury”	7.181 thousand PLN
- revaluation of investment	6.251 thousand PLN
including: deduction for the Kościuszko Mill real estate	6.015 thousand PLN
- other deductions set up for the calculated interests	2.207 thousand PLN
- balance of negative foreign currency exchange rate differences	906 thousand PLN
- other	1.108 thousand PLN

3.1.4. Financial results – summary

The consolidated gross loss of the STALEXPORT Capital Group for 2005 amounts to 83 582 thousand PLN. The gross loss increase by virtue of income tax from legal entities amounts to 16 976 thousand PLN. The consolidated net loss for the year 2005 amounts to 100 558 thousand PLN. The minority profits amount to 1 830 thousand PLN.

The consolidated net loss for the shareholders of the Company for the year 2005 amounts to 102 388 thousand PLN. In 2004 the STALEXPORT Capital Group achieved a net profit of 11 513 thousand PLN.

The negative net result is a consequence of mainly setting up updating deductions in the dominant entity for receivables and investments.

The following factors had an impact upon the net loss which STALEXPORT SA incurred for the year 2005:

- positive financial results encompassed by the consolidation of commercial companies in the amount of	573 thousand PLN
including:	
- STALEXPORT Serwis Centrum S.A. Katowice	462 thousand PLN
- STALEXPORT Metalzbyt Sp. z o.o. Białystok	111 thousand PLN
- negative financial results of the commercial companies under consolidation in the amount of	-147.423 thousand PLN
including:	
- STALEXPORT S.A. Katowice	-145.089 thousand PLN
- STALEXPORT Centrostal S.A. Lublin	- 396 thousand PLN
- STALEXPORT Serwis Centrum Bełchatów S.A. Rogowiec	-463 thousand PLN
- STALEXPORT Centrostal Warszawa S.A. (for I-II 2005.)	-1.475 thousand PLN

- additional financial results of motorway companies under consolidation in the amount of	
51.685 thousand PLN	
including:	
- STALEXPORT Autostrada Małopolska S.A. Mysłowice	46.922 thousand PLN
- STALEXPORT Transroute Autostrada S.A. Mysłowic	4.763 thousand PLN
- negative financial results of motorway companies under consolidation in the amount of	-322 thousand PLN
including:	
- STALEXPORT Autostrada Dolnośląska S.A. Katowice	-322 thousand PLN
- consolidation corrections per balance	-6.901 thousand PLN

3.2. Evaluation of factors and unusual events having an impact upon the business result, taking into consideration events after the balance sheet date.

Among the most essential unusual events which had an impact upon the consolidated financial report of the STALEXPORT Capital Group in 2005 are:

1. Merger of the companies: STALEXPORT SA and the subsidiary company STALEXPORT Centrostal Warszawa S.A.
2. Change of the so far applied settlement principles of the amortized part of liabilities resulting from conducting the arrangement proceedings.
3. Including the off-balance liability concerning guarantees granted by the Company for the credit which was granted to the Jedność Tube Rolling Section Sp. z o.o. in Siemianowice Śląskie to the balance sheet of STALEXPORT SA.
4. Including long-term liabilities towards the Treasury, so-called payments by virtue of concession, to the balance sheet of STALEXPORT Autostrada Małopolska S.A.

Ad. 1. The merger of the Companies STALEXPORT SA and STALEXPORT Centrostal Warszawa S.A. on 1st March 2005 took place on the basis of MSSF No. 3 – via the purchase method. The evaluation of STALEXPORT Centrostal Warszawa S.A., the former subsidiary company of STALEXPORT SA, was carried out by the method of corrected net assets. The financial report of the company drawn up as on 31st December 2004 by the auditor and the unverified financial report as on 28th February 2005 constituted the basis for evaluation. As a result of the carried out evaluation via the method of corrected net assets as on 28th February 2005, the value of 100% basic capital of STALEXPORT Centrostal Warszawa S.A. amounted to 18.610 thousand PLN.

As a result of the above adopted price, negative goodwill occurred in the amount of 1 191 thousand PLN, which in the balance sheet of STALEXPORT SA as on 31st December 2005 was settled in the financial result.

Ad. 2. STALEXPORT SA settled in the previous years, ie. 2003 and 2004 arrangement liabilities in a "cautious" way, ie. proportionally to the repaid instalments, it transferred the adequate value of amortized liabilities from „future income periods” to „reserve capital” and to the financial result of the given reporting period.

STALEXPORT SA on the day of drawing up the report repaid 11 arrangement instalments out of 20 instalments due, thus it executed over 50% of the value of liabilities resulting from the arrangement agreement concluded in 2002.

In the light of the concluded transactions, ie. the return of investment outlays concerning the A-4 motorway, the signed agreement to sell the real estate at Obrzeźna Street in Warsaw (for the value of 62 m PLN), the Management Board of STALEXPORT SA decided to make a single settlement on 31st December 2005 of the amortized value of liabilities constituting “future period incomes”, assuming that there was a very low risk of not repaying the remaining arrangement liabilities (about 76 m PLN), what enabled to obtain, for the first time since commencing the Company’s restructuring, positive equity capitals (at the end of 2002 these capitals were negative for the value of 367 m PLN).

This single settlement of the value of “future period incomes” had an impact upon the reserve capital increase by the value of 37 901 thousand PLN and the financial result for the period covered by the report by the value of 22 033 thousand PLN.

Ad. 3. In 1998 STALEXPORT SA granted guarantees of credits of the Jedność Tube Rolling Section Sp. z o.o. (141,5 m PLN + interests) to the Consortium of Banks and simultaneously reguaranteed the Treasury its guarantee for the Jedność Tube Rolling Section (114,8 m PLN). In 2005 the consortium of banks revoked the credit agreements with the Jedność Tube Rolling Section.

At the same time, the Company awaiting the summons by banks to fulfill its obligations from the guarantee agreements, held intensive talks with the consortium on determining the extent and principles of restructuring these liabilities.

As a result of this, in order to evaluate the assets and liabilities correctly, the Management Board of STALEXPORT SA, taking the current commitment of banks in the Jedność Tube Rolling Section into consideration, decided to realize and include off-balance sheet liabilities towards banks and the Treasury to balance- sheet liabilities .

This operation had an unfavourable impact upon the financial result as on 31st December 2005, lowering it by the value of 119 208 thousand PLN.

On 4th May 2006 STALEXPORT SA signed an agreement with the Bank Consortium, which determined the basic principles of settling liabilities, ie.:

- a) the arrangement nature of liabilities (reduction by 40%),
- b) the value of the reduced liability (33,5 m PLN or 65,2 m PLN – to be settled by an Arbitration Court appointed by the parties),
- c) repayment of the whole liability by conversion into the Company’s shares at a price resulting from the average from the last 6 months prior to signing the Agreement.

On 25th May 2006 the Arbitration Court adjudged that the liability value, according to the Company’s stand, amounts to 33,5 m PLN plus interests due on this value.

Ad. 4. Two essential events in the motorway activity took place in 2005 which had an impact upon the value of assets of the consolidated balance sheet. Firstly, Appendix No. 5 to the Concession Agreement concluded between SAM S.A. and the Minister of Infrastructure came into force (October 2005). Secondly, on this basis , SAM S.A. signed a credit agreement with the consortium of banks (December 2005), constituting the so called “ Financial Closure”, whose lack at the deadline determined in the concession could constitute a basis for revoking the concession.

Due to the concession agreement signed by SAM S.A., long-term liabilities towards the Treasury- the so called payments by virtue of the concession (repayment of the EBRD credit contracted by the Treasury in the pre-concession period) in the amount of 256 194 thousand PLN are entered in the books on the side of liabilities and the long-term and short-term interperiod settlements are entered on the side of assets.

3.3. Property and financial situation together with the account of sources of financing, the policy concerning indebtedness and also the risk management policy

3.3.1. Assets of the Capital Group

The assets of the Capital Group in total as on 31st December 2005 in comparison with the state at the end of 2004 increased by 128 128 thousand PLN. There was an increase of long-term assets in the assets structure by 206 534 thousand PLN (by 53%), whereas, short-term assets dropped by 78 406 thousand PLN (by 29%).

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

ASSETS (in thousand PLN)	State as on 31.12. 2005	State as on 31.12. 2004	Value deviation	Dynamics 2005/ 2004	Structure 31.12. 2005	Structure 31.12. 2004
I. Long-term assets	595 001	388 467	206 534	53%	76%	59%
1. Tangible fixed assets	307 310	157 364	149 946	95%	39%	24%
2. Intangibles	413	495	-82	-17%	0%	0%
3. Goodwill of subordinated entities	0	0	0			
4. Long-term receivables	509	942	-433	-46%	0%	0%
5. Long-term investments	62 780	89 891	-27 111	-30%	8%	14%
6. Assets available for sale	4 231	130 211	-125 980	-97%	1%	20%
7. Assets by virtue of the deferred income tax	6 064	9 564	-3 500	-37%	1%	1%
8. Long-term interperiod settlements	213 694	0	213 694			
II. Short-term assets	187 885	266 291	-78 406	-29%	24%	41%
1. Inventories	53 151	91 712	-38 561	-42%	7%	14%
2. Short-term receivables	97 418	150 582	-53 164	-35%	12%	23%
3. Short-term investments	235	19	216		0%	0%
4. Cash and their equivalents	26 214	22 225	3 989	18%	3%	3%
5. Short-term interperiod settlements	10 867	1 753	9 114	520%	1%	0%
Assets in total	782 886	654 758	128 128	20%	100%	100%

Long-term assets

The increase of tangible fixed assets at the end of 2005 by 149 946 thousand PLN (by 95%) in comparison with the state at the end of 2004 concerns, first of all:

- the increase of fixed assets in STALEXPORT Autostrada Małopolska S.A. by 146 364 thousand PLN, resulting from:
 - a) accepting investment tasks from the completed investments: modernization of bridge objects, pavements and emergency crossings in the amount of 56 726 thousand PLN
 - b) taking over buildings and motorway structures from the dominant entity STALEXPORT SA in the amount of 127 000 thousand PLN, which in the consolidated balance-sheet at the end of 2004 were indicated in the item assets available for sale,
 - c) drop in fixed assets under construction (investments in progress) by the value of 37 362 thousand PLN connected with investment completion,

- increase of fixed assets in STALEXPORT Serwis Centrum S.A. in Katowice, resulting from the reevaluation of real estates and land appropriated for sale by the value of 7 133 thousand PLN,
- in the other part: a drop in the value of fixed assets related to the annual depreciation in the amount of 8 890 thousand PLN.

In intangibles the drop (per balance) by 82 thousand PLN is related to their increase by purchases of computer software in the amount of 165 thousand PLN and the decrease by virtue of the annual depreciation by 247 thousand PLN.

Long-term receivables constitute the deposits paid by the dominant entity from the guarantees granted by the bank for executing the contracts. The drop in long-term receivables by 433 thousand PLN concerns the return of the part of the paid deposits.

The drop in long-term investments by 27 111 thousand PLN concerns, largely, the decrease of investment real estates by 26 658 thousand PLN. This decrease concerns the purchase price of the part of the Kościuszko Mill real estate sold in 2005 for the value of 20 648 thousand PLN and the formed updating deduction for the part of the Kościuszko Mill real estate which is still in its possession in the amount of 6 015 thousand PLN.

The value of investment real estates at the end of 2005 in the amount of 59 646 thousand PLN includes:

- the right of perpetual usufruct of land in Warsaw in the amount of 46.946 thousand PLN,
- the real estate of Kościuszko Mill in the amount of 12.700 thousand PLN.

In assets available for sale, the drop (per balance) by 125 980 thousand PLN is related to their increase by the real estate in Wrocław (in STALEXPORT Serwis Centrum S.A. Katowice) which is appropriated for sale and evaluated according to the market price and a sale decrease of motorway real estates to STALEXPORT Autostrada Małopolska S.A. in the amount of 128 027 thousand PLN.

Assets available for sale in the amount of 4 231 thousand PLN at the end of 2005 encompass:

- in STALEXPORT SA - land in Katowice at Mickiewicz Street of a value of 2 199 thousand PLN
- in STALEXPORT Serwis Centrum S.A. Katowice – the right of perpetual usufruct of land – a plot in Wrocław of a value of 2 032 thousand PLN.

Assets by virtue of the deferred income tax dropped by 3 500 thousand PLN. The following companies indicate deferred income tax in a total value:

- STALEXPORT Autostrada Małopolska S.A. Mysłowice	4.358 thousand PLN
- STALEXPORT Transroute Autostrada S.A. Mysłowice	1.176 thousand PLN
- STALEXPORT Serwis Centrum S.A. Katowice	434 thousand PLN
- STALEXPORT Centrostal S.A. Lublin	95 thousand PLN

The dominant entity STALEXPORT SA does not activate income tax due to a high tax loss.

Long-term interperiod settlements did not occur in the STALEXPORT Capital Group at the end of 2004. The value of long-term interperiod settlements at the end of 2005 in the amount of 213 694 thousand PLN entirely concerns the company STALEXPORT Autostrada Małopolska S.A. The value of active interperiod settlements of costs in the company SAM

S.A. results from liabilities from the signed concession agreement, which includes long-term liabilities towards the Treasury- the so called payments by virtue of concession (repayment of the EBRD credit contracted by the Treasury in the pre-concession period)- in the books (on the side of liabilities). The above events are a consequence of signing Appendix No.5 to the Concession agreement by SAM S.A. with the Minister of Infrastrucure and concluding a credit agreement with the Consortium of banks for the value up to 380 m PLN in order to obtain the so called “ financial closure”.

Short-term assets

Stocks in the Capital Group significantly dropped by 38 561 thousand PLN. The biggest drop in stocks by 16 054 thousand PLN related to the dominant entity STALEXPORT SA (despite taking over – on the merger day- stocks of the company STALEXPORT Centrostal Warszawa S.A., whose value amounted to 19 285 thousand PLN) and in STALEXPORT Serwis Centrum S.A. Katowice by 2 458 thousand PLN.

The drop of short-term receivables by 53 164 thousand PLN is related to, first of all, the drop of incomes from sale.

The value of cash in comparison with the end of 2004 increased by 3 989 thousand PLN.

The increase of short-term interperiod settlements relates to active interperiod settlements of costs in the company STALEXPORT Autostrada Małopolska S.A. in the amount of 10 195 thousand PLN in connection with signing the concession agreement and taking over liabilities towards the Treasury.

3.3.2. Liabilities of the Capital Group

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

LIABILITIES (in thousand PLN)	State as on 31.12. 2005	State as on 31.12. 2004	Value deviat.	Dyna-mics 2005/ 2004	Struct-ure 31.12. 2005	Structur-e 31.12. 2004
I. Equity capital	33 405	82 057	-48 652	-59%	4%	13%
I.1. Equity capital for the Company's shareholders	29 357	76 795	-47 438	-62%	4%	12%
1. Stock capital	215 524	215 524	-	-	28%	33%
2. Payments due for stock capital (negative value)	-	-	-	-	-	-
3. Own shares/stocks (negative value)	-73	-44	-29	-	-	-
4. Inventory capital	101 675	113 153	-11 478	-10%	13%	17%
5. Capital from revaluation	16 393	43 382	-26 989	-62%	2%	7%
6. Other reserve capital	51 017	97 446	-46 429	-48%	7%	15%
7. Profit (loss) from previous years	-252 791	-404 179	151 388	-37%	-32%	-62%
8. Net profit (loss) for the Company's shareholders	-102 388	11 513	-113 901	989%	-13%	2%
I.2. Minority capitals	4 048	5 262	-1 214	-23%	-	1%
II. Long-term liabilities	637 009	399 280	237 729	60%	81%	61%
1. Credits and loans	78 040	113 746	-35 706	-31%	10%	17%
2. Liabilities by virtue of financial leasing	6 302	5 834	468	8%	1%	1%
3. Liabilities by virtue of supplies and	0	0	-	-	-	-

services						
4. Other liabilities	509 714	196 009	313 705	160%	65%	30%
5. Reserve by virtue of deferred income tax	11 209	12 289	-1 080	-9%	1%	2%
6. Reserves for other liabilities	13 418	11 721	1 697	14%	2%	2%
7. Long-term interperiod settlements	18 326	59 681	-41 355	-69%	2%	9%
III. Short-term liabilities	112 472	173 421	-60 949	-35%	14%	26%
1. Credits and loans	5 528	10 648	-5 120	-48%	1%	2%
2. Liabilities by virtue of financial leasing	0	0	-	-	-	-
3. Liabilities by virtue of supplies and services	74 126	95 568	-21 442	-22%	9%	15%
4. Other liabilities	19 761	14 952	4 809	32%	3%	2%
5. Reserves for liabilities	6 282	11 835	-5 553	-47%	1%	2%
6. Short-term interperiod settlements	6 775	40 418	-33 643	-83%	1%	6%
Liabilities in total	782 886	654 758	128 128	20%	100%	100%

Equity capital

The consolidated equity capital of the STALEXPORT Capital Group as on 31st December 2005 amounts to 33 405 thousand PLN and is by 48 652 thousand PLN smaller in comparison with the end of 2004:

The following factors had an impact upon the drop in the equity capital of the STALEXPORT Capital Group:

- equity capital drop for the Company's shareholders by 47 438 thousand PLN,
- minority capital drop by 1.214 thousand PLN

Equity capital appropriated for the shareholders of the Company decreased, largely, as a result of the net loss incurred by the dominant entity. Essential changes concern the structure of the particular components of equity capital.

The basic capital of the STALEXPORT S.A. Capital Group is the basic capital of the dominant entity. In the analysed periods the value of stock capital did not change. The stock capital of the dominant entity amounts to 215 524 046,00 PLN and is divided into 107 762 023 ordinary bearer shares of a nominal value of 2,00 PLN.

The main shareholders of STALEXPORT SA are:

- the National Environment Protection and Water Conservation Fund 16,72%
- Common Savings Bank – Bank of Poland S.A. 5,42%

Own shares of the dominant entity in the amount of 73 thousand PLN concern: - per balance the remaining value of 23 thousand PLN of shares purchased and issued to the minority shareholders of the former company STALEXPORT Centrostal Warszawa S.A. and the value of 50 thousand PLN of shares possessed by the subsidiary company - STALEXPORT Serwis Centrum S.A. Bełchatów.

The drop in inventory capital of the Capital Group per balance by 11 478 thousand PLN was mainly caused by its increase by 30 864 thousand PLN in STALEXPORT Autostrada Małopolska S.A. from the 2004 profit distribution and its decrease in the dominant entity STALEXPORT SA by 42 343 thousand PLN due to covering losses for the previous years

The drop in capital from revaluation per balance by 26 989 thousand PLN relates – on the side of increase- to revaluation of fixed assets in the company STALEXPORT Serwis Centrum S.A. Katowice in the amount of 7 903 thousand PLN and on the side of decrease – to the

elimination of this capital in the amount of 34 683 thousand PLN in the company STALEXPORT Centrostal Warszawa SA taken over by the dominant entity.

The drop in the other reserve capitals per balance by 46 429 thousand PLN results from appropriating the value of 95 979 thousand PLN for the coverage of losses in the dominant entity from previous years and its increase by 51 017 thousand PLN as a result of rebooking in 2005 the incomes of the amortized part of the arrangement liabilities of the dominant entity from interperiod settlements.

The drop in losses from previous years by 151 454 thousand PLN is connected with their coverage in the dominant entity from inventory capital, other reserve capitals and the net profit for the year 2004.

The consolidated net loss for the year 2005 appropriated for the shareholders of STALEXPORT SA amounts to 102 388 thousand PLN. In 2004 the STALEXPORT Capital Group achieved a consolidated net profit in the amount of 11 513 thousand PLN.

The decrease of the minority capitals per balance by 1 214 thousand PLN relates: on the side of increase, to the value of 2 618 thousand PLN, constituting the profit for 2005 taken over by the minority shareholders, whereas, on the side of decrease the value of 3 832 thousand PLN constitutes the loss for 2005 in the amount of 1 464 thousand PLN taken over by the minority shareholders and the elimination of the capitals of the minority in the amount of 2 368 thousand PLN in the former company STALEXPORT Centostal Warszawa S.A.

LIABILITIES

Long-term liabilities in comparison with the end of 2004 increased by 237 729 thousand PLN and amount, at the end of 2005, to 637 009 thousand PLN.

The other liabilities in the amount of 509 714 thousand PLN, which relate to the dominant entity STALEXPORT SA and the subsidiary company STALEXPORT Autostrada Małopolska S.A. have a crucial meaning within these liabilities.

The main long-term liabilities in the dominant entity – STALEXPORT SA are:

§ the long-term liability towards the Treasury by virtue of the granted bill guarantee concerning Ostrowiec Mill and towards the Treasury and the Bank Consortium by virtue of granted guarantees concerning the Jedność Tube Rolling Section in a total value of 197 173 thousand PLN.

§ arrangement liabilities in the amount of 94.345 thousand PLN,

§ credits in the amount of 78.040 thousand PLN.

They (the credits and the arrangement) systematically decrease as a result of repaying them according to the adopted schedules.

Long-term liabilities which occurred at the end of 2005 in the amount of 256 194 thousand PLN in the subsidiary company STALEXPORT Autostrada Małopolska S.A. result from liabilities from the signed concession agreement which include long-term liabilities towards the Treasury- so called payments by virtue of concession (the repayment of the EBRD credit contracted by the Treasury in the pre-concession period)- in the books (on the side of liabilities). The above events are a consequence of signing Appendix No. 5 to the concession agreement by SAM S.A. with the Minister of Infrastructure and concluding a credit agreement

with the Consortium of Banks for the value up to 380 m PLN in order to obtain the so called financial closure.

The drop in long-term interperiod settlements concerns mainly interperiod settlements of incomes in the dominant entity by virtue of amortized arrangement liabilities, which at the end of 2005 were fully settled into other reserve capitals and other incomes.

Liabilities by virtue of supplies and services in the amount of 74 126 thousand PLN were the most significant in the structure of short-term liabilities, which showed a drop at the end of 2005 by 35% in relation to 2004. Their drop by 21 442 thousand PLN is connected with the turnover limitation.

The drop in short-term interperiod settlements (like long-term ones) is connected with settling incomes by virtue of amortized arrangement liabilities in the dominant entity.

3.3.3. Structure of the sources of financing and management with financial resources

Liabilities were the exclusive source of financing assets in the dominant entity, as equity capitals mostly had a negative value throughout the reporting period and they only achieved a slight positive value at the end of the year.

The general indebtedness ratio (ratio of liabilities to the balance sheet sum) in STALEXPORT decreased from 105,6% to 99,6%.

In 2005 the liquidity ratios improved considerably in comparison with 2004. This is mainly due to the drop in liabilities by virtue of supplies and services.

The necessity to repay the off arrangement credits (39 m PLN together with interests) and the repayment of main creditors in the course of executing the provisions of the arrangement proceedings (42 m PLN) had a crucial impact upon the situation connected with financial flows. These factors diminished the working capital of the Company, and restricted the level of incomes from sale. Throughout 2005, the Company was still deprived of financing by bank credits what hindered the increase of incomes from sale.

Apart from executing arrangement liabilities and commercial agreements concerning the repayment of restructured credits, liabilities resulting from the guarantees for the Treasury by virtue of credits granted to Ostrowiec Mill and guarantees by virtue of credits granted for the investment of the Jedność Tube Rolling Section Sp. z o.o. are an essential financial burden for the company. Having in mind the limited financial possibilities, the Management Board of the company took up actions in order to finally determine the value of contingent liabilities and their mode of repayment via conversion or deferring cash payment beyond the repayment deadlines of the arrangement liabilities and to agree upon a convenient repayment schedule in a longer period of time.

That was the aim of the agreement signed in 2004 with the Treasury in connection with guarantees concerning Ostrowiec Mill in the amount of 72,6 m PLN and also current actions whose aim was to solve the issue of guarantees concerning the Jedność Tube Rolling Section which in the part concerning liabilities towards banks, was defined by the agreement signed on 4th May 2006.

The sale in 2005 indicates a gross profitability increase. The net profitability ratio for 2005 was negative mainly due to the necessity to set up deductions updating receivables (Jedność Tube Rolling Section) and due to financial burdens (interests).

3.4. Account of investment activity

The value of investment outlays of fixed assets in the STALEXPORT Capital Group incurred in 2005 amounted to 21 011 thousand PLN.

Investments in progress in STALEXPORT Autostrada Małopolska S.A. in the amount of 19 389 thousand PLN constitute the biggest item in the structure of investment outlays. The investment costs concerned construction-assembly works connected with the modernization of bridge objects, pavements and emergency crossings.

Within the incurred investment outlays, the STALEXPORT Capital Group purchased the finished investment goods in the amount of 1 457 thousand PLN, including:

- purchase of real estates (in Kostrzyń and Krzyż Wielkopolski) 971 thousand PLN
- machines and devices for the steel yard in Warsaw 300 thousand PLN
- purchases (to a large extent) of computer equipment 351 thousand PLN

4. ANALYSIS OF THE COMMERCIAL ACTIVITY OF THE CAPITAL GROUP

4.1. Sale – Information on basic products, goods and services

In 2005 there was a drop in incomes from sales of the Capital Group by 38% in relation to 2004.

There were a few reasons for the drop in the sales incomes:

- a smaller steel consumption and a worse economic situation on the market in comparison with 2004,
- a drop in the prices for metallurgical products,
- the change of the policy of the Concern MITTAL STEEL Poland which departs from purchasing raw materials for production (iron ores and fire-resistant materials) among domestic agents,
- limited working capital for financing commercial activity.

The below table presents the assortment structure of sales:

Main goods and services in the turnover of the STALEXPORT S.A. Capital Group in 2005

Merchandise/service	Value in m PLN	% share in turnover
Sections	161,41	26,0%
Flat products	104,15	16,8%
Motorway	89,33	14,4%
Bars and wire rod	69,30	11,2%
Tubes	47,18	7,6%
Prefabricated reinforcements	41,20	6,6%
Products from non-ferrous metals	32,31	5,2%

Invariably for the last two years, as well as in 2005, sections had the biggest share in the sale of the companies of the Capital Group, although it was lower in relation to 2004 by 30%. Their share in turnover, however, increased from 22,9% to 25,9% in 2005.

The drop in the value of sale also occurred in case of flat bars by 44%, bars and wire rod by 24%.

Incomes from sale increased in the comparable years: tubes by 31% and products from non-ferrous metals by 42%.

4.2. Information on sales markets and suppliers

Sales markets - export sale

The turnovers of the STALEXPORT Capital Group in the range of export and import were executed via STALEXPORT SA (in 99%) and by STALEXPORT SERWIS CENTRUM S.A. Katowice (1%). The share of export sale in the turnovers of the Capital Group amounted in 2005 to about 34%. Incomes from export sale dropped in comparison with 2004 by 15%. The sale of metallurgical products constituted about 89% of the export of the Capital Group, whereas, semi-finished products and other products 11%.

Main goods in the export of the STALEXPORT SA Capital Group in 2005

Merchandise	Value in m PLN	% share in export
Sections	113,24	53,2%
Products from non-ferrous metals	30,40	14,3%
Tubes	24,63	11,6%
Semi-finished products	20,95	9,8%

The export sale structure according to the countries of destination was the following in 2005: Europe- 38%, North America – 12%, South America – 49%, Far East and Africa – 1%.

Sales markets – sale on the domestic market

In 2005 the value of incomes from sales channeled to the domestic market (without taking incomes from motorways into consideration) amounted to about 52% of Capital Group turnovers.

7% of products sold on the domestic market were from import. The turnover with metallurgical products constituted 93% of the domestic sale, the remaining 7% were metallurgical supply materials and other merchandise and services.

Main goods of the STALEXPORT Capital Group for sale on the domestic market in 2005

Merchandise/Service	Value in m PLN	% share on domestic market
Flat products	103,87	32,6%
Bars and wire rod	67,56	21,2%
Sections	48,17	15,1%
Prefabricated reinforcements	41,20	12,9%
Tubes	22,55	7,1%

Main suppliers

In 2005, Mittal Steel Poland S.A. was the main supplier (more than a 10% share in purchases) of the companies of the STALEXPORT Capital Group.

The purchases among other suppliers of the Capital Group did not exceed a few per cent of the entire supplies in 2005.

Main customers

In 2005, among the customers of the Capital Group, there was no company with which turnovers would exceed 10% of incomes from sale.

4.2a. Distribution network

The restructuring of distribution Companies of the STALEXPORT Capital Group, which was commenced in 2001, concentrates on facilitating the processes of trade and customer service, the organization improvement and optimization of incurred costs. The analysis of the efficiency of the held property and its allocation to areas which bring adequate proceeds is continuously conducted.

Special attention is focused on the functioning efficiency to directly service the clients and increase the added value of the sold steel via processing and prefabricating it.

A big customer oriented sales network supported by a growing steel processing capacity is one the main development factors of the STALEXPORT Capital Group which still needs to develop its full capacity.

The following entities comprised the STALEXPORT SA distribution network at the end of 2005:

- 3 commercial offices (Warszawa, Częstochowa, Białystok).
- 11 commercial storage yards (Gostyń, Gniezno, Piła, Bełchatów, Krzyż Wielkopolski, Komorniki, Koszalin, Kostrzyn, Rzeszów, Łódź, Koronowo),
- 4 sale centres serviced by subsidiary Companies, ie.:
 - STALEXPORT SERWIS CENTRUM S.A. (Wrocław, Opole, Katowice),
 - STALEXPORT CENTROSTAL LUBLIN S.A. (Lublin),

The analysis of the profile of sales, as well as the profile of serviced customers indicates that, despite the fact that the particular wholesale stores are situated in bigger, more or less homogeneous geographical areas, each of them has its own specificity. This is a big advantage, which is a proof of a far reaching individualization of needs, but also a big impediment because it is not so easy to obtain the scale benefit effect at the moment of making supply purchases.

In 2005 the so called Central Warehouse was logistically prepared, which will be able to supply all commercial stockyards minimizing transport costs, as well as, optimizing the rotation of inventories. It will function at its full capacity after gaining working assets.

Simultaneously, the attitude towards the existing distribution network is changing.

Assuming that not only the quantity and the presence of commercial warehouses on the territory of Poland is important but, first of all, their functioning effectiveness, in 2006 decisions were taken up to liquidate 3 commercial warehouses (Komorniki, Reszów, Łódź). STALEXPORT SA, widening its offer, is developing processing and prefabrication plants of reinforcements. This topic is discussed in detail in point 6 which is dedicated, among others, to the strategy and prospects of business development.

The aim is to consistently simplify the customer service procedures and to gain products and improve the flexibility and speed of reacting towards the processes and phenomena occurring on the steel market.

5. OTHER INFORMATION

5.1. Information on concluded contracts which are significant for the functioning of the Capital Group, including agreements known to the Capital Group concluded between shareholders, insurance, collaboration or cooperation agreements.

1. **On 13th June 2005** an agreement was concluded between STALEXPORT SA and "STALEXPORT Autostrada Dolnośląska" S.A. Katowice concerning the sale by STALEXPORT SA of all possessed –1080 shares of „Konsorcjum Autostrada Śląsk „, S.A. in Katowice of a nominal value of 100 PLN each, representing in total 5,43% of stock capital at the general meeting. The total sale price of shares amounts to 388 784 PLN (three hundred eighty eight thousand seven hundred eighty four PLN). The balance sheet value of shares as on 31st March 2005 is zero.
2. **In the period from June until November 2005** the Company concluded export contracts for supplies to South America for a total value of 38,5 m PLN, to North America for the value of 24 m PLN and for the supplies for the Ukrainian customer for 32,9 m PLN.
3. **On 8th July 2005** an agreement was signed between: STALEXPORT SA and Bank Handlowy in Warsaw S.A. to sell the perpetual usufruct of land situated in Chorzów of an area of 99 558 m² and the property of buildings and structures constituting separate real estates. Payment was effected by appropriating STALEXPORT's debt repayment in relation to Bank Handlowy in Warsaw S.A.
4. **On 19th August 2005** STALEXPORT SA received a letter from the Minister of Finance, in which it was ascertained that the suspending condition, included in the agreement to repay debt by virtue of the guarantee which STALEXPORT SA granted in 1997 for the credit for carrying out the investment under the name: "Complex modernization of the steel production line in Ostrowiec Mill S.A.", was fulfilled. Thus, a paragraph determining the principles of executing liabilities by STALEXPORT SA towards the Treasury came into force. The Minister of Finance confirmed that the condition was fulfilled on the basis of the letter he received from the President of the Office of Fair Trading of 17th August 2005, containing the opinion in the range of the conformity of the provisions of the agreement about debt repayment, concluded on 1st September 2004 between the Treasury and the Company STALEXPORT SA with regulations about granting public aid.

5. **On 17th October 2005** STALEXPORT Autostrada Małopolska S.A. signed all enclosures of Appendix No.5 to the Concession Agreement with the Ministry of Infrastructure for the construction, adaptation and operation of the toll A-4 motorway on the Kraków-Katowice section. From the moment when the Agreement came into force, possibilities to obtain the financial closure opened - in the form of a long-term credit from the bank Consortium for financing indispensable investment works and settlements resulting from transferring the concession to STALEXPORT Autostrada Małopolska S.A. by STALEXPORT SA
6. **On 28th December 2005** the company STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. signed a significant agreement in regard to granting credit. The parties of the agreement are: STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. Mysłowice and WESTLB BANK POLSKA S.A. Warszawa, WESTLB AG (London Branch), DEPFA BANK PLC, Dublin, Ireland, KfW Frankfurt, Germany, BANK BPH SPÓŁKA AKCYJNA, Warszawa. The subject of the agreement is to grant a credit in the amount of 380 m PLN to finance the project of the A-4 toll motorway on the Kraków-Katowice section (ie. 2nd phase construction works and refinancing 1st phase construction works).
7. **On 12th January 2006** STALEXPORT SA signed a preliminary sale agreement concerning the sale of the real estate situated in Warsaw at Obrzeźna Street (right of perpetual usufruct), of a total land area of 45 622 square metres together with buildings and structures (property right) of an area of 9 769 square metres. This agreement is supposed to be officially concluded until 15th February 2006, however, the Purchaser has the right to extend the term of concluding the official agreement no later than until 15th March 2006.
8. **On 13th January 2006** STALEXPORT SA informed that it had concluded export contracts to South America of a total value of about 28,5 m PLN. Execution term: January-February 2006. Supplier: Mittal Steel Poland/ Mittal Steel Ostrava.
9. **On 3rd February 2006** STALEXPORT SA informed that it had concluded export contracts for supplies of seamless tubes for customers in the USA in 1st quarter 2006 for a total value of ca. 8,8 m PLN.
10. **On 9th March 2006** STALEXPORT SA concluded an official sales agreement with the company "Obrzeźna 11 Sp. z o.o." with the seat in Warsaw for the net value of 62 m PLN. The agreement in question concerned the sale of the real estate located in Warsaw at Obrzeźna Street (right of perpetual usufruct) of a total land area of 45 622 square metres together with buildings and structures (property right) of an area of 9 769 square metres. The value resulting from the agreement was paid. The real estate will be handed over to the Purchaser until 31st August 2006.
11. **On 4th May 2006** STALEXPORT SA signed an agreement with Consortium Banks represented by ING Bank Śląski S.A. in Katowice, ie.: Bank Millennium S.A. with the seat in Warsaw, Bank Gospodarki Żywnościowej S.A. with the seat in Warsaw, Bank Handlowy in Warsaw S.A. with the seat in Warsaw, Bank Ochrony Środowiska S.A. with the seat in Warsaw, PKO Bank Polski S.A. with the seat in Warsaw, Bank PEKAO S.A. with the seat in Warsaw, Kredyt Bank S.A. with the seat in Warsaw, Bank Zachodni WBK S.A. with the seat in Wrocław, ING Bank Śląski S.A. with the seat in Katowice.

The above agreement was concluded in order to settle the receivables of Consortium Banks by STALEXPORT SA by virtue of guarantees granted by the Company, securing the repayment of credits granted to the Jedność Tube Rolling Section by the Consortium Banks. The receivables of Consortium Banks are by power of the law (art. 67 §1 Act on arrangement proceedings) encompassed by the STALEXPORT SA arrangement proceedings as receivables of main creditors and are subject to reduction by 40% of their value. The total value of liabilities of STALEXPORT SA, after taking the 40% reduction into consideration, amounts from 33 447 189,48 PLN to 65 160 620, 17 PLN plus interests calculated from 4th March 2005 (date of revoking the credit agreements of the Jedność Tube Rolling Section by the Consortium Banks) until the date of passing the resolution by the Management Board of STALEXPORT SA on increasing the stock capital of the Company. Settling all receivables of the Consortium Banks by the Company together with interests will occur via conversion into shares in the stock capital of STALEXPORT SA by contributing the above mentioned receivables as a non-cash contribution in exchange for shares. The emission of shares will be conducted with the exclusion of the collection law for the present shareholders. The emission price will be determined on the basis of the market conditions which were binding at this time on the basis of the average stock exchange rate of the STALEXPORT SA shares at the Securities Stock Exchange in Warsaw for the period of six months preceding the time of signing this Agreement, however, at a level no lower than 2 PLN per one share. In case the agreement provisions are not met on time due to circumstances for which STALEXPORT SA bears responsibility, the Company will be obliged to pay conventional penalties in favour of Consortium Banks.

12. **On 26th May 2006** the Court of Conciliation determined the responsibility range of STALEXPORT SA as a guarantor of the liabilities of the Jedność Tube Rolling Section at the level of 33 447 189,48 PLN together with due interests. The above settlement entirely exhausts the receivables of Consortium Banks towards STALEXPORT SA by virtue of this, described above in point 11.

5.2. Information on changes in organizational or capital links of the Capital Group with other entities and determination of its main domestic and foreign investments and the account of methods of their financing.

1. **On 1st March 2005** on the strength of the decision of the District Court in Katowice STALEXPORT-CENTROSTAL Warszawa S.A. was merged with STALEXPORT SA.
2. **On 31st August 2005** the Company received the decision of the District Court for the city of Warsaw, 20th Economic Department of the National Court Registry dated 5th August 2005 informing about deleting the Company STALEXPORT-CENTROSTAL Warszawa S.A. from the National Court Registry.
3. **On 31st August 2005** the Company acquired from the bankruptcy trustee of the Company: "STALEXPORT Wielkopolska" Sp.z o.o. – in bankruptcy, a part of the earlier utilized and organized bankrupt enterprise, ie. Branch Office in Kostrzyń upon the Odra River, including the right of perpetual usufruct of the land plot together with real estates for the net value of 600 thousand PLN.

4. **On 18th October 2005** STALEXPORT SA informed the Securities and Stock Exchange Committee about carrying out the transfer transaction of own shares of STALEXPORT SA beyond the regulated market in favour of entities being the shareholders of STALEXPORT CENTROSTAL Warszawa SA. The transfer of shares was an element of the conducted process of merging STALEXPORT CENTROSTAL WARSZAWA S.A. with STALEXPORT SA.
5. **On 20th December 2005** the Company received a notification about the registration of the stock capital increase of the company STALEXPORT TRANSROUTE Autostrada S.A. by the District Court in Katowice on 19th December 2005 by the value of 240 000 PLN, ie. from the value of 260 000 PLN to the value of 500 000 PLN. STALEXPORT S.A. contributed the value of 132 000 PLN (55% of the increase value), the other value, ie. 108 000 PLN (45% of the increase value) was contributed by the second shareholder – the company Transroute International S.A. with the seat in St-Quentin-en-Yvelines. Its structure did not change after the capital increase. As a result of the stock capital increase of the above mentioned company, STALEXPORT SA has 275 shares of a nominal value of 1000 PLN each, what constitutes 55% of the capital of the company STALEXPORT TRANSROUTE Autostrada S.A. and gives the right to the same number of votes at the General Meeting of Shareholders. The capital structure of the company STALEXPORT TRANSROUTE Autostrada S.A, after the increase is the following: STALEXPORT SA 55 % - 275 shares, capital - 275.000 PLN, Transroute International S.A. 45 % - 225 shares, capital - 225.000 PLN. The number of votes is equal to the shares possessed by both companies.
6. **On 22nd December 2005** the Company signed an agreement with STALEXPORT Autostrada Malopolska S.A. with the seat in Myslowice in regard to the repayment of outlays incurred by STALEXPORT SA. The subject of the agreement is the refundment of the 1st Phase outlays in the amount of 127 000 000 PLN (in real values as on 28th July 2004). 75% of the Return Value of Phase I outlays, ie. 95 250 000 PLN will be paid by SAM S.A. in favour of STALEXPORT SA after achieving the Financial Closure, taking into consideration the deductions in the amount of 67 659 288,41 PLN, constituting the liability of STALEXPORT SA towards SAM S.A. and 25% of the Return Value of Phase I outlays, ie. 31 750 000 PLN will be paid from the last drawing of cash from the planned project financing.
7. **On 27th December 2005** the Company was notified that on 19th December 2005 a sale transaction took place in the course of which Bank Zachodni WBK sold 500 000 shares of the company STALEXPORT S.A., the Bank possesses 4 952 246 shares of STALEXPORT SA, what constitutes 4,60% of the stock capital of STALEXPORT SA and gives the right to 4 952 246 votes at the General Meeting of Shareholders, what constitutes 4,60% of the total number of votes at the STALEXPORT SA General Meeting of Shareholders. Before the transaction of selling the shares of STALEXPORT SA, the Bank possessed 5 452 246 shares of STALEXPORT SA, what constituted 5,06% of the stock capital of STALEXPORT SA and gave the right to 5 452 246 votes at the General Meeting of Shareholders, what constituted 5,06% of the total number of votes at the STALEXPORT SA General Meeting of Shareholders.
8. **On 2nd January 2006** the Company received a notification that on 30th December 2005 the company “STALEXPORT Autoroute S.a.r.l.” Societe a responsabilite limitee

with the seat in Luxembourg was registered by the notary public in Luxembourg. The stock capital of the company amounts to 15 000 EUR (fifteen thousand Euro) and is divided into 600 shares of a nominal value of 25 EUR each. One share entitles to one vote at the general meeting of shareholders. The capital of the above mentioned company was entirely paid in cash and taken over in 100% by STALEXPORT SA. The establishment of the company is an element of the holding structure foreseen by the agreement to grant credit for financing the A-4 toll motorway project on the Kraków-Katowice section (financial closure).

9. **On 24th February 2006** the Company received from its proxy in Luxembourg original documents concerning the registration of the capital increase of the company „STALEXPORT Autoroute S.a.r.l.” with the seat in Luxembourg, 100% dependent upon STALEXPORT SA. The stock capital was increased from the value of 15 000 EUR, ie. by the value of 42 750 000 EUR, via issuing 1 710 000 shares – 25 EUR for each share. The total number of votes after registering the change of the capital value amounts to 1 710 600. The stock capital increase took place via contributions in kind which were effected by STALEXPORT SA in the form of 100% of shares of the company STALEXPORT Autostrada Małopolska S.A.

10. **On 22nd March 2006** the Company informed its proxy in Luxembourg about registering the capital increase of the company ”STALEXPORT Autoroute S.a.r.l.” with the seat in Luxembourg, 100% dependent upon STALEXPORT SA. The stock capital was increased from the value of 42 765 000 EUR to the value of 47 565 000 EUR, ie. by the value of 4 800 000 EUR via issuing 192 000 shares, 25 EUR per each share. The total number of votes after registering the change of the capital value amounts to 1 902 600. The capital increase was carried out by contributions in kind which were effected by STALEXPORT SA in the form of 55% of shares of the company STALEXPORT TRANSROUTE Autostrada S.A.

5.3. Account of transactions with related entities (for a single or total transaction value exceeding 500 thousand EUR in the financial year)

The additional information point 10 of the consolidated financial report contains the description of the transactions with related entities.

5.4. Information on contracted credits, loan agreements, taking into consideration their exactability dates and on granted guarantees and warranties.

The total liabilities of the STALEXPORT Capital Group by virtue of bank credits and loans amount to 83 568 thousand PLN at the end of 2005 and are by 40 826 thousand PLN lower than at the end of 2004.

Long-term liabilities by virtue of bank credits amount to 78 040 thousand PLN and are by 35 706 thousand PLN lower than at the end of 2004.

Short-term liabilities by virtue of credits and loans amount to 5 528 thousand PLN and are by 5 120 thousand PLN lower than at the end of 2004, within this value - 3 340 thousand PLN

concerns the loan granted by the affiliated company STALEXPORT Autostrada Śląska S.A. in favour of STALEXPORT SA.

Notes No. 21 C and 25 C of the consolidated financial report contain detailed information on the contracted credits according to their exactability dates.

Point 7 of the Additional Information contains detailed data about contingent liabilities of the STALEXPORT Capital Group.

5.5. Information on granted loans, taking into consideration their exactability dates and also on granted guarantees and warranties, particularly taking into consideration loans, guarantees and warranties granted to the entities related with the Capital Group

Receivables by virtue of loans granted by STALEXPORT SA amount to 83 784 thousand PLN. An updating deduction in the amount of 83 549 thousand PLN was set up for receivables by virtue of loans. The table contains a detailed specification of granted loans.

Granted loans – state as on 31st December 2005

Exactability dates	Borrower	Capital for repayment (in thousand PLN)
31.12.2002	Ostrowiec Mill	5 000
31.12.2002	Ostrowiec Mill	31 500
31.12.2002	Ostrowiec Mill	36 000
31.12.2002	Ostrowiec Mill	5 600
30.09.2001	Centrozłom Warszawa	3 500
30.06.2001	Centrozłom Warszawa	1.949
30.07.2006	PU „In-bud”	180
29.02.2007	Jarosław Jatkiewicz	55
x	X	In total 83 784

Loans granted to Ostrowiec Mill and Centrozłom Warszawa were reported to the bankruptcy trustee in connection with the bankruptcy proceedings of these companies in progress. The loans for PU “In-bud” and J. Jatkiewicz were taken over from STALEXPORT-Centrostal Warszawa as a result of merging this company with STALEXPORT SA.

Receivables by virtue of loans granted to entities from beyond the Capital Group by other companies of the Capital Group do not occur.

Loans among entities belonging to the Capital Group as on 31st December 2005 are as follows:

Lender	Borrower	Value in thous. PLN	Exactability date	Remarks
STALEXPORT Transroute Autostrada S.A.	STALEXPORT SA	1.000	30.09.2006	
STALEXPORT Autostrada Dolnośląska S.A.	STALEXPORT SA	8.200	30.09.2006	
STALEXPORT Autostrada Śląska S.A.	STALEXPORT S.A.	3.340		Repayment by

					instalments until 25.08.2006
STALEXPORT Centrum S.A.	Serwis	STALEXPORT SA	200	19.01.2006	Repayed in the full amount in January
		In total	12.740		

Warranties and guarantees between entities of the Capital Group did not occur.

The total value of off-balance sheet burdens by virtue of granted warranties and guarantees amounted to 4 724 thousand PLN.

The guarantees decreased in comparison with the end of 2004 by the value of 284 724 thousand PLN as a result of, first of all, requalifying the off-balance sheet liabilities by virtue of the Jedność Tube Rolling Section credit guarantees to long-term liabilities.

5.6. Information on the emission of securities together with an account of using the proceeds from the emission by the Company

In 2005 STALEXPORT SA did not issue securities, however, it took up actions to carry out a new emission of shares within the target capital. According to the agreement signed in May 2006 with the Consortium of Banks (for the Jedność Tube Rolling Section), the emission of the F series shares is being prepared whose aim would be the settlement of their receivables.

5.7. Explanation of differences between the financial results indicated in the annual report (SA-RS) and the quarterly report (SA-QS)

The financial result indicated in the annual report (SA-RS) increased in relation to data indicated in the quarterly report (SA-QRS) by about 30%, thus detailed explanations are not required.

5.8. Assessment together with justification of the management with financial resources, particularly taking into consideration the capacity to settle the contracted liabilities and determination of possible threats and actions which the Group took up or intends to take up in order to counteract these threats.

Information about this is contained in point 3.3.3. of this Report.

5.9. Assessment of the possibility to execute investment tasks

Information concerning this point was partly presented in point 3.4 of this Report, whereas, the investment actions of the Company were presented in the Plan of Investment Outlays for the year 2006 and accepted by the Supervisory Board. The means for investment outlays will come from the Company's current business

5.10. Assessment of factors and unusual events having an impact upon the business result for the financial year determining the degree of the impact of these factors or unusual events upon the achieved result

The information about this point is contained in Chapter 3 . FINANCIAL ANALYSIS OF THE CAPITAL GROUP, point 3.2.

5.11. Profile of external or internal factors essential to the development of the Capital Group and the account of prospects of business development

Situation in the European and world steel industry

The world production of raw steel in 2005 amounted to 1,13 billion tonnes, what meant a 5,9% increase in relation to the previous year, out of which over half was produced in Asia. The biggest production increase (by 24,6%) was noted in China, which produced 349,4 m tonnes of steel. China's share in the world production increased from 26,3% in 2004 to 30,9% in 2005. In China production significantly surpassed demand in 2005.

There was a drop in production and inventories on American markets. There was also a drop in production in Europe (by 2,1%) caused by the necessity to clear stocks from 2004.

After the period of price drops in the first half of 2005, the situation stabilized in the second half of the year in the range of prices of metallurgical products with a growth trend in 2006 caused by, among others, the increase of the prices of raw materials.

The biggest share and consumption dynamics in 2006 will be observed in the countries of the Far East and 1/3 of the demand will come from China. India is also going to be the driving force for demand. A demand increase is expected in steel consuming sectors, eg. the construction sector in all regions of the world, especially in the NAFTA region and South America.

Macroeconomic situation in Poland and in steel consuming sectors

The economic growth rate in 2005 was lower than in 2004. The Gross Domestic Product increased by 3,2% (in 2004 the GDP increased by 5,3%). The domestic demand increased by 1,9% and the gross outlays for fixed assets increased by about 6,2%. The unemployment rate decreased, nevertheless in December 2005 there were about 2,8 million people unemployed.

Industry also increased its sales value by 4%. Nevertheless, in the previous year this increase amounted to 12,3% and in 2003 it amounted to 8,1%. The presented figures are a proof of a diminishing growth dynamics.

In 2005 there was a production increase in 19 sections of the processing industry. The biggest increase occurred in sectors which worked for export. An increase was noted, among others, in areas of industry important from the point of view of steel consumption: Enterprises manufacturing investment goods noted a 8% increase (35% in 2004), consumption goods noted a 7% increase and supply goods noted a 4% increase (12% in 2004).

The biggest growth occurred in such branches of industry as:

- production of machines and equipment by 17,9%
- production of metals by 10,9%

The construction-assembly sector shows a systematic growth. In 2005 it amounted to 7,4% and there was a 12% growth in the sector carrying out infrastructural investments, including the construction of roads. No considerable increase in the housing construction is noticeable.

There was only a slight 2% increase of work efficiency. In 2004 work efficiency increased over 10%, whereas the inflation index dropped considerably from 4,4% at the end of 2004 to 0,7% in December 2005. According to current estimations inflation in 2006 will increase in a moderate way and should not exceed the threshold of 2,2%.

According to preliminary estimations investment outlays in 2005 increased by 9,8% (in 2004 there was a 6,5% increase), yet it is considered that in order to accelerate economic growth, investment outlays should have a two-figure value – the growth in the construction industry and the widely understood investments would then have a more permanent growth trend.

Own means and bank credits are still the sources of financing investments. The EU aid has only a slight share in investments. Such a situation results mainly from the inability to prepare investments according to EU Standards and bureaucratic barriers, unstable tax law, social insurance, lengthy procedures, protests of ecologists.

In 2005, the Monetary Policy Council reduced the interest rates by 250 basis points supporting the investment policy by lowering the credit costs.

By analysing the data it can be ascertained that the economic situation improved at a lower growth rate than last year. There is an export growth, a low inflation under control and an increase in the construction industry. The growth is smaller than assumed probably because the UE funds were not fully used. That is why there is hope that the economic growth rate will increase (it has a growth potential).

Production and commercial situation in the Polish iron and steel industry

In 2005 there was a clear drop in the production of steel and steel products in the Polish iron and steel industry. The Polish mill produced over 4,5 million tonnes of pig iron (drop by 30,5% in relation to 2004) and 8,4 million tonnes of raw steel (drop by 20,3%).

6,2 million tonnes of hot rolled products were produced (drop by 17,3%). There was also a lower production of long products (by 16,7%), as well as, flat products (by 18,2%). There was a 22,6% drop in the production of cold rolled plates and a 11,7% drop in the production of galvanized sheets.

The production of tubes amounted to 380 thousand tonnes, ie. it increased by 1,5% in relation to the previous year, including 169 thousand tonnes of seamless tubes (14,5% growth) and 212 thousand tonnes of seamed tubes (7% drop).

In the period January-November 2005, the export of steel products in total amounted to 3,6 million tonnes (18% drop) and import amounted to 4,4 million tonnes (17% growth). The balance of turnovers in foreign trade according to quantity and in a value aspect was negative.

In the period January-November 2005 the open consumption of steel products amounted to 7,4 million tonnes and was by 5% lower than in the analogous period of 2004. In the structure of open consumption there was a drop in the consumption of flat bars by 6%, long bars by 5% and tubes by 1%.

The import share in the open consumption after eleven months of 2004 amounted to 51,9% (42,2% in the analogous period of 2004).

Projection of the macroeconomic situation in Poland

In 2006, according to the projections of the Free Market Economy Research Institute, the Gross National Product in Poland will increase by 4,5% and in 2007 by 5,0%. Maintaining a 5% growth rate will be possible due to a growing dynamics in the domestic demand and a relatively high export growth dynamics.

In 2006 there will also be a lower growth in the added value in industry than in the year 2005 and will amount to about 3,7%. In 2005 the recession in the construction industry was overcome. The added value in this sector, after four recession years and a growth in 2005, will increase by a further 8,6% in 2006. A 5% growth rate of added value in market services will be maintained, whose share in the GDP will increase.

In the years 2006-2007 inflation in an average –annual aspect should be maintained at the level of 2,5% what means that it will not pose a threat to the macroeconomic stability of the Polish economy. However, the unstable political situation and the confusion around the Monetary Policy Council and the Central Bank can be a big threat to such an assumption.

At the end of 2005 the unemployment rate amounted to 17,8% and it is assumed that in 2006 it should decrease by one per cent point.

Projections for steel consuming sectors in Poland

Generally the economic projections for the steel consuming sectors in Poland are positive. The demand increase is, first of all, caused by investments in the infrastructure (roads, motorways) and positive projections for the construction industry.

The general economic situation in the construction industry at the turn of the year was assessed positively. This resulted from optimistic evaluations of the current and future portfolio of orders and the construction-assembly production.

An improvement in the financial situation of enterprises, including liquidity, is expected both in the processing industry, as well as, the construction-assembly sector.

The profile of internal factors which are essential to the development of the Capital Group and the account of the prospects of business growth is found in **Chapter 6**.

5.12. Changes in the basic principles of managing the company's enterprise and its capital Group

The changing external conditions, including the variable macroeconomic situation obliges the Management Board to continuously monitor – and if such a need arises – modify the principles and the model of management. As the core business of STALEXPORT Capital Group - beside the motorway activity – is steel trade, the Management Board systematically optimizes the chain of forming values, winning and servicing the customer, logistics, supply, post-sale services.

The worked out **Marketing-Commercial Strategy** assumes conducting business by using the working capital which belongs to the Capital Group for generating means for repaying arrangement liabilities, increasing goodwill for shareholders, increasing profits. This goal is

achieved by: the optimization of the sales network and its consolidation, the simplification of management principles, flattening the organizational structure.

Optimization of the sales network

In 2005 the sales network of the STALEXPORT Capital Group consisted of: 3 commercial offices, 11 commercial warehouses and 4 sales centres serviced by the subsidiary companies. The assortment structure of sales of the particular commercial warehouses is wide and differentiated. Its analysis indicates that 30% of the sale assortment items generates 85% of the value of incomes. Plates and tubes constitute an important group in the sale assortment. As MITTAL STEEL /Kraków branch is the main producer of this assortment and prefers to have its goods picked by rail, a warehouse was prepared in Częstochowa, which will facilitate logistics, lower the costs, allow to compile the supplies for individual clients and commercial warehouses optimize their stocks and increase the rotation of stocks. The central warehouse is planned to be opened in the first half of 2006, when an inflow of current assets is expected.

Consolidation of the sales network

On 1st March 2005 the District Court in Katowice issued the decision about merging the Company STALEXPORT CENTROSTAL Warszawa S.A. with STALEXPORT SA. Incorporating the company into the structure of STALEXPORT SA enabled to carry out structural and organizational changes, created chances to effectively use the possessed warehouse-production base for servicing the Warsaw market and its vicinity.

Flattening of the organizational structure

The effected merger flattened the organizational structure and increased the administering flexibility. This state responds to the present conditions of conducting business in a better way and facilitates the mutual cooperation between the STALEXPORT Capital Group and the direct customers.

Simplification of the management principles

A systematic registration of purchase invoices, an integrated system of supplying warehouses, the unification of principles of issuing invoices and launching a computer integrated system of the prefabrication and production of reinforcements and the material economy caused the unification of principles and the simplification of management. The Director of the Distribution Network, who was appointed on 1st June 2005, presides over the above mentioned policy.

Moreover, the take-over of the prefabrication and production department from the company STALEXPORT Centrostal Warszawa S.A by STALEXPORT SA and its reorganization improved the work coordination and increased the processing capacity.

The flexible and effective customer-oriented sales network, supported by the growing steel processing capacity is the main growth factor of the STALEXPORT Capital Group, yet it still needs to be improved.

The model of management introduced in 2002 and modified in the consecutive years aims at increasing work efficiency of STALEXPORT SA and tightening the cooperation of the

Capital Group both in the planistic range, as well as, operating range. Works on improving the principles of Capital Group management have a continuous nature.

5.13. Changes in the composition of persons managing and supervising the Company and the Capital Group in the course of the last financial year, principles of appointing and recalling managing persons, in particular the right to take up decisions about issuing or redeeming shares

a) Management Board

Until 31st July 2005, the composition of the Management Board was the following:

- 1) Emil Wąsacz, President of the Management Board – General Director
- 2) Mieczysław Skołożyński, Vice-president of the Management Board – Financial Director

On 1st August 2005 Urszula Dzierżoń – Member of the Management Board, Commercial Director joined the composition of the Management Board.

b) Supervisory Board

The composition of the Supervisory Board did not change in 2005 and was the following:

In the period from 1st January 2005 until 14th June 2005:

1. Zbigniew Szalajda¹ - Chairman
2. Przemysław Majka - Vice-chairman
3. Krystyna Strzelecka - Secretary
4. Robert Bender
5. Stanisław Berkieta
6. Tadeusz Włudyka

In the period from 15th June 2005 until 23rd June 2005:

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

On 23rd June 2005 the Ordinary General Meeting of Shareholders changed the composition of the Supervisory Board. After these changes, in the period from 23rd June 2005 until 29th March 2006, the composition of the Supervisory Board is as follows:

In the period from 23rd June 2005 until 29th March 2006

1. Tadeusz Włudyka - Chairman
2. Przemysław Majka - Vice-president
3. Krystyna Strzelecka - Secretary
4. Robert Bender

¹ resigned from performing the function of the Chairman of the Supervisory Board on 6th June 2005 and resigned from working in the Supervisory Board on 14th June 2005

5. Jacek Legutko
6. Bohdan Wyżnikiewicz

On 29th March 2006 Mr. Robert Bender resigns from working in the Supervisory Board. Thus, the composition of the Supervisory Board from 29th March 2006 until 24th May 2006 was as follows:

In the period from 23rd June 2005 until 24th May 2006:

1. Tadeusz Władyka - Chairman
2. Przemysław Majka - Vice-president
3. Krystyna Strzelecka - Secretary
4. Jacek Legutko
5. Bohdan Wyżnikiewicz

On 24th May 2006, after the balance sheet date, the Extraordinary General Meeting of Shareholders changed the composition of the Supervisory Board recalling Ms. Krystyna Stzelecka and Mr. Bohdan Wyżnikiewicz from the Supervisory Board and appointing to its composition three new members, ie. Ms. Katarzyna Galus, Mr. Tadeusz Sadowski and Mr. Jerzy Zieliński.

After these changes, in the period from 24th May 2006 until now – the composition of the Supervisory Board is as follows:

In the period from 24th May 2006 until now:

1. Tadeusz Władyka - Chairman
2. Przemysław Majka Vice-president
3. Katarzyna Galus
4. Jacek Legutko,
5. Tadeusz Sadowski
6. Jerzy Zielinski

c) Proxies

The following persons were the Company's proxies until 25th July 2005:

- 1) Marek Bury - Director of the Finance and Controlling Management Office
- 2) Urszula Dzierżoń - Commercial Director
- 3) Małgorzata Michalunio-Kępys Chief Accountant, Director of the Accounting Office

On 25th July 2005 the Management Board granted procuration to:

- Barbara Boś - Director of the Distribution Network

On 31st July 2005 it recalled the procuration of Urszula Dzierżoń (in connection with her appointment to the Management Board).

Thus, the Company's proxies are:

- 1) Marek Bury - Director of the Finance and Controlling Management Office
- 2) Barbara Boś, - Director of the Distribution Network
- 3) Małgorzata Michalunio-Kępys Chief Accountant, Director of the Accounting Office

d) Changes in the compositions of Management Boards and Supervisory Boards of subsidiary companies in 2005 concern:

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

There were no changes in the composition of the Management Board.

Changes in the composition of the Supervisory Board

Changes in the composition of the Supervisory Board occurred in the first half of the year. Mr. Piotr Czerski and Mr. Tomasz Dąbrowski submitted their resignations. After these changes the composition of the Supervisory Board is as follows:

1. Ignacy Maciejewski – Chairman,
2. Małgorzata Makosz,
3. Elżbieta Sarwa.

2. STALEXPORT SERWIS-CENTRUM BELCHATÓW S.A

No changes occurred in the composition of the Management Board.

Changes in the composition of the Supervisory Board

Changes in the composition of the Supervisory Board took place in the first half of the year. Mr. Piotr Czerski and Mr. Tomasz Dąbrowski submitted their resignations. After these changes the composition of the Supervisory Board is as follows:

1. Ignacy Maciejewski – Chairman,
2. Małgorzata Makosz,
3. Elżbieta Sarwa.

3. STALEXPORT AUTOSTRADA DOLNOŚLĄSKA S.A. Katowice

Changes in the composition of the Management Board

Mr. Zbigniew Czapla-Nowicki was appointed to the Management Board of the Company on 20th October 2005

The present Management Board consists of:

1. Jerzy Ożana- President of the Management Board
2. Zbigniew Czapla Nowicki – Vice-president

Changes in the composition of the Supervisory Board

At the Ordinary General Meeting of Shareholders on 18th May 2005 a new Supervisory Board was appointed which replaced the former one and consists of:

1. Anna Górską-Ucinyk - Chairman
2. Zbigniew Czapla-Nowicki – Vice-president
3. Barbara Kepińska - Secretary
4. Rafał Sulik
5. Bronisław Groborz

From 21st October 2005 Mr. Stanisław Kajzer replaced Mr. Zbigniew Czapla-Nowicki in the Supervisory Board and until the end of the year the Supervisory Board consisted of:

1. Anna Górską-Ucinyk - Chairman

2. Barbara Kępińska - Secretary
3. Rafał Sulik
4. Bronisław Groborz
5. Stanisław Kajzer

4. STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. Myslowice

There were no changes in the composition of the Management Board.

Changes in the composition of the Supervisory Board

The composition of the Supervisory Board changed in 2005 - Mr. Zbigniew Czapla-Nowicki was appointed to the Supervisory Board on 1st September 2005.

After these changes the composition of the Supervisory Board is the following:

1. Mieczysław Skołożyński – Chairman,
2. Katarzyna Bijak – Vice-president,
3. Stanisław Kajzer – Secretary,
4. Andrzej Bartosiak,
5. Zbigniew Czapla- Nowicki.

5. PETROSTAL S.A. in liquidation

Changes in the composition of the Management Board

On the day of holding the Ordinary General Meeting of Shareholders, ie. 19th September 2005, Mr. Krzysztof Klepacki was recalled from the post of the President of the Management Board and appointed for the post of the Company's liquidator.

Changes in the Supervisory Board

At the Ordinary General Meeting of Shareholders on 19th August 2005 the Supervisory Board (as below) was recalled:

1. Piotr Czerski – Chairman,
2. Ignacy Maciejewski,
3. Alina Agnieszka Wróbel,
4. Marzena Mazur,
5. Wanda Włodarkiewicz.

Simultaneously, on 19th August 2005, the Ordinary General Meeting of Shareholders appointed the following members to the new Supervisory Board:

1. Ignacy Maciejewski - Chairman,
2. Anna Górńska – Uciniek,
3. Iwona Jamrozik

6. STALEXPORT TRANSROUTE AUTOSTRADA S.A.

Changes in the composition of the Management Board did not occur.

Changes in the composition of the Supervisory Board

On 31st December 2005 Mr. Andrzej Wójcik submitted his resignation from the Supervisory Board.

Mr. Frederic Nicolon was appointed to the Supervisory Board after the balance sheet date in January 2006.

7. BIURO CENTRUM Sp. z o.o.

Changes in the composition of the Management Board

There was a change at the post of the President of the Management Board. Mr. Leszek Nowak resigned from the post of the President of the Management Board on 30th November 2005.

On 1st December 2005 the Supervisory Board took up a decision to appoint Mr. Marek Jaskóła for the post of the President of the Management Board.

8. CENTROSTAL PROFIL Sp. z o.o. in liquidation

No changes occurred in the composition of the Management Board.

Changes in the composition of the Supervisory Board

Mr. Piotr Czernski submitted his resignation from the Supervisory Board on 31st December 2005.

5.14. Information on contracts concluded between the Company and managing persons, foreseeing compensation in case they resign or are dismissed from their held post without an important reason or in case they are recalled or dismissed due to a merger of the Company by a take-over.

In 2005 the Company did not conclude contracts with managing persons foreseeing compensation in case they resign or are dismissed from the held post without an important reason or in case they are recalled or dismissed due to a merger of the issuer by a take-over.

The contracts of employment concluded with the Management Board contain a clause of a six month termination pay in case of being recalled prior to the expiry of the term of office.

5.15. Remuneration of people managing and supervising STALEXPORT S.A. and the Capital Group and other benefits resulting from eg. Motivating programmes for each of the persons.

The total remuneration by virtue of the the contract of employment of persons managing the Company STALEXPORT SA, ie. the Management Board and Proxies for the year 2005 amounted to **2.024.799,61 PLN**, including:

Item No	First name and surname	Function in STALEXPORT SA	Remuneration value from the contract of employment in STALEXPORT SA	Bonuses and rewards in STALEXPORT SA	Remuneration by virtue of performing the function in Supervisory boards of the subordinated entities	In total
1	Emil Wąsacz	President of the Management Board	754.744,30	-	0,00	754.744,30
2	Mieczysław Skołyżyński	Vice-president of the Management	614.958,00	-	42.169,60	657.127,60

		Board				
3	Urszula Dzierżoń	Proxy and since 1st Aug. 2005 Member of the Management Board	268.044,30	-	42.169,60	310.213,90
4	Marek Bury	Proxy	116.218,80	-	30.121,14	146.339,94
5	Małgorzata Michalunio – Kępys	Proxy	141.152,60	-	0,00	141.152,60
6	Barbara Boś	Proxy	129.681,61	-	0,00	129.681,61
x	In total	X	2.024.799,61	-	114.460,34	2.139.259,95

The Supervisory Board determines the principles of remunerating members of the Management Board, whereas, the total remuneration of persons managing the Company by virtue of performing functions in supervisory boards of the subsidiary companies for the year 2005 amounted to 114 460,34 PLN.

Remuneration of members of the Supervisory Board amounted in total to **117 954,34 PLN**, including:

Item No.	First name and surname	Function in the Supervisory Board of STALEXPORT SA	Remuneration by virtue of participating in the Supervisory Board of STALEXPORT SA
1	Tadeusz Włudyka	Chairman	25.970,64
2	Przemysław Majka	Vice-president	24.443,04
3	Krystyna Strzelecka	Secretary	21.387,60
4	Bohdan Wyżnikiewicz	Member since 23.06.2005	11.109,67
5	Robert Bender	Member	0,00
6	Jacek Legutko	Member since 23.06.2005	11.109,67
7	Stanisław Berkiet	Member until 23.06.2005	10 218,52
8	Zbigniew Szalajda	Chairman of the Supervisory Board until 06.06.2005 Member of the Supervisory Board until 14.06 2005	13 715,20
	IN TOTAL		117.954,34

From the day of being appointed to the Supervisory Board, Mr. Robert Bender resigned from collecting remuneration.

The General Meeting of Shareholders determines the principles of remunerating the members of the Supervisory Board, according to the Company's Articles of Association.

The Company did not grant loans, warranties and guarantees to managing persons.

5.16. Shares of the Company and shares and stocks in related entities of the Company held by managing and supervising persons (for each person separately)

The number and nominal value of STALEXPORT SA shares which are held by managing and supervising persons, as on 31st March 2006 is as follows:

1. Emil Wąsacz	59.000 shares of a nominal value of 118.000 PLN
2. Urszula Dzierżoń	23.430 shares of a nominal value of 46.860 PLN
3. Krystyna Strzelecka	4.075 shares of a nominal value of 8.150 PLN
4. Tomasz Niemczyński	30 shares of a nominal value of 60 PLN
5. Katarzyna Bijak	2000 shares of a nominal value of 4.000 PLN
6. Stanisław Kajzer	10 shares of a nominal value of 20 PLN
7. Zbigniew Czapla Nowicki	7845 shares of a nominal value of 15.690 PLN
8. Anna Górka -Ucinyk	50 shares of a nominal value of 100 PLN
9. Zbigniew Grabara	928 shares of a nominal value of 1.856 PLN
10. Jan Czaja	1 share of a nominal value of 2 PLN

The persons managing and supervising STALEXPORT SA do not possess shares or stocks of related entities with the exception of Mr. Ryszard Niedziela – the President of STALEXPORT Centrostal S.A. who possesses 180 shares of this company.

5.17. A list of shareholders holding at least 5% in the total number of votes at the General Meeting of STALEXPORT SA

On the basis of the list of shareholders registered at the last Extraordinary General Meeting of Shareholders (24th May 2006) we present below the shareholders possessing at least 5% in the total number of votes(107 762 023):

§ National Environment Protection and Water Conservation Fund (NFOŚiGW) –	18 022 835 shares	16,72 %
§ PKO Bank Polski S.A.	5 842 547 shares	5,42 %

5.18. Information on agreements known to the Company as a result of which the proportion of shares held by the former shareholders can change in the future.

The Company does not know of any information on other contracted agreements, as a result of which changes in the proportions of the possessed shares by the present shareholders or bondholders could occur in the future except for the agreement concluded on 4th May 2006 with the Bank Consortium in regard to the restructuring of liabilities by virtue of the guarantee granted to the Jedność Tube Rolling Section. This agreement foresees the conversion of the above mentioned receivables into the shares of STALEXPORT SA.

5.19. Shareholders of shares which give special control powers in relation to the Company together with an account of these powers

No STALEXPORT SA shares give special control powers in relation to the Company.

5.20. Information on the control system of the programmes of employee shares

There are no programmes of employee shares in the STALEXPORT Capital Group.

5.21. Information concerning any restrictions in regard to transferring the property right of securities and restrictions in the range of executing the right to vote which fall to the shares of STALEXPORT SA and shares of the companies of the Capital Group.

The STALEXPORT SA shares are neither subject to restrictions in the range of transferring the property right, nor to executing the right to vote falling to the shares.

The following restrictions occur in the range of transferring property rights in the companies of the Capital Group:

- STALEXPORT Autostrada Małopolska S.A.
 - pawnee's consent required, resulting from the pawn agreement
 - Management Board's consent required, resulting from the Company's Articles of Association

- STALEXPORT Transroute Autostrada S.A.
 - pawnee's consent required, resulting from the pawn agreement,
 - the other shareholders have the pre-emptive right ,

- STALEXPORT Autoroute S.a r.L.
 - pawnee's consent required, resulting from the pawn agreement

- STALEXPORT Autostrada Dolnoślaska S.A.
 - Management Board's consent required, resulting from the Company's Articles of Association

- STALEXPORT Autostrada Śląska S.A.
 - the other shareholders have the pre-emptive right,

- STALEXPORT Centrostal S.A. Lublin
 - pawnee's consent required, resulting from the pawn agreement
 - Management Board's consent required, resulting from the Company's Articles of Association,

- STALEXPORT Serwis Centrum S.A. Katowice
 - pawnee's consent required, resulting from the pawn agreement
 - Management Board's consent required, resulting from the Company's Articles of Association

- STALEXPORT Metalzbyt Sp. Z o.o.
 - Supervisory Board's consent required, resulting from the Company's Articles of Association

- STALEXPORT Serwis Centrum S.A. Bełchatów
 - Supervisory Board's consent required, resulting from the Company's Articles of Association

- Biuro Centrum Sp. z o.o.
 - the other shareholders have the pre-emptive right

5.22. Date of concluding the agreement with the entity entitled to examine financial reports and the consolidated financial report, period for which it was concluded, as well as, the total remuneration value for the unit and consolidated review in a given financial year.

STALEXPORT S.A.

The agreement for audit services with the company BDO Polska Sp. z o.o. was signed on 11th August 2005 for a period of one year – 2005 The agreement encompasses:

- a semi-annual review of the unit and consolidated financial report of STALEXPORT SA,
- annual examination of the unit and consolidated financial report of STALEXPORT SA.

The auditor's total remuneration amounted to 191 thousand PLN

The remaining remuneration value which does not result from the examination of financial reports in 2005 amounted to 32 000 PLN.

In 2004 the auditor's remuneration amounted to 160 000 PLN.

STALEXPORT SERWIS CENTRUM S.A. Katowice

The agreement for audit services with the company BDO Polska Sp. z o.o. was signed on 31st July 2005 for a period of one year – 2005. The agreement encompasses:

- a semi-annual review of the unit financial report of STALEXPORT SERWIS CENTRUM S.A.
- annual examination of the unit financial report of STALEXPORT SERWIS CENTRUM S.A.
- certificate works connected with changing to IAS.

The auditor's total remuneration amounted to 36 thousand PLN, including certificate works 8 thousand zloty.

In 2004 the auditor's remuneration amounted to 28 thousand PLN.

STALEXPORT CENTROSTAL S.A. Lublin

The agreement for audit services with the company BDO Polska Sp. z o.o. was signed on 22nd August 2005 for a period of one year . The agreement comprises:

- a semi-annual review of the unit financial report of STALEXPORT Centrostal S.A. Lublin as on 30th June 2005 acc to IAS, .
- annual examination of the unit financial report of STALEXPORT Centrostal S.A. Lublin as on 31st December 2005 acc to IAS, .
- certificate works for the benefit of STALEXPORT Centrostal S.A. Lublin (semi-annual review of 2004) connected with change to IAS, including BO as on 1st January 2004 – individual report,
- certificate works for the benefit STALEXPORT Centrostal S.A. Lublin (annual examination of 2004) connected with change to IAS, including BO as on 1st January a 2004 – individual report.

The auditor's total remuneration amounted to 23. 8 thousand zloty.

In 2004 the auditor's remuneration amounted to 18.8 thousand zloty.

STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A.

The agreement for audit services with the company BDO Polska Sp. z o.o. was signed on 30th June 2005 for a period of one year 2005. The agreement comprises:

- a semi-annual review of the unit financial report of STALEXPORT Autostrada Małopolska S.A.,
- annual examination of the unit financial report of STALEXPORT Autostrada Małopolska S.A .

The auditor's total remuneration amounted to 28 thousand zloty.

The amount of the remuneration paid by virtue of other ground than examining the financial reports (tranings) in 2005 amounted to 5,070 zloty.

In 2004 the auditor's remuneration amounted to 28 thousand zloty.

STALEXPORT TRANSROUTE AUTOSTRADA S.A.

The agreement for audit services with the company BDO Polska Sp. z o.o. was signed on 11st April 2005 for a period of one year. The agreement comprises:

- a semi-annual review of the unit financial report of STALEXPORT TRANSROUTE AUTOSTRADA S.A. as on 30th June 2005 acc to IAS,
- annual examination of the unit financial report of STALEXPORT TRANSROUTE AUTOSTRADA S.A as on 31st December 2005, acc to IAS.

The auditor's total remuneration amounted to 34,160 zloty.

The remainign amount of the remuneration paid by virtue of other ground than examining the financial reports in 2005 amounted to 3,950 zloty.

In 2004 the auditor's remuneration amounted to 26.300 zł

STALEXPORT AUTOSTRADA DOLNOŚLĄSKA S.A.

The agreement for audit services with the company Office of Expert Auditors Sp. z o.o. in Katowice was signed on 5th January 2006. The agreement comprises:

- examining of the annual individual and consolidated financial report of Stalexport Autostrada Dolnośląska S.A. for 2005.

The auditor's total remuneration amounted to 14,640 zloty.

In 2004 the auditor's remuneration amounted to 14,640 zloty.

STALEXPORT AUTOSTRADA ŚLĄSKA S.A.

The agreement for audit services with the company BUFIKS Office of Accounting and financial services of the Association of Accountants in Poland Sp. z o.o. in Katowice was signed on 6th March 2006. The agreement comprises:

- examining of the annual financial report of Stalexport Autostrada Śląska S.A for 2005 .

The auditor's total remuneration amounted to 11,956 zloty.

In 2004 the auditor's remuneration amounted to 9,600 zloty.

5.23. Other information

1. The companies of the Capital Group did not carry out capital investments in 2005
2. The account of the organization of the STALEXPORT Capital Group together with the indication of entities subject to consolidation and the consolidation principles adopted by the Capital Group were presented in „ Preliminary information and the

profile of applied accounting principles in the consolidated financial report of STALEXPORT SA as on 31st December 2005”

3. The account of essential off balance sheet items in a subjective, objective and value aspect was presented in” Additional information on the consolidated financial report of STALEXPORT SA for 2005”.
4. The Companies of the Capital Group had financial liquidity in 2005.

6. DEVELOPMENT PROSPECTS AND ACCOUNT OF BASIC RISKS AND THREATS, PROFILE OF EXTERNAL AND INTERNAL FACTORS ESSENTIAL TO THE DEVELOPMENT OF THE STALEXPORT CAPITAL GROUP

6.1. Development prospects

Year 2005 and the beginning of 2006 was a period rich in events which essentially influenced the present and future situation of the STALEXPORT Capital Group. Among the most important events were:

- **Obtaining the financial closure of the motorway project** by signing the credit agreement between the subsidiary Company STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. (SAM S.A.) with the consortium of banks. This allowed to settle the main liability of the concessionaire of the A-4 motorway on the Kraków-Katowice section, resulting from the consecutive appendix to the Concession Agreement, which came into force on 17th October 2005 and enabled to maintain the financial assets of a considerable value in the Company’s assets.
- **Talks on the Jedność Tube Rolling Section** which continued in the course of the entire year 2005 and at the beginning of 2006 with the Bank Consortium **led to signing the agreement on 4th May 2006.** It regulates the repayment principles and conditions of liabilities resulting from the guarantee granted for the Jedność Tube Rolling Section, what is described in detail in point 3.2 (ad.4) of this report. Solving this issue has a very essential meaning for the shareholders and creditors of the Company because the issue of its off balance sheet liabilities which amounted at the beginning of 2005 to nearly 288 m PLN and dropped at the end of the year to a value not exceeding 5 m PLN was clarified. Moreover, this agreement opens the road to negotiations with the Minister of Finance in regard to principles and conditions of restructuring liabilities by virtue of the (bill) guarantee, which STALEXPORT SA granted in connection with the guarantee of credits by the Minister of Finance in favour of the Jedność Tube Rolling Section. Solving this problem will definitively close the history of the 1990s which led the company to the brink of bankruptcy .
- **Improvement of the Company’s current liquidity.** In the discussed period thanks to selling the real estate in Warsaw at Obrzeźna Street in Warsaw in connection with the planned location change of the commercial and production activity, net cash proceeds in the amount exceeding 50 m PLN were obtained. Moreover, after signing the consecutive appendix to the concession agreement and obtaining the financial closure, STALEXPORT SA signed an agreement with the company SAM S.A. in regard to repaying investment outlays incurred by STALEXPORT SA in the period when it had

been the concessionaire administering the A-4 motorway on the Kraków-katowice section. As a result of this agreement a net value of 60 m PLN will be refunded in favour of STALEXPORT SA.

- **Repayment of 81 m PLN of arrangement liabilities and restructured off-arrangement liabilities merely in 2005** Undoubtedly such a significant financial endeavor was achieved at the cost of the Company's incomes in 2005. Nevertheless, the execution of the above mentioned liabilities is a matter of „to be or not to be” for STALEXPORT SA. Until the day of the report we repaid 460 m PLN, out of which 190 m PLN via the emission of shares, the rest by cash. There are still 76 m PLN of arrangement liabilities and 61 m PLN of off –arrangement liabilities to be repaid until the half of 2008. That is why the improvement of the aforementioned current liquidity is so important

Taking the above into consideration, the strategy of the STALEXPORT Capital Group concentrates on two basic fields:

- 1) **business development both on the domestic market on the basis of the network of commercial warehouses and subsidiary distribution companies, as well as, the foreign market (export, import) and the development of processing activity,**
- 2) **development of the motorway activity.**

ad 1)

In business development special attention is focused on:

- increasing economic efficiency of the distribution network,
- developing processing and prefabrication of reinforcements.

These fields constitute the basis for the carried out **”Marketing-commercial strategy of STALEXPORT S.A.”** It aims at achieving such a coordination of marketing-commercial and restructuring actions which would enable STALEXPORT SA to generate a margin of profit from the working capital of the STALEXPORT Capital Group what would help to repay arrangement liabilities, increase goodwill for shareholders and increase profits.

Improving the economic efficiency of the distribution network

The following actions are conducted in the course of improving economic efficiency of the distribution network:

- § improving principles and the coherent marketing, commercial and logistic policy enabling to use the existing potential in a better way (the scale and synergy effect),
- § improving the principles of financial controlling as the basic evaluation method of work efficiency of the individual commercial warehouses and business sectors,
- § concentrating on maintaining a significant market position in chosen assortments of products and goods ensuring adequate margins of profit and rotation cycles,
- § improving the process of servicing customers on the basis of the Quality Management System ISO 9001:2000 which functions in STALEXPORT SA in order to **SATISFY THE NEEDS OF THE CUSTOMER IN THE BEST POSSIBLE WAY AND REMAIN AHEAD OF HIS EXPECTATIONS.**

The principle of the current cooperation with strategic customers is conducted and it brings the biggest turnovers and margins of profit for the company. The financial situation of

customers is continuously monitored from the perspective of their financial liquidity and the value of merchant credits granted to them.

Taking into consideration the economic efficiency criteria, the STALEXPORT Capital Group regularly carries out changes in the organizational structure whose aim is to flatten and simplify it. Analysing the activity of particular commercial warehouses, STALEXPORT SA adapts their quantity and location to future (projected) market needs.

The carried out processes should, in the nearest future, further improve business, bring about a drop in the costs of sale and improve management with the working capital.

Development of processing and prefabrication of reinforcements

The companies more willingly transfer the initial production phases outside in order to lower the costs. The new companies with foreign capital are particularly interested in these types of services as, on the one hand, they are accustomed to receiving this type of services from outside, on the other hand, they want to restrict the level of capital outlays required to launch their own production. This is an opportunity for steel distributors to increase the volume of services and added value in their business, enabling, as a consequence, to strengthen the position on the steel market.

The STALEXPORT Capital Group on the basis of its knowledge and experience aims at satisfying the growing demand on the market of steel products, initially processed from a perspective of the customer's needs. Improving the rendered services, customers are included in the production schedule in the *just in time* system.

STALEXPORT SA has two prefabrication and production plants of reinforcements located in:

- Katowice
- and in Warsaw

Currently, these plants are undergoing a deep modernization. Their two automatized and computerized production lines, equipped with machines of such firms as: EVG, Schnell and MEP have a production capacity of about 3 000 Mg/elements of reinforcements per month each.

Taking into consideration the growth potential of Wielkopolska and Western Pomerania, STALEXPORT SA is in the course of organizing a production plant of reinforcements in Krzyż Wielkopolski. The production capacity of the launched line is about 1 000 Mg/elements of reinforcements per month.

The modernized production plants of reinforcements for the construction industry enable to process reinforcement steel in grade BST500S, RB500W, ST500B and diameters in the range from 6 to 36 mm according to the needs of the ordering party. They also render transport and assembly services at construction sites.

At present there are such opportunities as:

- A growing market of reinforcement steel (consumption in Poland 20-30kg/per person, EU-Spain, Portugal, Italy 90-100 kg/per person)
- Until 2013 Poland has a value of 35 billion EUR to spend on infrastructural investments (roads, water sewage treatment plants, railways, engineering constructions)

- Investment growth projections in the construction industry
- A bigger added value in the processed steel, share increase in the market, complementarity of services, reduction of costs.

Apart from the prefabrication of reinforcements, the STALEXPORT Capital Group also has a processing capacity in the range of flat products. Nevertheless, the position held in this market sector is far beyond the potential capacity. Out of 175 thousand tonnes which were sold in 2005 merely a few dozen tonnes were subject to purification processes. This field of activity will be developed. Currently talks are held with potential partners interested in strategic cooperation in order to determine the optimum range of the planned investment and the mutual share in it.

Ad.2)

STALEXPORT SA possessed a thirty-year concession, granted in 1997, for the construction of the A-4 motorway on the Kraków-Katowice section by adapting it to the requirements of a toll motorway which was transferred to the subsidiary Company STALEXPORT Autostrada Małopolska S.A. on 28th July 2004.

In the development of motorway activity, the Management Board focuses particular attention on:

- the execution of liabilities resulting from the concession agreement on the A-4 Kraków-Katowice section, including especially the execution of the investment programme in the range of repair works and modernization of the route until the end of 2009
- preparations to participate in further stages of tender proceedings for the construction and operation of the A1 Stryków-Pyrzowice and A2 Stryków-Konotopa motorways in partnership with Autostrade Spa,
- preparations to a possible tender for the maintenance and operation of the A-4 Wrocław-Katowice motorway
- promoting the Public-Legal Partnership in the range of motorway projects
- undertaking actions in order to win a strategic investor

There is good prognostication, as far as the motorway activity of STALEXPORT SA is concerned:

- in the range of the carried out motorway project:
 - a maintaining economic growth generating traffic increase,
 - development of the commercial cooperation with the Ukraine generating a transit traffic increase,
 - extension of the A-4 motorway eastwards and westwards channeling traffic increase in the A-4 channel;
- in the range of future motorway projects:
 - plans of extending the motorway network in Poland (over 2000 km until 2013), together with the private sector,
 - interest of foreign concerns to enter the Polish motorway market together with domestic partners,

The Management Board of STALEXPORT SA conducts an active policy whose aim is to win capital and commercial partners who would participate in the present and future motorway tenders. STALEXPORT SA also takes advantage of its strategic position in the motorway activity in Poland which manifests itself, among others, in:

- the longest experience in the project management of the toll motorway on the Polish market,
- economically efficient management due to the traffic level on the motorway section – not requiring public grants,
- the experience in participating in the motorway tenders in Poland.

6.2. Account of basic risks and threats and the profile of external and internal factors essential to the development of the STALEXPORT Capital Group, counteracting these risks

The basic risks and threats of the economic activity of the STALEXPORT Capital Group are connected with the following fields:

- a) **commercial activity,**
- b) **financial activity,**
- c) **motorway activity.**

ad a) Basic risks and threats related to the commercial activity of the STALEXPORT Capital Group

Among the basic risks and threats related to the commercial activity are:

- limited access to current assets – the analysis of commercial activity and the existing market potential in the range of the growing market of steel, alloy steel and non-ferrous metals indicates that there is a possibility to increase turnovers and, at the same time, the value of the margin of profit by increasing current assets.
- the commercial policy of the owners of the mills who are trying to diminish the role of agents,
- growing market competition mainly from the side of distributors representing big steel concerns which has an impact upon the average commercial margin of profit value.

Actions limiting the above mentioned risks

In a situation when the steel market, thanks to growing competition, is characterized by a decreasing margin of profit value increased working capital and thus better terms of payment allow to obtain better supply conditions with producers improving the competitive position and directly exerting an impact upon share increase in the market. The STALEXPORT Capital Group has very limited possibilities here. It is the fifth year in a row when it conducts business without access to bank credits. Nevertheless, the Management Board truly believes that after the Company regains trust on the market, as a result of the systematic repayment of our liabilities and after obtaining good financial results, the bank market will gradually renew credits for STALEXPORT SA contracts.

A frame financing agreement and a non-revolving credit agreement with Fortis Bank Polska S.A. and a guarantee agreement with PZU S.A. concluded in May 2006 is a good prognostication for STALEXPORT.

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

- § further optimization of the functioning costs and improvement of the processes carried out in STALEXPORT SA and the entire Capital Group together with the conducted consolidation of the Capital Group,
- § sale of other redundant assets not connected with the core business of the company, mainly in the form of real estates (real estates of Kościuszko Mill, real estates within Mickiewicza, Sobieski and Opolska streets in Katowice and the transfer of the activity of the Branch in Warsaw to a new place with lower functioning costs),
- § refundment of investment outlays incurred by STALEXPORT SA for adapting the A-4 motorway on the Kraków-Katowice section in connection with transferring the concession to STALEXPORT Autostrada Małopolska S.A.,
- § new emission of shares. As early as in mid May 2004 the shareholders entitled the Management Board to increase the stock capital within the target capital. Until 13th May 2007 the Management Board can – in one single or a few stages – decide to issue up to 50 million shares (capital increase by 46%). Having in mind the concluded agreement with the Bank Consortium, the Management Board of STALEXPORT SA – using the possessed power – will carry out the emission in the nearest future for the value of about 35 million PLN for the creditors' banks.

ad b) Risk factors and threats for conducting the strategy in the range of financial activity

The basic threats in the range of financial activity are:

- the necessity to conduct business at a decreasing value of working capital due to repaying arrangement and off-arrangement liabilities without the support of bank credits,
- a low credit credibility of STALEXPORT SA,
- burdens resulting from arrangement and off-arrangement liabilities which are to be repaid.

Actions limiting the above risk

The following actions reduce the risks connected with the necessity to conduct business under the decreasing value of working capital:

- **acceleration of the turnover cycle of working capital** by increasing the share of commercial transactions which are characterized by the possibly shortest financing period (understood as the total period of piling stocks and collecting receivables), looking for possibilities of discounting chosen commercial receivables from clients, who are offered payment dates longer than 30 days, increasing the frequency of export deliveries.
- **taking advantage of the possessed unburdened assets of STALEXPORT SA** for securing possible credit lines;
- **leveraging external sources of financing** in tight connection with commercial transactions which require financing, especially export, production activity and import.

ad c)

The basic risk and threat for the motorway activity of STALEXPORT SA is:

- the variability of the policy of successive governments in the range of the construction and operation of motorways in Poland.

Despite the changing conceptions of constructing and operating motorways in Poland, the Management Board takes a stand that the Public-Private Partnership is the best method for carrying out the infrastructural investments. It is successfully applied in many dynamically developing countries.

Summary

Analysing the existing situation of the STALEXPORT Capital Group it should be ascertained that the main tasks for the nearest years are:

- § repayment of restructured liabilities,
- § efficiency improvement via organizational integration of the distribution network and development of the production-processing activity,
- § increase of the share in the market and strengthening the position on the domestic market and in export,
- § development of motorway activity.

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

- § leveraging financial means from the credit and capital market,
- § improvement of the market credibility and image of STALEXPORT SA.

**Member of the
Management Board
Commercial Director**

/Urszula Dzierżoń/

**Vice-president of the
Management Board
Financial Director**

/Mieczysław Skołożyński/

**President of the
Management Board
General Director**

/Emil Wąsacz/

Katowice, May 2006

7. ENCLOSURES

According to the Decree of the Finance Minister of 19 October 2005 regarding the 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 Company's material and financial situation and its financial result and that the report of the management board contains a true picture of development and achievements and the issuer's situation, including the presentation of the basic risks.

Statement

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

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

**Member
of the Management Board
Commercial Director**

**Vice-Chairman
of the Management Board
Financial Director**

**Chairman
of the Management Board
General Director**

/Urszula Dzierżoń/

/Mieczysław Skołożyński/

/Emil Wąsacz/

Katowice, May 2006

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. under the § 18 passage 2 item 11 of the Charter of STALEXPORT SA in Katowice.

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

**Member
of the Management Board
Commercial Director**

**Vice-Chairman
of the Management Board
Financial Director**

**Chairman
of the Management Board
General Director**

/Urszula Dzierżoń

Mieczysław Skołożyński/

/Emil Wąsacz/

Katowice, May 2006

7.3. Statement of the Management Board on applying the Best Practices by the Company.

Statement

We, hereby, state that in 2005 STALEXPORT S.A: approved and applied in its activity the principles of the Best Practices.

**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, May 2006