

**SECURITIES AND STOCK EXCHANGE COMMITTEE**  
**Consolidated quarterly report SA-QSr 1/2006**

According to the Decree of the Minister of Finance dated 19th October 2005, Journal of Law No 209, item 1744

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

For 1st quarter of the current turnover year covering the period from 01.01.2006 to 31.03.2006  
and for the 1st quarter of the previous turnover year covering the period from 01.01.2005 to 31.03.2005

15.05.2006  
(date of publishing)

<b>STALEXPORT Joint Stock Company</b> (full name of the issuer)		
<b>STALEXPORT S.A.</b> (abridged name of issuer)	<b>metal sector 17</b> (sector acc. to Securities Stock Exchange classification in Warsaw)	
<b>40-085</b> (postal code)	<b>Katowice</b> (city)	
<b>Mickiewicza</b> (street)	<b>29</b> (number)	
<b>032 25-30-795</b> (phone)	<b>032 25-30-795</b> (fax)	<a href="mailto:stalex@stalexport.com.pl">stalex@stalexport.com.pl</a> (e-mail)
<b>634-01-34-211</b> (NIP- Tax Identification No.)	<b>271936361</b> (REGON- statistical No.)	<a href="http://www.stalexport.com.pl">www.stalexport.com.pl</a> (www)

Audytora: BDO Polska Sp. z o.o.

SELECTED FINANCIAL DATA	thousand zloty		thousand EUR	
	Ist quarter 2006	Ist quarter 2005	Ist quarter 2006	Ist quarter 2005
	01.01.2006 31.03.2006	01.01.2005 31.03.2005	01.01.2006 31.03.2006	01.01.2005 31.03.2005
I. Net income from sale of products, goods and materials	167 249	184 440	43 491	47 961
II. Operating profit (loss)	15 027	16 203	3 908	4 213
III. Gross profit (loss)	18 112	12 419	4 710	3 229
IV. Net profit (loss)	22 332	9 909	5 807	2 577
V. Net cash flow from operating activity	(29 729)	4 972	(7 731)	1 293
VI. Net cash flow from investment activity	57 441	2 228	14 937	579
VII. Net cash flow financial activity	(11 498)	(12 948)	(2 990)	(3 367)
VIII. Total net cash flow	16 214	(5 748)	4 216	(1 495)
IX. Total assets	789 445	672 290	200 586	170 818
X. Liabilities and reserves for liabilities	733 436	588 595	186 355	149 553
XI. Long-term liabilities	611 145	325 901	155 282	82 806
XII. Short-term liabilities	122 291	262 694	31 072	66 746
XIII. Shareholders' equity	56 009	83 695	14 231	21 266
XIV. Share capital	215 524	215 524	54 761	54 761
XV. Number of shares	107 762 023	107 762 023	107 762 023	107 762 023
XVI. Profit (loss) per ordinary share ( in zloty /EUR)	0,21	0,09	0,05	0,02
XVII. Diluted profit (loss) per ordinary share ( in zloty /EUR)	-	-	-	-
XVIII. Book value per share ( in zloty/EUR)	0,52	0,78	0,14	0,20
XIX. Diluted book value per share ( in zloty /EUR)	-	-	-	-

**Consolidated balance sheet**

	31.03.2006	31.12.2005	31.03.2005
<b>ASSETS</b>			
<b>I. Long-term assets</b>	<b>542 076</b>	<b>380 573</b>	<b>262 803</b>
1. Tangible fixed assets	300 272	307 215	161 891
2. Intangible assets, including:	392	413	508
- goodwill	-	-	-
2. Goodwill of subordinated entities	-	-	-
4. Long-term receivables	472	226	947
5. Long-term investments	<b>15 776</b>	<b>62 766</b>	<b>89 863</b>
5.1. Real estates	10 000	56 945	83 603
5.2. Intangible assets	-	-	-
5.3. Long-term financial assets	<b>5 776</b>	<b>5 821</b>	<b>6 241</b>
a) in related companies	<b>3 526</b>	<b>3 568</b>	<b>4 346</b>
- of which shares in subordinated companies valued under the ownership rights method	3 395	3 437	3 548
- shares in subsidiary and correlated entities not covered by consolidation	131	131	798
b) in other entities	2 250	2 253	1 895
5.4. Other long-term investments	-	-	19
6. Assets available for sale	2 199	4 231	-
7. Deferred income tax assets	6 314	5 627	9 594
6.2. Other long-term deferred expenses	216 651	95	-
<b>II. Current assets</b>	<b>247 369</b>	<b>174 359</b>	<b>409 487</b>
1. Inventories	75 521	48 380	80 390
2. Current receivables	116 917	98 839	180 222
3. Short-term investments	547	235	19
4. Cash and cash equivalents	42 428	26 214	16 470
4. Short-term deferred expenses	11 956	691	132 386
<b>Total Assets</b>	<b>789 445</b>	<b>554 932</b>	<b>672 290</b>

	31.03.2006	31.12.2005	31.03.2005
<b>LIABILITIES</b>			
<b>I. Shareholders' Equity</b>	<b>56 009</b>	<b>29 818</b>	<b>83 695</b>
I.1 Shareholders' equity falling to the shareholders of the Company	51 710	25 769	82 047
1. Share capital	215 524	215 524	215 524
2. Not paid-up share capital (negative value)	-	-	-
3. Own shares in treasury (negative value)	(72)	(73)	-
4. Reserve capital	101 678	101 676	112 747
5. Revaluation capital	16 390	16 432	8 699
6. Other reserve capitals	51 017	51 017	98 406
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)	(355 159)	(252 886)	(363 238)
9. Net profit (loss) falling to the shareholders of the company	22 332	(105 921)	9 909
10. Net profit write-downs during the financial year (negative value)	-	-	-
<b>I.2. Minority capitals</b>	<b>4 299</b>	<b>4 049</b>	<b>1 648</b>
<b>II. Long-term liabilities</b>	<b>611 145</b>	<b>397 080</b>	<b>325 901</b>
1. Credits and loans	71 100	79 044	-
2. Liabilities by virtue of financial leasing	5 895	6 301	-
3. Liabilities by virtue of trade account receivable	-	-	-
4. Other liabilities	500 990	285 844	230 648
5. Reserve by virtue of the deferred income tax	1 863	11 005	11 848
6. Reserves for other liabilities	13 395	13 402	10 549
7. Long-term interperiod settlements	17 902	1 484	72 856
<b>IV. Short-term liabilities</b>	<b>122 291</b>	<b>128 034</b>	<b>262 694</b>
1. Credits and loans	5 286	5 478	-
2. Liabilities by virtue of financial leasing	-	-	-
3. Liabilities by virtue of trade account receivable	89 805	75 610	226 857
4. Other liabilities	18 078	17 036	457
5. Reserves for liabilities	5 085	6 294	12 456
6. Short-term interperiod settlements	4 037	23 616	22 924
<b>Total liabilities</b>	<b>789 445</b>	<b>554 932</b>	<b>672 290</b>

Book value	56 009	29 818	83 695
Number of shares	107 762 023	107 762 023	107 762 023
Book value per share (in zlotys)	0,52	0,28	0,78
Diluted number of shares			
Book value per share (in zlotys) - diluted			

<b>Consolidated profit and loss account</b>		
	<b>1st quarter 2006</b> <b>01.01.2006</b> <b>31.03.2006</b>	<b>1st quarter 2005</b> <b>01.01.2005</b> <b>31.03.2005</b>
<b>I. Net incomes from sale of products, goods and merchandise</b>	<b>167 249</b>	<b>184 440</b>
1. Net sales of products	39 443	29 207
2. Net sales of goods and merchandise	127 806	155 233
<b>II. Cost of products, goods and merchandise sold</b>	<b>131 202</b>	<b>156 349</b>
1. Manufacturing cost of products sold	16 276	10 969
2. Value of merchandise and goods sold	114 926	145 380
<b>III. Gross profit (loss) on sales (I-II)</b>	<b>36 047</b>	<b>28 091</b>
<b>IV. Other incomes</b>	<b>7 694</b>	<b>6 738</b>
<b>V. Sales costs</b>	<b>5 312</b>	<b>6 046</b>
<b>VI. Costs of general management</b>	<b>17 851</b>	<b>10 648</b>
<b>VII. Other costs</b>	<b>5 495</b>	<b>1 806</b>
<b>VIII. Share in profits (losses) in subordinated entities evaluated by property right method</b>	<b>(56)</b>	<b>(126)</b>
<b>IX. Profit (loss) on operating activity (III+IV-V-VI-VII+/-VIII)</b>	<b>15 027</b>	<b>16 203</b>
<b>IX. Financial incomes</b>	<b>8 199</b>	<b>3 821</b>
1. Dividends and shares in profits	-	-
2. Interests	1 110	3 769
3. Profit from investment sale	6 712	-
4. Updating the investment value	-	-
5. Other	377	52
<b>X. Financial costs</b>	<b>5 114</b>	<b>7 605</b>
1. Interests	4 461	6 479
2. Loss from investment sale	-	-
3. Updating the investment value	-	-
4. Other	653	1 126
<b>XII. Profit (loss) on sales of total or part of shares in subordinated entities</b>	<b>-</b>	<b>-</b>
<b>XIII. Gross profit (loss) (IX + X - XI +/- XII)</b>	<b>18 112</b>	<b>12 419</b>
<b>XIV. Income tax</b>	<b>(4 471)</b>	<b>2 296</b>
a) current part	(3 842)	2 539
b) deferred part	(629)	(243)
<b>XV. Net profit (loss) (XIII-XIV +/- XVI), including:</b>	<b>22 583</b>	<b>10 123</b>
XVI. Profits (losses) of minority	251	214
<b>XVII. Profit (loss) falling to the shareholders of the company (XIV+/- XVI)</b>	<b>22 332</b>	<b>9 909</b>
Net profit (loss)	<b>22 332</b>	<b>9 909</b>
Weighted average number of ordinary shares	<b>107 762 023</b>	<b>107 762 023</b>
Earning (loss) per ordinary share (in zlotys)	<b>0,21</b>	<b>0,09</b>
Diluted weighted average number of ordinary shares		
Profit (loss) per ordinary share (in zlotys) - diluted		

## Changes in consolidated equity

	31.03.2006	31.12.2005	31.03.2005
I. Shareholders' Equity at the beginning of period (opening balance)	29 818	82 057	139 009
a) changes in accepted accounting principles (policy)	-	-	(5)
b) corrections of material faults	-	-	-
I. Shareholders' Equity at the beginning of period (opening balance), after restatement to comparative data	<b>29 818</b>	<b>82 057</b>	<b>139 004</b>
1. Share capital at the beginning of period	215 524	215 524	215 524
1.1. Changes in share capital	-	-	-
a) additions, of which:	-	-	-
- issuance of shares	-	-	-
- increase in basic capital	-	-	-
b) reductions, of which:	-	-	-
- retirement of shares	-	-	-
- decrease in basic capital	-	-	-
1.2. Share capital at the end of period	<b>215 524</b>	<b>215 524</b>	<b>215 524</b>
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	-	(5 638)	5 638
	-	-	-
b) reductions, of which:	-	(5 638)	5 638
	-	-	-
consolidation adjustments re SAD	-	(5 638)	5 638
2.2. Not paid-up share capital at the end of period	-	-	-
<b>3. Own shares in treasury at the beginning of period</b>	(73)	(44)	(44)
3.1. Changes in own shares in treasury	<b>1</b>	<b>(29)</b>	<b>44</b>
a) additions, of which:	-	(576)	-
- issue for minority shareholders	-	(570)	-
consolidation adjustments	-	(6)	-
b) reductions, of which:	(1)	(547)	(44)
- issue for minority shareholders	(1)	(547)	-
consolidation adjustments	-	-	(44)
3.2. Own shares in treasury at the end of period	<b>(72)</b>	<b>(73)</b>	-
<b>4. Reserve capital at the beginning of period</b>	101 676	113 153	113 153
4.1. Changes in reserve capital	<b>2</b>	<b>(11 477)</b>	<b>(406)</b>
a) additions, of which:	<b>2</b>	<b>31 888</b>	<b>559</b>
- shares issue above nominal value	-	-	-
- distribution of profit	-	30 888	-
- distribution of profit (in excess of minimum value required by law)	-	347	-
- consolidation adjustments, including those connected with excluding from consolidation the subsidiary companies	-	562	559
- other	-	56	-
- sale, disposal of fixed assets	2	35	-
b) reductions, of which:	-	<b>43 365</b>	<b>965</b>
- loss coverage	-	42 894	551
- exclusion of surcharges to capital	-	200	-
- consolidation adjustments, including those connected with excluding from consolidation the subsidiary companies	-	271	414
4.2. Reserve capital at the end of period	<b>101 678</b>	<b>101 676</b>	<b>112 747</b>
5. Revaluation capital at the beginning of period	16 432	43 382	12 380
5.1. Changes in revaluation capital	<b>(42)</b>	<b>(26 950)</b>	<b>(3 681)</b>
a) additions, of which:	-	<b>166 035</b>	<b>573</b>
- re-valuation of fixed assets	-	132 402	-
- consolidation adjustments	-	33 633	573
b) reductions, of which:	<b>42</b>	<b>192 985</b>	<b>4 254</b>
- disposal of fixed assets	2	35	-
	-	-	-
-consolidated adjustments including: those connected with excluding from consolidation the subsidiary companies	40	192 950	4 254
5.2. Revaluation capital at the end of period	<b>16 390</b>	<b>16 432</b>	<b>8 699</b>

	31.03.2006	31.12.2005	31.03.2005
<b>6. Other reserve capital at the beginning of period</b>	51 017	97 446	97 446
<b>6.1. Changes in other reserve capital</b>	-	(46 429)	960
a) additions, of which:	-	51 215	2 427
profit distribution	-	-	-
- execution of arrangement liabilities - repayment of instalments	-	51 017	2 427
consolidation adjustments	-	198	-
b) reductions, of which:	-	97 644	1 467
- re-booking for inventory capital	-	-	-
- loss coverage	-	95 979	-
- other	-	-	-
consolidation adjustments	-	1 665	1 467
<b>6.2. Other reserve capitals at the end of the period</b>	<b>51 017</b>	<b>51 017</b>	<b>98 406</b>
<b>7. Rates differences from re-calculation of subordinated entities</b>	-	-	-
8. Prior years' profit (loss) at the beginning of period	(252 886)	(404 179)	(405 188)
8.1. Prior years' profit at the beginning of period	2 651	10 288	25 541
a) changes in accepted accounting principles (policy)	-	-	-
b) corrections of material faults	-	-	-
<b>8.2 Prior years' profit at the beginning of period, after restatement to comparative data</b>	<b>2 651</b>	<b>10 288</b>	<b>25 541</b>
a) additions, of which:	48 686	13 445	54 801
-prior years' profit distribution	48 686	10 502	47 472
- other	-	-	-
consolidation adjustments	-	2 943	7 329
b) reductions, of which:	653	21 082	28 200
- transition to reserve capital	-	138	-
- loss coverage	-	-	-
- dividend payment	-	3 436	2 245
- other	-	13 659	-
- consolidation adjustments connected with excluding from consolidation the subsidiary companies	653	3 849	25 955
8.3 Prior years' profit at the end of period	50 684	2 651	52 142
8.4 Prior years' loss at the beginning of period	255 537	414 467	430 729
a) changes in accepted accounting principles (policies)	-	-	5
b) corrections of material faults	-	-	-
8.5 Prior years' loss at the beginning of the period after restatement to comparative data	255 537	414 467	430 734
a) additions, of which:	150 417	3 108	5 097
transition of prior years' loss to be covered	145 781	1 041	1 278
- other	556	233	-
- consolidation adjustments	4 080	1 834	3 819
b) reductions, of which:	111	162 038	20 451
- loss coverage	111	152 858	1 428
- consolidation adjustments connected with excluding from consolidation the subsidiary companies	-	9 180	19 023
<b>8.6. Prior years' loss at the end of period</b>	<b>405 843</b>	<b>255 537</b>	<b>415 380</b>
<b>8.7. Prior years' profit (loss) at the end of period</b>	<b>(355 159)</b>	<b>(252 886)</b>	<b>(363 238)</b>
9. Net profit (loss) falling to the shareholders of the company	22 332	(105 921)	9 909
a) net profit falling to the shareholders of the company	22 332	-	9 909
b) net loss falling to the shareholders of the company	-	105 921	-
c) charges on the profit	-	-	-
<b>10.1. Minority capital at the beginning of period</b>	<b>4 049</b>	<b>5 262</b>	<b>5 253</b>
a) increases	261	2 618	-
b) decreases	11	3 831	3 605
<b>10.2 Minority capital at the end of period</b>	<b>4 299</b>	<b>4 049</b>	<b>1 648</b>
II. Shareholders' Equity at the end of period (closing balance)	56 009	29 818	83 695
III. Shareholders' equity after taking into account the proposed profit distribution ( loss coverage)	56 009	29 818	83 695

**Consolidated cash flow account (indirect method)**

	<b>1st quarter 2006</b> <b>01.01.2006</b> <b>31.03.2006</b>	<b>1st quarter 2005</b> <b>01.01.2005</b> <b>31.03.2005</b>
A. Cash flows from operating activities - indirect method		
I. Net profit (loss) falling to the shareholders of the Company	22 332	9 909
II. Total adjustments	<b>(52 061)</b>	<b>(4 937)</b>
1. Profits (losses) of minority	251	214
2. Share in net (profits) losses of subordinated companies valued under the equity method	56	126
3. Depreciation of which	4 906	1 951
- write-offs of goodwill of subordinated entities or neagtive goodwill of the subordinated entities	-	-
4. (Profits) losses on foreign exchange differences	-	-
5. Interests and shares in profits ( dividends)	2 406	(1 638)
6. Profit ( losses) on investing activities	(8 109)	(31)
7. Change in provisions	(9 648)	9 111
8. Change in inventories	(22 508)	(7 721)
9. Change in receivables	(16 567)	(7 402)
10. Change in current liabilities (excluding loans and credits)	4 843	49 591
11. Change in deferred and accrued expenses	(8 476)	(11 261)
12. Other adjustments	785	(37 877)
III. Net cash flows from operating activities (I+II)	<b>(29 729)</b>	<b>4 972</b>

	1st quarter 2006 01.01.2006 31.03.2006	1st quarter 2005 01.01.2005 31.03.2005
<b>B. Cash flows from investing activities</b>		
<b>I. Inflows</b>	<b>62 440</b>	<b>3 939</b>
1. Disposal of intangible assets and tangible fixed assets	6 988	58
2. Disposal of investments in real-estate and intangible assets	55 041	-
3. Disposal of financial assets, of which:	411	3 881
a) in related companies	214	1 209
- disposal of financial assets	-	-
- dividends and shares in profits	-	1 192
- payment of long-term loans granted	200	-
- interests	14	17
- other income from financial assets	-	-
b) in other companies	197	2 672
- disposal of financial assets	-	-
- dividends and shares in profits	-	-
- payment of long-term loans granted	7	131
- interests	190	2 541
- other income from financial assets	-	-
4. Other investing income	-	-
<b>II. Expenses</b>	<b>4 999</b>	<b>1 711</b>
1. Purchases of intangible assets and tangible fixed assets	4 680	1 711
2. Investments in real-estate and intangible assets	-	-
3. For financial assets, of which:	319	-
a) in related companies	319	-
- acquisition of financial assets	-	-
- long-term loans granted	319	-
b) in other entities	-	-
- acquisition of financial assets	-	-
- long-term loans granted	-	-
4. Dividends and other shares in profits paid to minority	-	-
5. Other investing expenses	-	-
<b>III. Net cash flows from investing activities (I-II)</b>	<b>57 441</b>	<b>2 228</b>

	1st quarter 2006 01.01.2006 31.03.2006	1st quarter 2005 01.01.2005 31.03.2005
<b>C. Cash flows from financing activities</b>		
<b>I. Inflows</b>	<b>10 362</b>	<b>569</b>
1. Issuance of shares and other capital securities and additional paid-in capital	361	-
2. Credits and loans	10 000	59
3. Issuance of debt securities	-	-
4. Other financial income	1	510
<b>II. Expenses</b>	<b>21 860</b>	<b>13 517</b>
1. Acquisition of own shares	-	-
2. Dividends and other payments to shareholders	-	1 483
3. Other than payments in favour of owners, expenses by virtue of profit distribution	-	-
4. Payments of credits and loans	18 747	7 809
5. Redemption of debt securities	-	-
6. Bv virtue of other financial liabilities	-	-
7. Liabilities payments by virtue of financial leasing agreements	410	345
8. Interests	2 703	2 396
9. Other financial expenses	-	1 484
<b>III. Net cash flows from financing activities (I-II)</b>	<b>(11 498)</b>	<b>(12 948)</b>
D. Total net cash flows (A.III+B.III+C.III)	<b>16 214</b>	<b>(5 748)</b>
E. Change in balance-sheet cash and cash equivalents	<b>16 214</b>	<b>(5 748)</b>
- of which change in cash and cash equivalents due to foreign exchange differences		
F. Cash and cash equivalents - beginning of period	<b>26 214</b>	<b>22 218</b>
G. Cash and cash equivalents - end of period (D+F)	<b>42 428</b>	<b>16 470</b>

**Off-balance sheet items**

	31.03.2006	31.12.2005	31.03.2005
1. Contingent liabilities	500	500	500
1.1. From related entities (by virtue of)	500	500	500
- received warranties and guarantees	500	500	500
1.2. From other entities (by virtue of)	-	-	-
- received warranties and guarantees	-	-	-
2. Contingent liabilities	52 667	33 947	318 131
2.1. In favour of related entities (by virtue of)	2 198	1 960	2 125
- granted warranties and guarantees	2 198	1 960	2 125
- custom warranties	-	-	-
- other	-	-	-
2.2. In favour of other entities (by virtue of)	7 540	4 639	288 058
- granted warranties and guarantees	3 640	4 639	285 758
- opening of the letter of credit	-	-	2 300
- bill of exchange guarantees	3 900	-	-
2.3. Other (by virtue of)	42 929	27 348	27 948
- mortgage	14 250	14 250	14 250
- third party goods	6 698	6 698	8 298
- other	21 981	6 400	5 400
<b>Total off-balance sheet liabilities</b>	<b>53 167</b>	<b>34 447</b>	<b>318 631</b>

**SECURITIES AND STOCK EXCHANGE COMMITTEE**

**Quarterly Report SA-Q 1/2006**

According to the Decree of the Minister of Finance dated 19th October 2005. - Journal of Law No 209, item 1744

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

For the 1st quarter of the current turnover year covering the period from 01.01.2006 to 31.03.2006  
and for the 1st quarter of the previous turnover year covering the period from 01.01.2005 to 31.03.2005

<b>STALEXPORT Joint Stock Company</b> (full name of the issuer )		
<b>STALEXPORT S. A.</b> (abridged name of the issuer )	<b>metal sector 17</b> (sector acc. To Securities Stock Exchange in Warsaw)	
<b>40-085</b> (postal code )	<b>Katowice</b> (city)	
<b>Mickiewicza</b> (street)	<b>29</b> (number)	
<b>032/25-30-795</b> (telephone)	<b>032/25-30-795</b> (fax)	<a href="mailto:stalex@stalexport.com.pl">stalex@stalexport.com.pl</a> (e-mail)
<b>634-01-34-211</b> (NIP - Tax Identification No.)	<b>271936361</b> (REGON - Statistical No.)	<a href="http://www.stalexport.com.pl">www.stalexport.com.pl</a> (WWW)

**BDO Polska Sp. z o.o.**

SELECTED FINANCIAL DATA	thousand zloty		thousand EUR	
	1st quarter 2006 01.01.2006 31.03.2006	1st quarter 2005 01.01.2005 31.03.2005	1st quarter 2006 01.01.2006 31.03.2006	1st quarter 2005 01.01.2005 31.03.2005
I. Net income from sale of products, goods and merchandise	126 831	130 488	32 981	33 932
II. Operating profit (loss)	(1 986)	2 225	(516)	579
III. Gross profit (loss)	968	230	252	60
IV. Net profit (loss)	9 935	355	2 583	92
V. Net cash flow from operating activity	(36 170)	4 443	(9 406)	1 155
VI. Net cash flow from investment activity	61 351	3 807	15 954	990
VII. Net cash flow from financial activity	(20 669)	(8 836)	(5 375)	(2 298)
VIII. Total net cash flow	4 512	(586)	1 173	(152)
IX. Total assets	506 954	596 843	128 809	151 648
X. Liabilities and reserves for liabilities	495 618	623 024	125 929	158 301
XI. Long-term liabilities	388 501	371 817	98 712	94 473
XII. Short-term liabilities	107 117	251 207	27 217	63 828
XIII. Shareholders' equity	11 336	(26 181)	2 880	(6 652)
XIV. Share capital	215 524	215 524	54 761	54 761
XV. Number of shares	107 762 023	107 762 023	107 762 023	107 762 023
XVI. Profit (loss) per ordinary share ( in zloty/ EUR)	0,09	0,00	0,02	0,00
XVII. Diluted profit (loss) per ordinary share ( in zloty/ EUR)	-	-	-	-
XVIII. Book value per share ( in zloty/ EUR)	0,11	-0,24	0,03	-0,06
XIX. Diluted book value per share ( in zloty/ EUR)	-	-	-	-

**Balance sheet**

	31.03.2006	31.12.2005	31.03.2005
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**ASSETS**

<b>I. Long-term assets</b>	<b>284 651</b>	<b>338 653</b>	<b>346 786</b>
1. Tangible fixed assets	42 077	49 069	49 869
2. Intangible assets, including:	186	212	248
- goodwill			
3. Long-term receivables	470	509	946
4. Long-term investments	<b>239 719</b>	<b>286 664</b>	<b>161 411</b>
4.1 Real estates	10 000	56 945	83 603
4.2 Intangible fixed assets			
4.3 Long-term financial assets	<b>229 519</b>	<b>229 519</b>	<b>77 589</b>
a) in related companies	<b>227 712</b>	<b>227 712</b>	<b>75 781</b>
- of which shares in subordinated companies valued under the ownership rights method	32	32	32
b) in other entities	1 807	1 807	1 808
4.4. Other long-term investments	200	200	219
5. Assets available for sale	2 199	2 199	130 211
6. Deferred income tax assets			4 101
7. Other long-term deferred expenses			
<b>II. Short-term assets</b>	<b>222 303</b>	<b>181 219</b>	<b>250 057</b>
1. Inventories	64 573	43 810	70 315
2. Short-term receivables	147 206	132 110	170 139
3. Short-term investments	547	235	18
4. Cash and cash equivalents	9 170	4 658	6 092
5. Short-term deferred expenses	807	406	3 493
<b>Assets in total</b>	<b>506 954</b>	<b>519 872</b>	<b>596 843</b>

	31.03.2006	31.12.2005	31.03.2005
<b>LIABILITIES</b>			
<b>I. Shareholders' Equity</b>	<b>11 336</b>	<b>1 956</b>	<b>-26 181</b>
1. Share capital	215 524	215 524	215 524
2. Not paid-up share capital (negative value)			
3. Own shares in treasury (negative value)	-22	-23	
4. Reserve capital	38	35	42 343
5. Revaluation capital	132 876	132 879	8 457
6. Other reserve capitals	51 016	51 016	98 406
7. Prior years' profit (loss)	-398 031	-252 943	-391 266
8. Profit (loss) per shareholders of the Company	9 935	-144 532	355
9. Net profit write-downs during the financial year (negative value)			
<b>II. Long-term liabilities</b>	<b>388 501</b>	<b>424 461</b>	<b>371 817</b>
1. Credits and loans	61 100	79 044	105 009
2. Liabilities by virtue of financial leasing	941	995	1 216
3. Liabilities by virtue of trade account receivable			
4. Other liabilities	282 713	291 508	190 784
5. Reserve by virtue of the deferred income tax	29 720	38 873	9 953
6. Reserves for other liabilities	13 275	13 283	10 450
7. Long-term interperiod settlements	752	758	54 405
<b>IV. Short-term liabilities</b>	<b>107 117</b>	<b>93 455</b>	<b>251 207</b>
1. Credits and loans	12 564	12 747	17 104
2. Liabilities by virtue of financial leasing			
3. Liabilities by virtue of trade account receivable	81 216	65 359	185 873
4. Other liabilities	5 885	4 118	13 725
5. Reserves for liabilities	4 363	5 459	11 743
6. Short-term interperiod settlements	3 089	5 772	22 762
<b>Total liabilities</b>	<b>506 954</b>	<b>519 872</b>	<b>596 843</b>

Book value	<b>11 336</b>	<b>1 956</b>	<b>-26 181</b>
Number of shares	<b>107 762 023</b>	<b>107 762 023</b>	<b>107 762 023</b>
Book value per one share (in zlotys)	<b>0,11</b>	<b>0,02</b>	<b>(0,24)</b>
Diluted number of shares			
Book value per one share (in zlotys) - diluted			

**Profit and loss account**

	1st quarter 2006 01.01.2006 31.03.2006	1st quarter 2005 01.01.2005 31.03.2005
<b>I. Net incomes from sale of products, goods and merchandise</b>	<b>126 831</b>	<b>130 488</b>
1. Net sales of products	13 373	8 023
2. Net sales of goods and merchandise	113 458	122 465
<b>II. Cost of products, goods and merchandise sold</b>	<b>113 987</b>	<b>122 516</b>
1. Manufacturing cost of products sold	12 063	6 720
2. Value of merchandise and goods sold	101 924	115 796
<b>III. Gross profit (loss) on sales (I-II)</b>	<b>12 844</b>	<b>7 972</b>
<b>IV. Other operating incomes</b>	<b>2 661</b>	<b>5 265</b>
<b>V. Sales costs</b>	<b>4 164</b>	<b>3 031</b>
<b>VI. Costs of general management</b>	<b>7 963</b>	<b>6 479</b>
<b>VII. Other operating costs</b>	<b>5 364</b>	<b>1 502</b>
<b>VIII. Profit (loss) on operating activity (III+IV-V-VI-VII)</b>	<b>-1 986</b>	<b>2 225</b>
<b>IX. Financial incomes</b>	<b>7 937</b>	<b>4 643</b>
1. Dividends and shares in profits		1 192
2. Interests	907	3 413
3. Profit from investment sale	6 712	
4. Updating the investment value		
5. Other	318	38
<b>X. Financial costs</b>	<b>4 983</b>	<b>6 638</b>
1. Interests	4 364	5 666
2. Loss from investment sale		
3. Updating the investment value		
4. Other	619	972
<b>XI. Gross profit (loss) (VIII + IX - X)</b>	<b>968</b>	<b>230</b>
<b>XII. Income tax</b>	<b>-8 967</b>	<b>-125</b>
a) current part	-8 967	
b) deferred part		-125
<b>XIII. Net profit (loss) (XI - XII)</b>	<b>9 935</b>	<b>355</b>
Net profit (loss)	<b>9 935</b>	<b>355</b>
Average weighted number of ordinary shares	<b>107 762 023</b>	<b>107 762 023</b>
Profit (loss) per one ordinary share (in zloty)	<b>0,09</b>	<b>0,00</b>
Average weighted diluted number of ordinary shares		
Diluted profit (loss) per one ordinary share (in zloty)		

## Changes in shareholders' equity

	31.03.2006	31.12.2005	31.03.2005
I. Shareholders' Equity at the beginning of period (opening balance)	1 956	-28 963	-28 963
a) changes in accepted accounting principles (policy)			
b) corrections of material faults			
<b>I.a. Shareholders' Equity at the beginning of period (opening balance), after restatement to comparative data</b>	<b>1 956</b>	<b>-28 963</b>	<b>-28 963</b>
<b>I. Share capital at the beginning of period</b>	<b>215 524</b>	<b>215 524</b>	<b>215 524</b>
1.1. Changes in share capital	0	0	0
a) additions, of which:	0	0	0
- issuance of shares			
- increase in basic capital			
b) reductions, of which:	0	0	0
- retirement of shares			
- decrease in basic capital			
1.2. Share capital at the end of period	215 524	215 524	215 524
2. Not paid-up share capital at the beginning of period			
2.1. Changes in not paid-up share capital	0	0	0
a) additions, of which:	0	0	0
b) reductions, of which:	0	0	0
2.2. Not paid-up share capital at the end of period	0	0	0
3. Own shares in treasury at the beginning of period	-23		
3.1. Changes in own shares in treasury	1	-23	0
a) additions, of which:	0	-570	0
- purchase of own shares		-570	
b) reductions, of which:	-1	-547	0
- issue for minority shareholders	-1	-547	
3.2. Own shares in treasury at the end of period	-22	-23	0
4. Reserve capital at the beginning of period	35	42 343	42 343
4.1. Changes in reserve capital	3	-42 308	0
a) additions, of which:	3	35	0
- shares issue above nominal value			
- distribution of profit			
- distribution of profit (in excess of value required by law)			
- other			
- sale, liquidation of fixed assets	3	35	
b) reductions, of which:	0	42 343	0
- loss coverage		42 343	
- exclusion of surcharges to capital			
4.2. Reserve capital at the end of period	38	35	42 343
5. Revaluation capital at the beginning of period	132 879	8 457	8 457
5.1. Changes in revaluation capital	-3	124 422	0
a) additions, of which:	0	153 651	0
- re-evaluation of fixed assets		153 651	
b) reductions, of which:	3	29 229	0
- disposal of fixed assets	3	35	
- reserve for deferred income tax by virtue of revaluation of the financial assets		29 194	
5.2. Revaluation capital at the end of period	132 876	132 879	8 457

	31.03.2006	31.12.2005	31.03.2005
<b>6. Other reserve capital at the beginning of period</b>	51 016	95 979	95 979
<b>6.1. Changes in other reserve capital</b>	0	-44 963	2 427
a) additions, of which:	0	51 016	2 427
- profit distribution			
- execution of arrangement liabilities, instalments repayment		51 016	2 427
b) reductions, of which:	0	95 979	0
- re-booking for inventory capital			
- loss coverage		95 979	
- other			
<b>6.2. Other reserve capitals at the end of the period</b>	51 016	51 016	98 406
<b>7. Prior years' profit (loss) at the beginning of period</b>	-397 475	-391 266	-391 273
7.1. Prior years' profit at the beginning of period		12 876	12 869
a) changes in accepted accounting principles (policies)			
b) corrections of material faults			
7.2. Prior years' profit at the beginning of period, after restatement to comparative data	0	12 876	12 869
a) additions, of which:	0	0	7
- prior years' profit distribution			
- other			7
b) reductions, of which:	0	12 876	0
- transition to reserve capital			
- loss coverage		12 876	
- dividend payment			
- other			
<b>7.3. Prior years' profit at the end of period</b>	0	0	12 876
<b>7.4. Prior years' loss at the beginning of period</b>	397 475	404 142	404 142
a) changes in accepted accounting principles (policies)			
b) corrections of material faults			
<b>7.5. Prior years' loss at the beginning of the period after restatement to comparative data</b>	397 475	404 142	404 142
a) additions, of which:	556	0	0
transition of prior years' loss to be covered			
- adjustments of the result after submitting a report for 4th qtr 2005	556		
b) reductions, of which:	0	151 199	0
- loss coverage by profit, reserve fund		151 199	
<b>7.6. Prior years' loss at the end of period</b>	398 031	252 943	404 142
<b>7.7. Prior years' profit (loss) at the end of period</b>	-398 031	-252 943	-391 266
<b>8. Net profit (loss) falling to the shareholders of the company</b>	9 935	-144 532	355
a) net profit per shareholders of the Company	9 935		355
b) net loss per shareholders of the Company		144 532	
c) charges on the profit			
<b>II. Shareholders' Equity at the end of period (closing balance)</b>	11 336	1 956	-26 181
<b>III. Shareholders' Equity after considering suggested profit division (loss coverage)</b>			

**Cash flow account (indirect method)**

	1st quarter 2006 01.01.2006 31.03.2006	1st quarter 2005 01.01.2005 31.03.2005
<b>A. Net cash flows from operating activities - indirect method</b>		
<b>I. Net profit (loss) per the Company's shareholders</b>	9 935	355
<b>II. Total adjustments</b>	<b>-46 105</b>	<b>4 088</b>
1. Profits (losses) of minority		
2. Depreciation	654	438
3. (Gain) loss on foreign exchange differences		
4. Interests and shares in profits ( dividends)	2 299	-1 621
5. Gain ( loss) on investing activities	-8 165	-22
6. Change in provisions	-9 153	9 228
7. Change in inventories	-20 763	-10 484
8. Change in receivables	-15 056	-6 446
9. Change in current liabilities excluding loans	8 829	60 856
10. Change in deferred and accrued expenses	-4 194	-10 050
11. Other adjustments	-556	-37 811
<b>III. Net cash flows from operating activities (I + II)</b>	<b>-36 170</b>	<b>4 443</b>

	1st quarter 2006 01.01.2006 31.03.2006	1st quarter 2005 01.01.2005 31.03.2005
<b>B. Net cash flows from investing activities</b>		
I. Cash provided by investing activities	62 203	3 912
1. Disposal of intangible assets and tangible fixed assets	6 966	48
2. Disposal of investments in real-estate and intangible assets	55 041	
3. Disposal of financial assets, of which:	196	3 864
a) in related companies	0	1 192
- disposal of financial assets		
- dividends and shares in profits		1 192
- payment of long-term loans granted		
- interests		
- other income from financial assets		
b) in other companies	196	2 672
- disposal of financial assets		
- dividends and shares in profits		
- payment of long-term loans granted	7	131
- interests	189	2 541
- other income from financial assets		
4. Other investing income		
<b>II. Expenses</b>	852	105
1. Purchases of intangible assets and tangible fixed assets	533	105
2. Investments in real-estate and intangible assets		
3. For financial assets, of which:	319	0
a) in related companies	319	0
- acquisition of financial assets		
- long-term loans granted	319	
b) in other entities	0	0
- acquisition of financial assets		
- long-term loans granted		
4. Other investing expenses		
<b>III. Net cash flows from investing activities (I-II)</b>	61 351	3 807

	1st quarter 2006 01.01.2006 31.03.2006	1st quarter 2005 01.01.2005 31.03.2005
<b>C. Cash flows from financing activities</b>		
<b>I. Inflows</b>	<b>0</b>	<b>0</b>
1. Net inflows from issuance of shares and other capital securities and additional paid-in capital		
2. Credits and loans		
3. Issuance of debt securities		
4. Other financial income		
<b>II. Expenses</b>	<b>20 669</b>	<b>8 836</b>
1. Acquisition of own shares		
2. Dividends and other payments for the benefits of the owners		
3. Other than payments in favour of owners, expenses by virtue of profit distribution		
4. Payments of credits and loans	18 127	6 724
5. Redemption of debt securities		
6. By virtue of other financial liabilities		
7. Payments of liabilities by virtue of finance lease agreement	53	
8. Interests	2 489	2 112
9. Other financial expenses		
<b>III. Net cash flows from financing activities (I-II)</b>	<b>-20 669</b>	<b>-8 836</b>
<b>D. Total net cash flows (A.III+B.III+C.III)</b>	<b>4 512</b>	<b>-586</b>
<b>E. Change in balance-sheet cash and cash equivalents</b>	<b>4 512</b>	<b>-586</b>
- of which change in cash and cash equivalents due to foreign exchange differences	2	
F. Cash and cash equivalents - beginning of period	4 658	6 678
G. Cash and cash equivalents - end of period (D+F)	9 170	6 092

**Off balance-sheet liabilities**

	31.03.2006	31.12.2005	31.03.2005
1. Contingent liabilities	0	0	0
1.1. From related entities (by virtue of)	0	0	0
- received warranties and guarantees			
1.2. From other entities (by virtue of)	0	0	0
- received warranties and guarantees			
2. Contingent liabilities	3 713	4 474	288 057
2.1. In favour of related entities (by virtue of)	73	84	0
- granted warranties and guarantees	73	84	
- customs warranties			
- other			
2.2. In favour of other entities (by virtue of)	3 640	4 390	288 057
- granted warranties and guarantees	3 640	4 390	285 757
- opening of the letter of credit			2 300
- bill of exchange guarantees			
2.3 Other (by virtue of)	0	0	0
- mortgage			
- third party goods			
- other			
<b>Total off-balance sheet liabilities</b>	<b>3 713</b>	<b>4 474</b>	<b>288 057</b>

## **Commentary to the consolidated quarterly report of the Capital Group of Stalexport SA for the 1<sup>st</sup> quarter of the year 2006**

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

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

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

The consolidated financial report for first quarter 2006 was drawn up under the assumption of continuation of the business activity of the capital group of Stalexport S.A.

The consolidated financial report for 1<sup>st</sup> quarter 2006 was drawn up according to the binding International Accounting Standards and International Financial Reporting Standards binding as at 31.03.2006.

01.01.2005 is the date of change to International Accounting Standards.

Full consolidation in the dominant company included the following subsidiary companies (in brackets - share of Stalexport S.A. in equity capital at the end of the 1<sup>st</sup> quarter 2006):

- Capital Group Stalexport Autoroute S.a.r.l. Luxemburg (100,00%)  
comprising:
  - Stalexport Autostrada Małopolska S.A. Mysłowice (100,00%)
  - Stalexport Transroute Autostrada S.A. (55,00%)
  - 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%)

The entities over which the dominant entity lost control as a result of liquidation or bankruptcy 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%.

## **The principles of accounting policy accepted by the Capital Group**

### Principles of consolidation

Consolidated financial report covers the report of the dominant entity - Stalexport S.A. – and the reports of the subsidiary companies controlled by the dominant entity. Control is understood as the possibility to manage the operating and financial policy of the entity by the dominant entity in order to achieve economic benefits.

### Subsidiary entities

Subsidiary companies purchased in the financial year are covered by the consolidated financial report as from the date they are controlled by the dominant company. On the date of purchasing the subsidiary entity (getting the control), the assets, liabilities and contingent liabilities of the subsidiary company are evaluated at fair value. The surplus of purchasing price over the fair value of the acquired net assets is the goodwill. The surplus of the taken over net assets stated in fair values, 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 economic operation in progress on the date of drawing up the consolidated financial report are also subject to elimination. A part of equity capital of the capital group of Stalexport S.A. falling to minority capital is shown in separate item of equity capital.

### Associated entities

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

Shares in associated entities are shown in 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 any adjustments by changes in fair value of net assets, falling to value of possessed share since its purchase to the date of the financial report and results of the stated loss of value.

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

## **Long-term assets**

### Tangible fixed assets

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

Tangible fixed assets are amortised by straight line method in the period of economic use. Fixed assets are amortised the moment they are accepted for usage.

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

### Intangible assets

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

### Goodwill of the subordinated entities

Goodwill shown as the component of assets on the date of its 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 in 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 has 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 date and it is subject to write-off in case when there is doubt of taking economic advantage by the Group, connected with using the tax assets.

### **Short-term assets**

#### Inventories

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

Moreover the Company establishes updating write offs for inventories stored more than one year.

#### Short-term receivables

Short-term receivables are shown in value due for payment considering careful evaluation, i.e. diminished by the updating write-offs which result 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 costs of activity.

#### 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 revaluation as on the balance sheet date, according to stock exchange listing as on 31.03.2006 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 31.03.2006. 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 agreement by Stalexport S.A. with creditors after taking into consideration of 40 % depreciation resulting from concluded arrangement proceedings;
- 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,
- liabilities towards the State Treasury shown in the amount due for payment according to the concluded agreement,
- deferred income tax reserve – established for put down interests on receivables, for evaluation of land in perpetual usufruct and other evaluations of assets,
- reserves for other liabilities – established when the Company has legal duty resulting from the past events and when it is probable that the fulfilment of this duty results in outflow of means and that reliable evaluation of the amount of this liability can be made,
- long-term interperiod settlements – comprise among other 40 % of depreciation of liabilities in connection with the concluded agreement. Payments of 9 arrangement instalments was settled proportionally for reserve capital and financial result. In December 2005 the Management Board of the Company decided to entirely settle 40 % of the depreciated arrangement liabilities from long-term settlements of interperiod receipts for the reserve capital and financial result.

### Short-term liabilities

These liabilities are shown in the amount due for payment.

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

Short-term liabilities comprise:

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

## II. Financial results of the capital group and the dominant entity for 1<sup>st</sup> quarter 2006

### Financial results of the capital group of Stalexport S.A.

The capital group of Stalexport S.A. for 1<sup>st</sup> quarter 2006 shows consolidated gross profit in the amount of 18,112 thousand zloty including:

- gross profit on sale of products and services	36,047 thousand zloty
- sales and management costs	23,163 thousand zloty
- loss on other operating activity	2,143 thousand zloty
- profit on financial activity	3,085 thousand zloty

Consolidated net profit for 1<sup>st</sup> qtr 2006 amounts to: 22,583 thousand zloty  
including :

- profit per minority shareholders	251 thousand zloty
- loss per shareholders of the Company	22,332 thousand zloty

The consolidated financial result of 1<sup>st</sup> quarter 2006 was affected by the financial results of the companies of the capital group, which for each companies were as follows:

- Stalexport S.A.	9,935 thousand zloty
- Stalexport Serwis Centrum S.A. Katowice	279 thousand zloty
- Stalexport Centrostal S.A. Lublin	-28 thousand zloty
- Stalexport Serwis Centrum Belchatów S.A. Rogowiec	-27 thousand zloty
Stalexport Metalzbyt Sp. z o.o. Białystok	-11 thousand zloty
- Stalexport Autostrada Małopolska S.A. Mysłowice	11,528 thousand zloty
- Stalexport Transroute Autostrada S.A. Mysłowice	567 thousand zloty
- Stalexport Autostrada Dolnośląska S.A. Katowice	-132 thousand zloty

### Financial results of the dominant entity - Stalexport SA

In 1<sup>st</sup> quarter 2006 the incomes from sale of Stalexport S.A. amounted to 126,831 thousand zloty and were by 2,8 % lower in comparison with the analogous period of the previous year. The decline was inconsiderable, despite an additional reduction of working capital resulting from an execution of the successive arrangement instalment (10 m zloty) and off arrangement liabilities (11 m zloty) with simultaneous lack of external financing. We would like to notice that the incomes in 1<sup>st</sup> quarter 2006 were higher by 27% than an average quarterly sale in the 2<sup>nd</sup> half of 2005.

The worked out gross profit on sale in 1<sup>st</sup> quarter 2006 amounted to 12,844 thousand zloty and was higher than the one achieved in 1<sup>st</sup> quarter 2005 by 4,872 thousand zloty, i.e. by 61%.

The amount of gross profit on sale was affected by an increase in gross profitability on sale of products from 5,4% in 1<sup>st</sup> quarter 2005 to 10,2% in 1<sup>st</sup> quarter 2006.

After taking into consideration the sale and general management costs, net profit on sale amounted to somewhat less than 1 m zloty.

The financial result of Stalexport S.A. was considerably affected the sale transaction of the real estate in Warsaw, Obrzezna Street (profit on sale amounted to 6,594 thousand zloty) and dissolved reserves on income tax ( in the amount of 8,967 thousand zloty).

The borne financial costs by virtue of interests (4,364 thousand zloty) and the updating write-offs created in connection with opening of the bankruptcy proceedings of one of the debtors supplement essential events influencing the net result.

Summing up, Stalexport S.A. for 1st quarter 2006 achieved net profit in the amount of 9,935 thousand zloty, while for 1<sup>st</sup> quarter 2005 net profit amounted to 355 thousand zloty.

### **Financial results of the commercial companies**

The incomes from sale of 4 subsidiary companies conducting commercial activity in 1<sup>st</sup> quarter 2006 were slightly higher (by 2,169 thousand) in comparison with 1st quarter 2005. The financial results of three commercial companies were negative ( 66 thousand zloty) and the result of one company was positive (279 thousand zloty), what resulted in increasing the consolidated financial result by 213 thousand zloty.

### **Financial results of motorway activity**

The motorway activity had an essential impact upon the consolidated financial result for 1<sup>st</sup> quarter 2006, which consisted in operating, toll collection and execution of motorway investments on A4 motorway section Katowice -Kraków. This activity has been conducted by two subsidiary companies: Stalexport Autostrada Małopolska S.A., and Stalexport Transroute Autostrada S.A. in Myslowice, the dominant entity of which is Stalexport Autoroute S.a.r.l. with seat in Luxembourg. Stalexport Autoroute S.a.r.l. is the subsidiary company of Stalexport S.A. in 100%.

Stalexport Autostrada Małopolska S.A. – which is the concessionaire – executes the motorway investments. Stalexport Transroute Autostrada S.A. is dealing with current operating of motorway and on the behalf of SAM S.A. collects the tolls.

The consolidated revenues for 1<sup>st</sup> quarter 2006 amounted to 25,315 thousand zloty and were by 26 % higher in comparison with 1<sup>st</sup> quarter 2005. This increase resulted from traffic increase.

Consolidated net profit of both companies for 1<sup>st</sup> quarter 2006 amounts to 12,095 thousand zloty.

Increase in assets in consolidated balance sheet of the Capital Group of Stalexport S.A. as at 31.03.2006 by 234,556 thousand zloty in comparison with the end of 2005 regards an increase by 227,821 thousand zloty, in deferred expenditure in the company Stalexport Autostrada Małopolska S.A., including long-term interperiod settlements by 216,556 thousand zloty as well as short-term interperiod settlements by 11,265 thousand zloty. An increase in the amount of interperiod settlements in the company SAM S.A. results from the liabilities of the signed concession agreement, including showing in books (in liabilities of the balance sheet) long-term liabilities towards the State Treasury,

so called payments by virtue of the concession (repayment of credit of EBRD contracted by the State Treasury in the period before concession). The above events result from signing, by SAM S.A. with the Infrastructure Minister, an Annexe no 5 to the concession agreement and concluding with bank syndicate a credit agreement for the amount up to 380 m zloty in order to obtain, so called financial close.

There was an increase in general management costs by over 7 m zloty in comparison with 1st quarter of the previous year in consolidated profit and loss account, resulting, first of all, from an increase in these costs in the company Stalexport Autostrada Małopolska S.A. This increase resulted from various single payments (commissions and long-term credit charges, financial, legal and technical consulting) connected with obtaining the credit by the subsidiary company.

### **III. Balance of reserves and deferred income tax in the Capital Group of Stalexport S.A.**

Stalexport S.A. the dominant company because of the maintaining tax loss does not create activated tax, while assets by virtue of deferred income tax in the capital group of Stalexport S.A. amounts to 6,314 thousand zloty, and reserve by virtue of deferred income tax amounts to 1,863 thousand zloty.

The balance of reserves in the group as at 31.03.2006 amounts to 18,480 thousand zloty, out of which: including:

- long-term one - 13,395 thousand zloty
- short-term one - 5,085 thousand zloty

In comparison with 4<sup>th</sup> quarter 2005 the balance of reserves decreased by 1,216 thousand zloty, while in comparison with the analogous period of the previous year it decreased by 4,525 thousand zloty.

### **IV. Average EUR rates of exchange during the period covered by the financial report established by the National Polish Bank**

Items of balance sheet assets and liabilities have been converted into EUR according to the National Polish Bank average rate of exchange that amounted to 3,9357 zloty binding on 31.03.2006.

Specific items in the Profit and Loss Account pertaining to 1<sup>st</sup> quarter 2006 have been converted into EUR according to the rate 3,8456 zloty, being the arithmetic mean of average exchange rates published by the National Polish Bank, binding on the last day of each month of the first quarter 2006.

### **V. List of Shareholders having more than 5% of the total number of votes at the General Meeting of Shareholders on 15.05.2006**

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

	Number of shares	%
Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej	18.022.835	16,72 %
Powszechna Kasa Oszczędności Bank Polski S.A.	7.654.779	7,10 %

**VI. List of shares held by the group of persons managing and supervising the dominant entity as at 15.05.2006**

Managing persons - 82.430 shares  
 Supervising persons - 4.075 shares

**VII. Specification of judicial proceedings pending in court as at 31.03.2006 r.**

Legal proceedings of considerable value pending before the court and regarding Stalexport S.A.:

<b>Item</b>	<b>Case number</b>	<b>Amount in zloty</b>	<b>Adverse party</b>	<b>legal status</b>
1.	93/00/Ba	4,439,241.56	Bike-Sport Sp z o.o. Gliwice Defendant	Adjudging judgement of 19.07.2001 Enforcement in course  payment to be enforced ca 4,100,000 zloty +200 thousand of interests + costs By decision of court executive officer the executive proceedings were discontinued because of the change of seat of the company on 13.07.2005 A motion to levy the execution from bank accounts and movables which are in the new seat of the debtor. Seizure of the bank accounts without effects. There is probability of discontinuance of proceedings.
2.	60/03/Ba	1,366,061.00	SEBA Sp. z o.o.	Payment order of 10.12.2003 legally valid with executory formula
3.	73/03/Ba	1,366,061.00	SEBA Sp. z o.o.	Payment order of 27.01.2003 legally valid with executory formula directed to court executive officer on 03.08.2004
4.	5/04/Ba	1,366,061.00	SEBA Sp. z o.o.	. Payment order of 30.03.2004 legally valid with executory formula 01.09.05 District Court in Katowice declared it insolvent covering liquidation of the assets of the debtor. Court executive officer discontinued executive proceedings. Debts re points 2,3 and 4 were reported in bankruptcy - proceedings.
5.	30/03/Ba	11,995,000.00	Centrozap SA	full conversion of main receivables along with

Katowice interests as on the date of declaring bankruptcy with possibility of concluding agreement, i.e. 27.04.2004 for all groups of creditors into shares of Centrozap S.A.

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Stalexport S.A. has been sued by Inkasso Reform for the sum of 1,111 thousand zlotys. The Plaintiff is claiming damages from Stalexport in connection with actions taken by the court executive officer acting on motion of Stalexport S.A. The appeal won by Stalexport S.A.

In 2002 Stalexport Transroute Autostrada S.A. due to the instituted anti-monopoly proceedings received the decision of the President of Anti-monopoly Office inflicting a penalty in the amount of 678 thousand zlotys, for applying practices limiting competition. For the a/m amount the company established a reserve debiting other operating costs of 2002.

On 24.03.2004 before District Court in Warsaw a trial was held, by action of Stalexport Transroute Autostrada S.A. against President of the Anti-monopoly Office, for appeal of STA S.A. against the decisions of President of Anti-monopoly Office no RKT 6/2003 issued on 21.03.2003. The Court passed a judgement, according to which the appeal lodged by the company was totally dismissed. The Company lodged a cassation to the Supreme Court in this matter.

In other entities constituting the Capital Group the value of proceedings running before the court does not exceed the amount of 10% of the equity.

#### **VIII. Description of essential events in the Capital Group of Stalexport SA in the period from 01.01.2006 to 31.03.2006.**

- On 12.01.2006 the dominant company Stalexport S.A. signed a preliminary agreement for sale of the real estate for the net amount of 62 m zloty, located in Warsaw at Obrzeźna Str., (right of perpetual usufruct) with total area of 45,622 sq. m, together with buildings and constructions (property right) with surface of 9,769 sq. m. On 9.03.2006 „the promised agreement” was signed by interested parties. The agreement amount was paid, the real estate will be transferred to the Buyer till 31th August 2006. The criterion of recognising the agreement as the significant one is the value of the agreement subject which exceeds 10 % of the shareholders' equity of the issuer.
- In 1st quarter 2006 Stalexport S.A. concluded export contracts for deliveries to South America with total value of 28.5 m zloty. Mittal Steel Poland and Mittal Steel Ostrava are the suppliers. In the same period the contracts for deliveries of seamless tubes for the customers in the USA with total value of 8.8 m zloty were signed.
- On 06.02.2006 the District Court for the city of Warsaw, XXII Economic Department, made an entry to the National Judicial Register about the liquidation of the subsidiary company (in 100%) - Petrostal S.A. with seat in Warsaw. Krzysztof Klepacki was appointed the liquidator of the company PETROSTAL S.A. ( Decree of the Minister of Finance dated 19.10.2005, § 5 point 24).

- On 24.02.2006 Stalexport S.A. received from its proxy in Luxembourg the original documents concerning the registration of the increase in equity of the company „Stalexport Autoroute S.a.r.l.” with seat in Luxembourg (Stalexport S.A. subsidiary company in 100%).

The company equity was increased from the amount of 15,000 EUR to the amount of 42,765 thousand EUR, i.e. by the sum of 42,750 thousand EUR, through the issue of 1,710 thousand shares, with value of 25 EUR per each share.

The equity was increased by a contribution in kind 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 to the share capital, the remaining amount of 223 thousand EUR – for reserve capital. The book value of the contribution in kind amounts to 163,75 m zloty. A reserve by virtue of deferred income tax from the value of shares of the company Stalexport Autostrada Małopolska S.A., contributed to the company Stalexport Autoroute S.a.r.l.”, was created. The updated valuation of the shares contributed to the company „Stalexport Autoroute S.a.r.l.”. was the base to create the reserve by virtue of deferred income tax. The results of re-valuation of the shares of Stalexport Autostrada Małopolska S.A. as at 31.12.2005 amounted to 134,197 thousand zloty, and the reserve amounted to 25,497 thousand zloty. The contribution of shares of the company Stalexport Autostrada Małopolska S.A to „Stalexport Autoroute S.a.r.l.” is an element of building the holding structure which is anticipated by the agreement in regard to granting the credit for financing the toll motorway project – Katowice- Kraków section ( financial closing).
- On 28.02.2006 . Stalexport S.A. received a letter from the subsidiary company Stalexport Autostrada Dolnośląska S.A. ( in 100%), informing that its associated company Stalexport Autostrada Śląska, which takes part in tender proceedings for construction via adapting and operating of A4 motorway section Katowice-Wrocław, got a letter from General Director of Domestic Roads and Motorways (GDDKiA) concerning recognition of tender proceedings for A4 motorway „ as ineffective and the same about ending the stage of negotiations”.
- O 21.03.2006 the Supervisory Board of Stalexport S.A. according to its competence determined in the Company’s Statutes decided to entrust the company BDO Polska Sp. z o.o. with the examination of the financial reports of the Company for the year 2006. The Company BDO Polska Sp. z o.o. has its seat in Warsaw at 12, Postępu Street and is recorded on the list of entities entitled to examine financial reports under No. 523.
- On 22.03.2006 the Management Board of Stalexport S.A. was notified by its proxy in Luxembourg about registration of the increase in equity of the company „Stalexport Autoroute S.a.r.l.” with seat in Luxembourg. The company equity was increased from the amount 42,765 thousand EUR to the amount of 47,565 thousand EUR, i.e. by the sum of 4,800 thousand EUR, through the issue of 192 thousand shares, with value of 25 EUR per each share. The equity was increased by 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 to the share capital, the amount of 268 thousand EUR – for the reserve capital.. The book value of the contribution in kind amounts to 19,730 thousand zloty. A reserve by virtue of deferred income tax from the value of shares of the company Stalexport Transroute Autostrada S.A.

contributed to the company Stalexport Autoroute S.a.r.l.” was created. The updated valuation of the shares contributed to the company „Stalexport Autoroute S.a.r.l.”. was the base to create the reserve. The results of re-valuation of the shares of Stalexport Transroute Autostrada S.A. as at 31.12.2005 amounted to 19,455 thousand zloty, and the reserve by virtue of deferred income tax amounted to 3,696 thousand zloty. The contribution of shares of the company Stalexport Transroute Autostrada S.A. to „Stalexport Autoroute S.a.r.l.” is an element of building the holding structure which is anticipated by the agreement in regard to granting the credit for financing the toll motorway project – Katowice- Kraków section.

- On 29.03.2006 Mr. Robert Bender resigned from the position of the Company’s Supervisory Board member (legal basis § 5 passage 1 point 21 of Decree of the Minister of Finance dated 19.10.2005).

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

- In the 1st quarter 2006 Stalexport S.A. signed the significant contracts for delivery of prefabricated reinforcement for the domestic building companies for the total net amount of 17.5 m zloty. The execution of the contracts began in March 2006, the planned termination will take place in November 2007.
- On 4.05.2006 Stalexport S.A. signed an agreement with the Bank Syndicate represented by ING Bank Śląski S.A. in Katowice, the Bank Syndicate consists of: Bank Millenium S.A. with its seat in Warsaw, Bank Gospodarki Żywnościowej S.A. with its seat in Warsaw, Bank Handlowy in Warszawa S.A. with its seat in Warsaw, Bank Ochrony Środowiska S.A. with its seat in Warsaw, PKO Bank Polski S.A. with its seat in Warsaw, Bank PEKAO S.A. with its seat in Warsaw, Kredyt Bank S.A. with its seat in Warsaw, Bank Zachodni WBK S.A. with its seat in Wrocław, ING Bank Śląski S.A. with its seat in Katowice. The above agreement is to settle the debts of the Bank Syndicate, by Stalexport S.A., by virtue of guarantees granted by the Company in order to secure the repayment of credits granted Walcownia Rur Jedność in Siemianowice Śląskie by the Bank Syndicate. Liabilities of the Bank Syndicate are, by virtue of law covered by the arrangement proceedings of Stalexport S.A., as liabilities of major creditors and they are subject to reduction by 40% of their amount. The total sum of liabilities of Stalexport S.A -after 40% reduction - amounts from 33,447 thousand zloty to 65,161 thousand zloty, plus interests calculated since 4th March 2005 (date of termination of credit agreements of Walcownia Rur Jedność by the Bank Syndicate) to the date of the passing a resolution by the Management Board of Stalexport S.A. regarding an increase in the equity of the Company. The final amount of liabilities of Stalexport S.A. will be determined by an Arbitration Court ad hoc. Settlement of all liabilities of the Bank Syndicate by Stalexport S.A. along with interests will be carried out by a conversion into shares in the equity of Stalexport S.A. via contributing the above liabilities as the in-kind contribution, in exchange for shares. The issue of shares will be carried out with an exclusion of the subscription right for the existing shareholders. The issue price will be fixed on the basis of the binding in this period market conditions, on the ground of an average Warsaw Stock Exchange rate of shares of Stalexport S.A., for the period of six months previous to signing this Agreement, however at the level not lower than 2 zloty for one share. In case of the lack of duly executed provisions of the agreement due to the circumstances, which are not the responsibility of Stalexport S.A., the Company will be obliged to pay the stipulated penalty for the benefit of the Bank

Syndicate.

The criterion of recognising the agreement as the significant one is the value of this agreement subject which exceeds 10 % of the shareholders' equity of the issuer.

## **X. Contingent liabilities**

Contingent liabilities of the capital group of Stalexport S.A. as at 31.03.2006 amount to 52,667 thousand zloty, out of which: :

- |   |                       |
|---|-----------------------|
| • by virtue of granted warranties and guarantee for the benefit of: | 5,838 thousand zloty  |
| - related entities covered by consolidation                         | 1,948 thousand zloty  |
| - related entities not covered by consolidation                     | 250 thousand zloty    |
| - other entities  | 3,640 thousand zloty  |
| • by virtue of other liabilities, for the benefit of:               | 46,829 thousand zloty |
| - related entities  | -                     |
| - other entities  | 46,829 thousand zloty |

The dominant company Stalexport S.A. possesses the contingent liabilities for the total amount of 3,712 thousand zloty, by virtue of:

- |   |                      |
|---|----------------------|
| • granted guarantees and warranties for the benefit of: |                      |
| - related entities                                      | 72 thousand zloty    |
| - other entities  | 3,640 thousand zloty |

The amount of guarantees granted by Stalexport S.A. in comparison with 1<sup>st</sup> quarter 2005 diminished by 284,345 thousand zloty. The liabilities decrease resulted in including to the balance sheet items, the guarantee granted Walcownia Rur Jedność Sp. z o.o. in Siemianowice Śląskie in the amount of 119,208 thousand zloty.