STALEXPORT SA

Annual report
SA-R 2006

Katowice, 13.06.2007

SECURITIES AND STOCK EXCHANGE COMMITTEE

Annual report SA-R 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 01.01.2006 to 31.12.2006
and for the previous financial year covering the period from 01.01.2005 to 31.12.2005

13.06.2007
(date of publishing)

STALEXPORT Joint Stock Company
(full name of the issuer)

Stalexport S. A. (abridged name of issuer)		**metal sector 17** (sector acc. to Securities Stock Exchange classification in Warsaw)
40-085 (postal code)		**Katowice** (city)
Mickiewicza (street)		**29** (number)
032 25-30-795 (phone)	**032 25-30-795** (fax)	stalex@stalexport.com.pl (e-mail)
634-01-34-211 (NIP- Tax Identification No.)	**271936361** REGON- statistical No.)	www.stalexport.com.pl (WWW)

BDO Polska Sp. z o.o.

SELECTED FINANCIAL DATA	thousand zloty		thousand EURO	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
I. Net incomes from sale of products, goods and	528 041	441 964	135 426	113 350
II. Profit (loss) on operating activity	1 469	(108 355)	377	(27 790)
III. Gross profit (loss)	(7 196)	(141 572)	(1 846)	(36 309)
IV. Net profit (loss) per shareholders of the Company	1 860	(145 089)	477	(37 211)
V. Net cash flows from operating activity	(47 116)	(53 943)	(12 084)	(13 835)
VI. Net cash flows from investment activity	44 862	99 780	11 506	25 591
VII. Net cash flows from financial activity	36 865	(47 857)	9 455	(12 274)
VIII. Net cash flows in total	34 611	(2 020)	8 877	(518)
IX. Assets in total	519 716	518 579	135 654	135 357
X. Long-term liabilities	248 473	317 326	64 855	82 827
XI. Short-ter, liabilities	166 153	199 854	43 368	52 165
XII. Equity capital	105 090	1 399	27 430	365
XIII. Stock capital	315 524	215 524	82 356	56 255
XIV. Number of shares	157 762 023	107 762 023	157 762 023	107 762 023
XV. Profit (loss) per one ordinary share (in zlotys/EUR)	0,01	-1,35	0,00	-0,35
XVI. Diluted profit (loss) per one ordinary share (in zlotys/EUR)	0,00	0,00	0,00	0,00
XVII. Book value per one share (in zlotys/EUR)	0,67	0,01	0,17	0,00
XVIII. Diluted book value per one share (in	0,00	0,00	0,00	0,00
XIX. Declared or paid dividend per one share (in zlotys/EUR)				

Audit Opinion
for the Shareholders of
STALEXPORT S.A.

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

- an introduction;
- the balance sheet prepared as at 31 December 2006, showing total assets and liabilities of **519.715.923,50 zł;**
- the profit and loss account for the period from 1 January 2006 to 31 December 2006, showing a net profit of **1.859.679,00 zł;**
- statement of changes in shareholders' equity, showing an increase in shareholders' equity of **103.690.441,82 zł;**
- the cash flow statement for the period from 1 January 2006 to 31 December 2006, showing a net cash increase of **34.611.081,14 zł;**
- notes to the financial statements.

The Company's Management is responsible for the preparation of these financial statements.
Our responsibility was to audit the financial statements and to express an opinion whether they 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 Financial Reporting 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.

In our opinion the audited financial statements consisting of financial data and explanations:

- give a true and fair view of the Company's financial position as at 31 December 2006, as well as its financial result for the period from 1 January 2006 to 31 December 2006,
- 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 Company's Statute, to the extent to which such regulations affect the content of the financial statements.

Without qualifying our opinion we would like to draw your attention to the fact that despite undertaking activities to sell the wholesale portion of its operations, the Company did not present its value under assets designated for sale and did not estimate the result of the transaction.

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

We draw your attention to the fact that this opinion changes our opinion issued on 4 June 2007. The opinion has been altered in accordance with article 54 of the Accounting Act dated 29 September 1994 as the result of post-balanced sheet events which effectively eliminated the threat of Company losing the ability to continue as a going concern.

Katowice, 26 June 2007

BDO Numerica Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Registration No. 523
Katowice Branch
al. Korfantego 2
40-004 Katowice

Auditor in charge
Halina Żur-Zuber
Polish Certified Auditor
Reg. No. 8450/497

On behalf of BDO Numerica Sp. z o.o.
Leszek Kramarczuk
Board Member
Polish Certified Auditor
Reg. No. 1920/289

STALEXPORT S.A.
40-085 Katowice, ul. Mickiewicza 29

A report completing an opinion concerning the audit of financial statement drawn up in accordance with International Accounting standards for the period from 1st January to 31st December 2006

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I. GENERAL PART OF THE REPORT

1. Data identifying the Company

1.1 Name and legal form

Stalexport Spółka Akcyjna (Joint Stock Company)

1.2 Company's seat

Katowice, ul. Mickiewicza 29.

1.3 The subject of activity

The Company's subject of activity covers two basic sectors:
- motorway activity, i.e. participation in tenders for construction and exploitation of motorway projects and (by an affiliated company) adjusting and exploitation of the paid section of A4 motorway A4 Katowice-Kraków,
- trade activity covering sales of steel products and metallurgical raw materials

1.4 Basic activity

Stalexport S.A. act pursuant to:
- Company's statute of association in the form of Notarial Deed (Transformation Deed Rep. "A" Nr 10526/93 and Rep. „A" Nr 10772/93) as amended,
- Commercial Companies Code.

1.5 Registration of the Company in Commercial Court

On 3rd August 2001 the Company was entered into State Court Register at the District Court in Katowice under the following KRS No. 16854.

Earlier the Company had been registered in the commercial register under the following RHB No. – 10130.

1.6 Registration in the Tax Office and in the Province Statistical Office

NIP (Tax Identification No) 634-01-34-211
REGON (Statistical Identification No) 271936361

1.7 The amount of basic capital and its changes during the reporting period

In the audited business year there was an increase of basic capital by the amount of PLN 100, 000.

The increase took place in two stages within the scope of private subscription.

1) On 9th June 2006 the agreements concerning taking the shares were conclude between Stalexport S.A. and Syndicate Banks. The Company issued in total 15,840,622 common bearer shares with the face value of PLN 2 each.

All shares were taken by issue price amounting to PLN 2.2458 for one share and were covered by non cash contribution in the form of liabilities eligible for Syndicate Banks, in accordance with the Agreement that was concluded (see section 5.2).

2) On 26th June 2006, in accordance with the provisions of the Investment Agreement that was concluded (see section 5.3), the contract concerning taking the shares between Stalexport S.A. and Autostrade S.p.A with its seat in Rome (Italy) was signed. Within the said issue the Company issued in total 34,159, 378 common bearer shares with the face value PLN 2 each. All shares were taken by issue price amounting to PLN 2 for one share and were paid in cash.

Taking the above into consideration, the share capital as of the balance sheet day of 31st December 2006 amounts to PLN 315,524 thousand and is divided into 157,762,023 shares with the nominal value of PLN 2 each.

The changes of the amount of basic capital were registered in KRS.

Estimated structure of shareholders having over 5% of shares in basic capital and at the same time in total number of voters at the General Meeting of Shareholders are as follows:

- Autostrada S.p.A Rzym 21.65 %
- Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej 11.42 %
- Powszechna Kasa Oszczędności BP S.A. 5.54 %
- Julius Baer Investment Management LLC 6.54 %
  (including: Julius Baer International Equity Fund as a shareholder of Stalexport S,A, has: 10,000,000 shares, that constitutes 6.34 % of Stalexport S.A share capital)
- Others 54.85%

1.8 The Company's Management Board

During the audited period the Company was managed by the following people:

- Emil Wąsacz - President of the Management Board – General Manager
- Mieczysław Skołożyński - Vice President of the Management Board – Financial Director
- Urszula Dzierżoń - Member of the Mangement Board – Trade Director

The Resolution of the Supervisory Board made during its meeting on 21st October 2006 suspended Mr. Emil Wąsacz in his duties of the President of the Management Board of Stalexport S.A. for the period from 1st November 2006 to 31st December 2006 .

At the same time the Supervisory Board entrusted the performance of the duties (acting President of he Management Board) of the President of the Management Board to Mr. Mieczysław Skołożyński, Vice President of the Management Board.

1.9 Supervisory Board

As of 31st December 2006 the Supervisory Board consisted of:
- Galliano Di Marco
- Bogusław Leśnodorski

- Jerzy Sroka
- Dario Cipriani
- Christopher Melnyk
- Giuseppe Palma
- Jeffery Grady
- Alexander Neuber
- Katarzyna Galus

1.10 Employment

Average employment in the audited period was 283 people.

1.11 Information on related entities

The entities creating the Capital Group "Stalexport" S.A. are considered to be related entities in accordance with the list of subsidiaries and affiliated entities established by the dominant entity and presented to the Management Board during the audit.

2. Data identifying the audited financial report

The subject of the audit was financial report prepared in accordance with International Accounting Standards for the period from 1st January 2006 to 31st December 2006 covering:

- Introduction to the financial report;
- Balance sheet as of 31st December 2006 which revealed under assets and liabilities the amount of PLN 519,716 thousand;
- Profit and Loss Account for the period from 1st January 2006 to 31st December 2006 revealing net profit in the amount of PLN 1,860 thousand;
- List of changes in equity revealing the increase of equity by the amount of PLN 103,691 thousand;
- Cash Flow Account revealing increase of net cash in the period from 1st January 2006 to 31st December 2006 by the amount of PLN 34,611 thousand;
- Additional information and explanations.

3. Data identifying the authorised entity and the certified auditor who conducts the audit

BDO Numerica Sp. z o.o. with its seat in Warsaw ul. Postępu 12 is an authorised entity to perform audits of financial statements and is entered into the list under the following No. 523.

The audit was conducted pursuant to the Agreement signed on 8th August 2006 by BDO Polska Sp. z o.o. (currently BDO Numerica Sp. z o.o.) represented by a Certified Auditor Halina Żur-Zuber ref. No. 8450/497.

BDO Numerica Sp. z o.o. was chosen to be the auditor by the Supervisory Board by way of Resolution of 21st March 2006.

Hereby we state that the authorised entity BDO Numerica Sp. z o.o. and the certified auditor examining the said report fulfil the conditions for expressing unbiased and independent opinion on the audited report - in accordance with Art. 66 section 1 and 2 of the Accounting Act.

The Company made available to the Certified Auditor during the audit requested data and provided information and explanation necessary to conduct the audit and informed about significant events that took place after the balance sheet date until the date of submitting the statement.
The certified auditor was not limited as to the choice of relevant audit methods.

4. Information on financial report from the previous year

The financial report prepared for the period from 1st January 2005 to 31st December 2005, that was audited by BDO Polska Sp. z o.o. (currently BDO Numerica Sp. z o.o.) with its seat in Warsaw and obtained the audit opinion with explanations, constituted basis for opening the accounting books.

Financial report of the Company for the period from 1st January 2005 to 31st December 2005 was approved by the Resolution No. 3 of XIII Ordinary Shareholders Meeting of 30th June 2006.
The Shareholders Meeting decided by means of Resolution No. 17 of 30th June 2006 that the net loss for business year 2005 in the amount of PLN 145,089 thousand shall be covered from reserve capital and net profit of future periods.

Financial report for 2005 was submitted to Tax Office, State Court Register and submitted for announcement. The publication took place in Monitor Polski "B" No.402 of 6th March 2007.

5. Other significant information arising during the reporting period

5.1. Increase of capital in a subsidiary

The Company received from its Proxy in Luxemburg on 24th February 2006 documents concerning registration of the increase of basic capital of "Stalexport Autoroute S.a.r.l." from EUR 15 thousand to EUR 42,765 thousand by non cash contribution by Stalexport S.A. in the form of 100% of shares of Stalexport Autostrada Małopolska S.A., with the value of EUR 42,973 thousand, out of which EUR 42,750 thousand was devoted to basic capital and EUR 223 thousand to reserve capital.
On 22nd March 2006 the Company was informed by its Proxy about registration of the increase of basic capital of "Stalexport Autoroute S.a.r.l." to EUR 47,565 thousand by non cash contribution by Stalexport S.A. in the form of 55% of shares of Stalexport Transroute Autostrada S.A., with the value of EUR 5,068 thousand, out of which EUR 4,800 thousand was devoted to basic capital, and EUR 268 thousand to reserve capital.

5.2. Agreement with the banks concerning Walcownia Rur Jedność ("Jakość" Tube Mill)

On 4th May 2006 the Company signed agreement with banks syndicate represented by ING Bank Śląski concerning liabilities in relation to the banks due to guarantees of Stalexport S.A. securing the payment of credits granted to Walcownia Rur Jedność ("Jakość" Tube Mill).
Total amount of liabilities of Stalexport S.A. was finally established by the decision of the Arbitration Court of 26th May 2006 to be PLN 33,447 thousand plus interest.
Claims of banks syndicate in accordance with the provisions of the Agreement due to guarantee given by Stalexport S.A. were satisfied in total by way on conversion of the above mentioned liabilities into Company's shares with increased basic capital and therefore the decision of the Arbitration Court did not cause on the part of the Company the obligation to make cash payments in favour of Banks Syndicate.

5.3. Concluding Investment Agreement

On 26th June 2006 an Investment Agreement was concluded by and between Stalexport S.A. and Autostrade S.p.A. with its seat in Rome (Italy). In accordance with the provisions of the above mentioned Agreement Autostrade S.p.A. took 34,159,378 share of the new issue by Stalexport S.A., issued within the increase of basics capital within the limits of target capital. Under the said Agreement Autostrade S.p.A. shall take the shares of further issue, finally obtaining at least 50% plus 1 shares of tpotal number of votes in basic capital of the Company.
Taking the shares of further issues by Autostrade S.p.A. shall depend on fulfilling the following conditions:
1. Making resolutions by General Meeting of Shareholders of Stalexport S.A. concerning the increase of basic capital by way of issuing shares with face value PLN 2 per share with excluding the right to take of present shareholders, and the shares are to be taken by Autostrade S.p.A.
2. Sale of steel part of the Company to a reliable buyer on conditions that satisfy the shareholders.
3. Obtaining the approval of the President of Urząd Ochrony Konkurencji i Konsumentów (Office for Competition and Consumer Protection), pursuant to Art. 12 section 3 subsection 1 of the Act of 15th December 2000 on protection of competition and consumers (unified text: Journal of Laws - Dz. U. of 2003 No. 86 item 804).
As of the date of preparing the report the above mentioned conditions were fulfilled.

6. Events after the balance sheet date

6.1. Registration of Stalexport Trade S.A.

On 23rd March 2007, pursuant to the decision of District Court in Katowice, Stalexport Trade S.A. was entered into state Court Register - entrepreneurs register. Al shares were taken by Stalexport S.A. with its seat in Katowice.
The creation of Stalexport Trade S.A. is related to the performance of Investment Agreement provisions that assumes, among others, the sale of steel part to a reliable buyer on conditions that satisfy the shareholders of Stalexport S.A.

6.2. Court proceedings.

The Company received Information of the District Court in Katowice, VIII Commercial Division, of 19th March 2007 on bringing an action of law by Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej S.A. (National Fund of Environment Protection and water Management) with its seat in Warsaw (a shareholder) against Stalexport S.A. concerning reverse or stating the invalidity of Resolution No. 2 and 3 of Extraordinary Meeting of Shareholders of 14th February 2007, regarding the increase of capital with excluding the pre-emptive right of present shareholders (see section 5,3 Chapter I) and application for allowing G series shares to be traded on regulated market as well as their dematerialization.
During the trial which was held on 06.06.2007, in a result of lodging, by the proxy of the plaintiff, a written statement of claim in a court action of withdrawing the claim, the Court decided to discontinue the proceedings, which became final and valid by the decision of the District Court in Katowice dated 18.06.2007.

6.3. Conclusion of sale agreement concerning the trade part of activity.

On 31st May 2007 the Company concluded a sale agreement concerning the trade part of its activity; the effectiveness of the said agreement depends on the registration of increased stock

capital (the Resolution no 2 of the Extraordinary General Meeting of the Shareholders dated 14.02.2007) .
On 25.06.2007 the stock capital increase was registered in the National Judicial Register by the decision of the Regional Court Katowice-East.

II. FINANCIAL ANALYSIS OF THE COMPANY

Chosen amounts from the Profit and Loss Account, balance sheet as well as basic financial ratios are presented below.
While preparing the analysis, the inflation rates were not taken into account.

1. Balance sheet

ASSETS	**31.12.06**	**% of balance sheet total**	**31.12.05**	**% of balance sheet total**	**31.12.04**	**% of balance sheet total**
Fixed assets	**326,589**	**62.8**	**338,653**	**65.3**	**335,916**	**64.9**
Tangible fixed assets	56,037	10.8	49,069	9.5	26,240	5.1
Intangible assets	95	-	212	-	210	-
Long term receivables	32,680	6.3	509	0.1	50,800	9.8
Long term investments	237,777	45.7	286,664	55.3	128,455	24.8
Assets available for sale	-	-	2,199	0.4	130,211	25.2
Current assets	**193,127**	**37.2**	**179,926**	**34.7**	**181,601**	**35.1**
Stock	57,579	11.1	43,810	8.4	59,864	11.6
Short term receivables	91,118	17.5	130,814	25.2	113,981	22.0
Short term investment	4,546	0.9	235	0.1	18	-
Cash and cash equivalents	39,269	7.6	4,658	0.9	6,678	1.3
Short term prepayments and accruals	615	0.1	409	0.1	1,060	0.2
ASSETS TOTAL	**519,716**	**100.0**	**518,579**	**100.0**	**517,517**	**100.0**
LIABILITIES						
Own equity	**105,090**	**20.2**	**1,399**	**0.3**	**(28,963)**	**(5.6)**
Basic capital	315,524	60.7	215,524	41.6	215,524	41.65
Own shares	(21)	-	(23)	-	-	-
Reserve capital	2,931	0.6	35	-	42,343	8.18
Capital from valuation update	131.812	25.4	132,879	25.6	8,457	1.64
Reserve capital	-	-	51,016	9.9	95,979	18.55
Result from previous years	(347,016)	(66.8)	(252,943)	(48.8)	(404,141)	-78.09
Net result from the current year	1,860	0.3	(145,089)	(28.0)	12,875	2.49
Short term liabilities	**248,473**	**47.8**	**317,326**	**61.2**	**368,059**	**71.1**
Credits and loans	17,137	3.3	40,781	7.9	100,110	19.3
Liabilities due to financial leasing	515	0.1	670	0.1	-	-
Other liabilities	191,134	36.8	223,147	43.0	197,190	38.1
Provision due to deferred tax	29,383	5.7	38,687	7.5	725	0.1
Provision for liabilities	9,559	1.8	13,283	2.6	11,557	2.3
Long term accruals and prepayments	745	0.1	758	0.1	58,477	11.3
Short term liabilities	**166,153**	**32.0**	**199,854**	**38.5**	**178,421**	**34.5**
Credits and loans	51,800	10.0	50,006	9.6	12,541	2.4
Liabilities due to financial leasing	-	-	-	-	-	-
Liabilities due to deliveries and services	67,771	13.1	65,571	12.6	125,005	24.2
Other liabilities	41,246	7.9	73,046	14.1	8,118	1.6
Provision for liabilities	1,738	0.3	5,459	1.1	11,008	2.1
Short term settlements	3,598	0.7	5,772	1.1	21,749	4.2
LIABILITIES TOTAL	**519,716**	**100.0**	**518,579**	**100.0**	**517,517**	**100.0**

2. Profit and Loss Account

	Year ending on 31.12.06	Year ending on 31.12.05	Year ending on 31.12.04	Dynamics (%) 2006/2005	Dynamics (%) 2005/2004
Income on sales, including	**528,041**	**441,964**	**693,331**	**119.5**	**63,7**
Income on sales of products	65,078	46,933	76,525	138.7	61,3
Income on sales of goods and materials	462,963	395,031	616,806	117.2	64,0
Costs of sold products, goods and materials	**484,267**	**408,692**	**648,691**	**118.5**	**63.0**
Production costs of sold products	63,802	43,892	71,978	145.4	61.0
Value of sold products and goods	420,465	364,800	576,713	115.3	63.3
Gross profit/loss on sale	**43,774**	**33,272**	**44,640**	**131.6**	**74.5**
Other income	34,512	54,798	110,524	63.0	49.6
Sale costs	18,705	12,760	12,767	146.6	99.9
Overheads	30,628	31,369	21,029	97.6	149.2
Other costs	27,484	152,296	17,485	179.7	871.0
Profit/loss on operational activity	**1,469**	**(108,355)**	**103,883**	**-**	**-**
Financial income	**22,427**	**133,249**	**187,135**	**16.8**	**71.2**
Interest	9,050	7,328	6,357	123,5	115.3
Other	13,377	125,921	180,778	10.6	69.7
Financial costs	**31,092**	**166,466**	**278,168**	**18.7**	**59.8**
Interest	16,688	24,570	27,305	67.9	90.0
Update of investment value	9,296	7,928	15	117.3	52,853.3
Other	5,108	133,968	250,848	3.8	53.4
Gross profit/loss	**(7,196)**	**(141,572)**	**12,850**	**5.1**	**1.101.7**
Legal person income tax	(9,056)	3,517	(25)	-	-
Net profit/loss	**1,860**	**(145,089)**	**12,875**	**-**	**-**

3. Basic financial ratios

		1.01-31.12.06	1.01. – 31.12.05	1.01. – 31.12.04
Return on assets	Net financial result / Total assets	0.4 %	(28.0%)	2.5%
Return on equity	Net financial result / equity (without profit)	1.8%	(99.0%)	(30.8%)
Net profitability on sales	Net financial result / Income on sales of products	0.4%	(32.8%)	1.9%
Liquidity ration I	Total current assets / Short term liabilities	1.2	0.9	1.0
Liquidity ration II	Total current assets - stock / Short term liabilities	0.8	0.7	0.7
Receivables payment period in days	Average level of receivables due to deliveries and services x 365 days / Income on sales of products	57	68	48
Liabilities payment period in days	Average level of liabilities due to deliveries and services x 365 days / Own cost of sold products	50	85	57
Stock turnover ratio	Average stock level x 365 days / Own costs of sold products	38	46	26
Accounting value per 1 share in PLN	Equity / Number of shares	0.78*	0.01	(0.27)
Financial result per one share in PLN	Net financial result for the last 12 months / Number of shares	0.01*	(1.35)	0.12

* a watered number of shares i.e. 134,290,216 was assumed for calculations.

4. Ratios' interpretation

In the audited period the Company had net profit in the amount of PLN 1,860 thousand which was reflected in positive levels of profitability ratios.

As compared with the previous year there was substantial increase of income on sales (by 19.5%), that jointly with higher gross profitability of sales made it possible to have gross profit on sales in the amount of PLN 43,774 thousand as compared with PLN 33,272 thousand in 2005.

The gross result on sales was adjusted by costs of sale and overhead costs as well as positive total of other operational activity. Negative result on financial activity mainly results from the costs of external financing incurred by the Company. As a result the Company had gross loss in the amount of PLN 7,197 thousand.

The positive result obtained finally is the effect of resolving provisions due to deferred tax.

Balance sheet total amounts to PLN 519,716 thousand and remained unchanged as compared with the previous reporting period.

In the audited period there were no significant changes in the structure of assets. The share of fixed assets amounts to 62.8% of balance sheet total as compared with 65.3% in the previous year.

In fixed assets the decrease of tangible fixed assets and long term investments was balanced by increase of long term receivables, and in current assets the decrease of receivables by increase of stock level and cash.

In the structure of liabilities significant change is caused the increase of basic capital by the amount of PLN 100,000.00 in the audited period. The increase by the amount of PLN 31,681 thousand took place by way of liabilities conversion in relation to Banks Syndicate (under the concluded agreement – see section 5.2 Chapter I), and the remaining part i.e. PLN 68,319 thousand it was paid by cash (under the investment Agreement with Autostrade S.p.A with its seat in Rome – see 5.3 Chapter I).

As a result of the above event there is a significant increase of equity in the structure of liabilities (from 0.3% to 20.2%), decrese of liabilities and increase of cash.

The decrease of liabilities is also related to successive performance of composition provisions.

Decrease of liabilities and at the same time increase of current assets was reflected in the liquidity ratios that were improved as compared with the previous period. I rate liquidity ratio is 1.2 (and in 2005 it was 0.9), II rate 0.8 (and in 2005 it was 0.7), and III rate 0.2, at the practically zero level obtained in the previous year.

Increase of income on sales and own costs of sold products with slight fluctuation of average levels of trade receivables and stock and significant decrease of average trade liabilities level had impact on decrease of the level of turnover ratios. Liabilities payment period ratio is 50 days (with 85 in 2005) and in the audited period is lower then the receivables payment period ratio which is 57 days (with 68 days in 2005).

In the audited period the Company concluded an Investment Agreement with Autostrade S.p.A with its seat in Rome. In accordance with the Agreement, a strategic investor is to take shares with the total value of PLN 269,000 thousand (including part of shares taken in 2006), however further capitalisation depends on fulfilling by Stalexport S.A. certain conditions (see section 5.3, Chapter I.). As of the date of the report the conditions contained in the Investment Agreement were fulfilled i.e. on 13th November 2006 a decision was issued by Urząd Ochrony Konkurencji i Konsumentów concerning the approval for concentration consisting of taking over by Autostrade S.p.A. the control over Stalexport S.A., on 14th February 2007 a Resolution

was made by the General Meeting of Shareholders of Stalexport S.A. concerning the increase of basic capital by way of shares issuing (excluding the pre-emptive rights of present shareholders) for Autostrade S.p.A. and on 31st May 2007 the agreement concerning the sale of trade part was concluded.
At the moment as a result of legal action initiated by Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej, there is ongoing proceedings concerning reverse or invalidation of resolution related increase of basic capital as well as its registration by District Court. Unfavourable decision for the Company of the above mentioned issues may result in lack of possibilities to further perform composition provisions and to repay the restructured off-arrangement liabilities, and finally may lead to jeopardizing further activities of the Company.
As of the date of the report the court procedure was completed with favourable for the Company valid decision of the District Court in Katowice and the decision of the Regional Court Katowice-East.

Please have in view that this report changes the report drawn up by us on 01.06.2007.
The changes was based on art 54 of the Accounting Act dated 29.09.1994 due to the occurrence of the above events after the balance sheet date which effectively eliminated the threats of loss of further activities of the Company.

III. DETAILED PART OF THE REPORT

1. Evaluation of the accounting system as well as internal control system

1.1. Accounting system

The Company has documentation describing assumed by them accounting principles. Applied rules of costs account, assets and liabilities valuation and establishing the financial result comply with International Accounting Standards.

In accordance with Resolution No. 4 made by Extraordinary Meeting of Shareholders on 20th January 2005 the Company, starting from 1st January 2005, applies in its accounting policy International Financial Reporting Standards.

The methods of balance sheet assets and liabilities valuation as well as establishing financial result in the audited period and in the comparable period were applied in continuous way and comply with binding legal regulations.
Financial report covering balance sheet as of 31st December 2005 constituted basis for opening accounting books of the Company on 1st January 2006.

The amounts of assets and liabilities as of the accounting books opening day were entered in the same amounts as of its closing day in the previous period.

Accounting books are run by means of a computer and AS 400 software is used.

Source evidence, that are correctly described and prepared, constitute basis for covering in accounting books commercial events. The entries in the books are made permanently. The way of making entry in the books allows for identification of commercial operation date, source document, a person entering the source document, amount and marking of booking accounts on which a given operation was listed.

The accounting books are run in run in a reliable, correct, possible to check and up-to-date way.

Access to data and system of their processing by a computer is limited to appointed people.

Accounting evidence, accounting books and financial reports are kept in the Company's seat.

1.2. Inventory taking of assets ad liabilities

The inventory list of assets and liabilities was made in accordance with the requirements on the Accounting Act.

Inventory list differences were correctly settled and covered in the books.

1.3. Internal control

The Management Board of the Company is responsible for preparation and functioning of the Company's internal control system and for preventing and finding out incorrectness.
At planning and conducting the audit of the financial report of the Company for the period ended on 31st December 2006, we took under consideration internal control procedures in such a scope in which it was necessary in order to specify our procedures necessary for providing reliable opinions on the audited financial statement. Therefore our review of internal control system may not have revealed all weaknesses in the structure of the said system.

2. Introduction to financial statement, additional information and explanations

The Company prepared additional information covering introduction to financial statement and additional information as well as explanations fulfilling the requirements of the Act as well as International Accounting Standards, International Financial Reporting Standards concerning the scope of disclosed data.

3. List of changes in equity

List of changes in equity reveals in a correct way an increase of equity in the amount of PLN 103,691 thousand in the period from 1st January 2006 to 31st December 2006; and it was drawn up correctly and reveals correct relation with the balance sheet as well as the Profit and Loss Account.

4. Cash Flow Account

Data revealed in Cash Flow account for business year from 1st January 2006 to 31st December 2006 was correctly related to the balance sheet, Profit and Loss Account and accounting books, and they present the sources of Company's financing in a fair and correct way.

5. Information on significant violation of law or Company's statute of association that was stated during the audit and that had impact on the financial report

The was no violation of law stated in the Company that would have impact on the shape of financial statement.

6. Management Board's report on Company's activity

In accordance with the requirements of Art. 49 of the Act as well as the Code of Commercial Companies, the Management Board made a report on Company's activities in 2006.

Information contained in report on activity complies with information included in the audited financial report of the Company for 2006.

7. Statement of the entity’s management

The Company’s management submitted a written statement on completeness of data in accounting books, revealing the list of all conditional obligations and significant events that took place after the balance sheet date.

Katowice, 26th June 2007

BDO Numerica Spółka z o.o.
ul. Postępu 12
02-676 Warszawa
Nr ewidencyjny 523
Oddział Katowice
al. Korfantego 2
40-004 Katowice

The certified auditor performing the audit

Halina Żur-Zuber
Certified Auditor
Identification No. 8450/497

Acting on behalf of BDO Numerica Sp. z o.o

Andrè Helin, PhD
State Authorized
Public Accountant
Certified Auditor 90004/502
President of BDO Numerica Sp. z o.o.

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Audit Opinion
for the Shareholders of
STALEXPORT S.A.

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

- an introduction;
- the balance sheet prepared as at 31 December 2006, showing total assets and liabilities of **519.715.923,50 zł;**
- the profit and loss account for the period from 1 January 2006 to 31 December 2006, showing a net profit of **1.859.679,00 zł;**
- statement of changes in shareholders' equity, showing an increase in shareholders' equity of **103.690.441,82 zł;**
- the cash flow statement for the period from 1 January 2006 to 31 December 2006, showing a net cash increase of **34.611.081,14 zł;**
- notes to the financial statements.

The Company's Management is responsible for the preparation of these financial statements.
Our responsibility was to audit the financial statements and to express an opinion whether they 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 Financial Reporting 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 Company's operations is still 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 undertaken to generate a financial surplus by:
- finding an investor and obtaining his direct cash engagement was suspended until the court resolves the validity of the resolutions to increase the share capital and have it taken up by the investor, thereby postponing the moment at which the share capital increase will be registered and the funds that were deposited to cover the increase and then blocked will become available,
- realizing the signed agreement for the sale of the wholesale portion of operations, which is conditioned on registering the capital, which also postpones the time when funds will be obtained,

have thus far failed to produce the anticipated results.

Despite undertaking activities to sell the wholesale portion of its operations, the Company did not present its value under assets designated for sale and did not estimate the result of the transaction.

We would like to stress that the repayment of liabilities at the expense of limiting working capital may further worsen the situation by accelerating the Company's loss of its ability to continue as a going concern.

Subject to the above, in our opinion the audited financial statements consisting of financial data and explanations:
- give a true and fair view of the Company's financial position as at 31 December 2006, as well as its financial result for the period from 1 January 2006 to 31 December 2006,
- 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 Company's Statute, to the extent to which such regulations affect the content of the financial statements.

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

Katowice, 1 June 2007

BDO Numerica Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Registration No. 523
Katowice Branch
al. Korfantego 2
40-004 Katowice

Auditor in charge
Halina Żur-Zuber
Polish Certified Auditor
Reg. No. 8450/497

On behalf of BDO Numerica Sp. z o.o.
Dr. André Helin
Polish Certified Auditor
Reg. No. 90004/502
Senior Partner
BDO Numerica Sp. z o.o.

STALEXPORT S.A.
40-085 Katowice, ul. Mickiewicza 29

A report completing an opinion concerning the audit of financial statement drawn up in accordance with International Accounting standards for the period from 1st January to 31st December 2006

CONTENTS

I. GENERAL PART OF THE REPORT

1. Data identifying the Company

1.1 Name and legal form

Stalexport Spółka Akcyjna (Joint Stock Company)

1.2 Company's seat

Katowice, ul. Mickiewicza 29.

1.3 The subject of activity

The Company's subject of activity covers two basic sectors:
- motorway activity, i.e. participation in tenders for construction and exploitation of motorway projects and (by an affiliated company) adjusting and exploitation of the paid section of A4 motorway A4 Katowice-Kraków,
- trade activity covering sales of steel products and metallurgical raw materials

1.4 Basic activity

Stalexport S.A. act pursuant to:
- Company's statute of association in the form of Notarial Deed (Transformation Deed Rep. "A" Nr 10526/93 and Rep. „A" Nr 10772/93) as amended,
- Commercial Companies Code.

1.5 Registration of the Company in Commercial Court

On 3rd August 2001 the Company was entered into State Court Register at the District Court in Katowice under the following KRS No. 16854.

Earlier the Company had been registered in the commercial register under the following RHB No. – 10130.

1.6 Registration in the Tax Office and in the Province Statistical Office

NIP (Tax Identification No) 634-01-34-211
REGON (Statistical Identification No) 271936361

1.7 The amount of basic capital and its changes during the reporting period

In the audited business year there was an increase of basic capital by the amount of PLN 100, 000.

The increase took place in two stages within the scope of private subscription.

1) On 9th June 2006 the agreements concerning taking the shares were conclude between Stalexport S.A. and Syndicate Banks. The Company issued in total 15,840,622 common bearer shares with the face value of PLN 2 each.

All shares were taken by issue price amounting to PLN 2.2458 for one share and were covered by non cash contribution in the form of liabilities eligible for Syndicate Banks, in accordance with the Agreement that was concluded (see section 5.2).

2) On 26th June 2006, in accordance with the provisions of the Investment Agreement that was concluded (see section 5.3), the contract concerning taking the shares between Stalexport S.A. and Autostrade S.p.A with its seat in Rome (Italy) was signed. Within the said issue the Company issued in total 34,159, 378 common bearer shares with the face value PLN 2 each. All shares were taken by issue price amounting to PLN 2 for one share and were paid in cash.

Taking the above into consideration, the share capital as of the balance sheet day of 31st December 2006 amounts to PLN 315,524 thousand and is divided into 157,762,023 shares with the nominal value of PLN 2 each.

The changes of the amount of basic capital were registered in KRS.

Estimated structure of shareholders having over 5% of shares in basic capital and at the same time in total number of voters at the General Meeting of Shareholders are as follows:

- Autostrada S.p.A Rzym 21.65 %
- Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej 11.42 %
- Powszechna Kasa Oszczędności BP S.A. 5.54 %
- Julius Baer Investment Management LLC 6.54 %
  (including: Julius Baer International Equity Fund as a shareholder of Stalexport S,A, has: 10,000,000 shares, that constitutes 6.34 % of Stalexport S.A share capital)
- Others 54.85%

1.8 The Company's Management Board

During the audited period the Company was managed by the following people:

- Emil Wąsacz - President of the Management Board – General Manager
- Mieczysław Skołożyński - Vice President of the Management Board – Financial Director
- Urszula Dzierżoń - Member of the Mangement Board – Trade Director

The Resolution of the Supervisory Board made during its meeting on 21st October 2006 suspended Mr. Emil Wąsacz in his duties of the President of the Management Board of Stalexport S.A. for the period from 1st November 2006 to 31st December 2006 .

At the same time the Supervisory Board entrusted the performance of the duties (acting President of he Management Board) of the President of the Management Board to Mr. Mieczysław Skołożyński, Vice President of the Management Board.

1.9 Supervisory Board

As of 31st December 2006 the Supervisory Board consisted of:
- Galliano Di Marco
- Bogusław Leśnodorski

- Jerzy Sroka
- Dario Cipriani
- Christopher Melnyk
- Giuseppe Palma
- Jeffery Grady
- Alexander Neuber
- Katarzyna Galus

1.10 Employment

Average employment in the audited period was 283 people.

1.11 Information on related entities

The entities creating the Capital Group “Stalexport” S.A. are considered to be related entities in accordance with the list of subsidiaries and affiliated entities established by the dominant entity and presented to the Management Board during the audit.

2. Data identifying the audited financial report

The subject of the audit was financial report prepared in accordance with International Accounting Standards for the period from 1st January 2006 to 31st December 2006 covering:

- Introduction to the financial report;
- Balance sheet as of 31st December 2006 which revealed under assets and liabilities the amount of PLN 519,716 thousand;
- Profit and Loss Account for the period from 1st January 2006 to 31st December 2006 revealing net profit in the amount of PLN 1,860 thousand;
- List of changes in equity revealing the increase of equity by the amount of PLN 103,691 thousand;
- Cash Flow Account revealing increase of net cash in the period from 1st January 2006 to 31st December 2006 by the amount of PLN 34,611 thousand;
- Additional information and explanations.

3. Data identifying the authorised entity and the certified auditor who conducts the audit

BDO Numerica Sp. z o.o. with its seat in Warsaw ul. Postępu 12 is an authorised entity to perform audits of financial statements and is entered into the list under the following No. 523.

The audit was conducted pursuant to the Agreement signed on 8th August 2006 by BDO Polska Sp. z o.o. (currently BDO Numerica Sp. z o.o.) represented by a Certified Auditor Halina Żur-Zuber ref. No. 8450/497.

BDO Numerica Sp. z o.o. was chosen to be the auditor by the Supervisory Board by way of Resolution of 21st March 2006.

Hereby we state that the authorised entity BDO Numerica Sp. z o.o. and the certified auditor examining the said report fulfil the conditions for expressing unbiased and independent opinion on the audited report - in accordance with Art. 66 section 1 and 2 of the Accounting Act.

The Company made available to the Certified Auditor during the audit requested data and provided information and explanation necessary to conduct the audit and informed about significant events that took place after the balance sheet date until the date of submitting the statement.
The certified auditor was not limited as to the choice of relevant audit methods.

4. Information on financial report from the previous year

The financial report prepared for the period from 1st January 2005 to 31st December 2005, that was audited by BDO Polska Sp. z o.o. (currently BDO Numerica Sp. z o.o.) with its seat in Warsaw and obtained the audit opinion with explanations, constituted basis for opening the accounting books.

Financial report of the Company for the period from 1st January 2005 to 31st December 2005 was approved by the Resolution No. 3 of XIII Ordinary Shareholders Meeting of 30th June 2006.
The Shareholders Meeting decided by means of Resolution No. 17 of 30th June 2006 that the net loss for business year 2005 in the amount of PLN 145,089 thousand shall be covered from reserve capital and net profit of future periods.

Financial report for 2005 was submitted to Tax Office, State Court Register and submitted for announcement. The publication took place in Monitor Polski “B” No.402 of 6th March 2007.

5. Other significant information arising during the reporting period

5.1. Increase of capital in a subsidiary

The Company received from its Proxy in Luxemburg on 24th February 2006 documents concerning registration of the increase of basic capital of "Stalexport Autoroute S.a.r.l." from EUR 15 thousand to EUR 42,765 thousand by non cash contribution by Stalexport S.A. in the form of 100% of shares of Stalexport Autostrada Małopolska S.A., with the value of EUR 42,973 thousand, out of which EUR 42,750 thousand was devoted to basic capital and EUR 223 thousand to reserve capital.
On 22nd March 2006 the Company was informed by its Proxy about registration of the increase of basic capital of "Stalexport Autoroute S.a.r.l." to EUR 47,565 thousand by non cash contribution by Stalexport S.A. in the form of 55% of shares of Stalexport Transroute Autostrada S.A., with the value of EUR 5,068 thousand, out of which EUR 4,800 thousand was devoted to basic capital, and EUR 268 thousand to reserve capital.

5.2. Agreement with the banks concerning Walcownia Rur Jedność (“Jakość” Tube Mill)

On 4th May 2006 the Company signed agreement with banks syndicate represented by ING Bank Śląski concerning liabilities in relation to the banks due to guarantees of Stalexport S.A. securing the payment of credits granted to Walcownia Rur Jedność (“Jakość” Tube Mill).
Total amount of liabilities of Stalexport S.A. was finally established by the decision of the Arbitration Court of 26th May 2006 to be PLN 33,447 thousand plus interest.
Claims of banks syndicate in accordance with the provisions of the Agreement due to guarantee given by Stalexport S.A. were satisfied in total by way on conversion of the above mentioned liabilities into Company’s shares with increased basic capital and therefore the decision of the Arbitration Court did not cause on the part of the Company the obligation to make cash payments in favour of Banks Syndicate.

5.3. Concluding Investment Agreement

On 26th June 2006 an Investment Agreement was concluded by and between Stalexport S.A. and Autostrade S.p.A. with its seat in Rome (Italy). In accordance with the provisions of the above mentioned Agreement Autostrade S.p.A. took 34,159,378 share of the new issue by Stalexport S.A., issued within the increase of basics capital within the limits of target capital. Under the said Agreement Autostrade S.p.A. shall take the shares of further issue, finally obtaining at least 50% plus 1 shares of tpotal number of votes in basic capital of the Company.
Taking the shares of further issues by Autostrade S.p.A. shall depend on fulfilling the following conditions:
1. Making resolutions by General Meeting of Shareholders of Stalexport S.A. concerning the increase of basic capital by way of issuing shares with face value PLN 2 per share with excluding the right to take of present shareholders, and the shares are to be taken by Autostrade S.p.A.
2. Sale of steel part of the Company to a reliable buyer on conditions that satisfy the shareholders.
3. Obtaining the approval of the President of Urząd Ochrony Konkurencji i Konsumentów (Office for Competition and Consumer Protection), pursuant to Art. 12 section 3 subsection 1 of the Act of 15th December 2000 on protection of competition and consumers (unified text: Journal of Laws - Dz. U. of 2003 No. 86 item 804).
As of the date of preparing the report the above mentioned conditions were fulfilled, however the effectiveness of the Agreement depends on the result of the ongoing proceedings in relation to legal action undertaken by Fundusz Ochrony Środowiska i Gospodarki Wodnej.

6. Events after the balance sheet date

6.1. Registration of Stalexport Trade S.A.

On 23rd March 2007, pursuant to the decision of District Court in Katowice, Stalexport Trade S.A. was entered into state Court Register - entrepreneurs register. Al shares were taken by Stalexport S.A. with its seat in Katowice.
The creation of Stalexport Trade S.A. is related to the performance of Investment Agreement provisions that assumes, among others, the sale of steel part to a reliable buyer on conditions that satisfy the shareholders of Stalexport S.A.

6.2. Court proceedings.

The Company received Information of the District Court in Katowice, VIII Commercial Division, of 19th March 2007 on bringing an action of law by Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej S.A. (National Fund of Environment Protection and water Management) with its seat in Warsaw (a shareholder) against Stalexport S.A. concerning reverse or stating the invalidity of Resolution No. 2 and 3 of Extraordinary Meeting of Shareholders of 14th February 2007, regarding the increase of capital with excluding the pre-emptive right of present shareholders (see section 5,3 Chapter I) and application for allowing G series shares to be traded on regulated market as well as their dematerialization.

6.3. Conclusion of sale agreement concerning the trade part of activity.

On 31st May 2007 the Company concluded a sale agreement concerning the trade part of its activity; the effectiveness of the said agreement depends on the registration of increased capital.

II. FINANCIAL ANALYSIS OF THE COMPANY

Chosen amounts from the Profit and Loss Account, balance sheet as well as basic financial ratios are presented below.
While preparing the analysis, the inflation rates were not taken into account.

1. Balance sheet

ASSETS	31.12.06	% of balance sheet total	31.12.05	% of balance sheet total	31.12.04	% of balance sheet total
Fixed assets	**326,589**	**62.8**	**338,653**	**65.3**	**335,916**	**64.9**
Tangible fixed assets	56,037	10.8	49,069	9.5	26,240	5.1
Intangible assets	95	-	212	-	210	-
Long term receivables	32,680	6.3	509	0.1	50,800	9.8
Long term investments	237,777	45.7	286,664	55.3	128,455	24.8
Assets available for sale	-	-	2,199	0.4	130,211	25.2
Current assets	**193,127**	**37.2**	**179,926**	**34.7**	**181,601**	**35.1**
Stock	57,579	11.1	43,810	8.4	59,864	11.6
Short term receivables	91,118	17.5	130,814	25.2	113,981	22.0
Short term investment	4,546	0.9	235	0.1	18	-
Cash and cash equivalents	39,269	7.6	4,658	0.9	6,678	1.3
Short term prepayments and accruals	615	0.1	409	0.1	1,060	0.2
ASSETS TOTAL	**519,716**	**100.0**	**518,579**	**100.0**	**517,517**	**100.0**
LIABILITIES						
Own equity	**105,090**	**20.2**	**1,399**	**0.3**	**(28,963)**	**(5.6)**
Basic capital	315,524	60.7	215,524	41.6	215,524	41.65
Own shares	(21)	-	(23)	-	-	-
Reserve capital	2,931	0.6	35	-	42,343	8.18
Capital from valuation update	131.812	25.4	132,879	25.6	8,457	1.64
Reserve capital	-	-	51,016	9.9	95,979	18.55
Result from previous years	(347,016)	(66.8)	(252,943)	(48.8)	(404,141)	-78.09
Net result from the current year	1,860	0.3	(145,089)	(28.0)	12,875	2.49
Short term liabilities	**248,473**	**47.8**	**317,326**	**61.2**	**368,059**	**71.1**
Credits and loans	17,137	3.3	40,781	7.9	100,110	19.3
Liabilities due to financial leasing	515	0.1	670	0.1	-	-
Other liabilities	191,134	36.8	223,147	43.0	197,190	38.1
Provision due to deferred tax	29,383	5.7	38,687	7.5	725	0.1
Provision for liabilities	9,559	1.8	13,283	2.6	11,557	2.3
Long term accruals and prepayments	745	0.1	758	0.1	58,477	11.3
Short term liabilities	**166,153**	**32.0**	**199,854**	**38.5**	**178,421**	**34.5**
Credits and loans	51,800	10.0	50,006	9.6	12,541	2.4
Liabilities due to financial leasing	-	-	-	-	-	-
Liabilities due to deliveries and services	67,771	13.1	65,571	12.6	125,005	24.2
Other liabilities	41,246	7.9	73,046	14.1	8,118	1.6
Provision for liabilities	1,738	0.3	5,459	1.1	11,008	2.1
Short term settlements	3,598	0.7	5,772	1.1	21,749	4.2
LIABILITIES TOTAL	**519,716**	**100.0**	**518,579**	**100.0**	**517,517**	**100.0**

2. Profit and Loss Account

	Year ending on 31.12.06	Year ending on 31.12.05	Year ending on 31.12.04	Dynamics (%) 2006/2005	Dynamics (%) 2005/2004
Income on sales, including	**528,041**	**441,964**	**693,331**	**119.5**	**63,7**
Income on sales of products	65,078	46,933	76,525	138.7	61,3
Income on sales of goods and materials	462,963	395,031	616,806	117.2	64,0
Costs of sold products, goods and materials	**484,267**	**408,692**	**648,691**	**118.5**	**63.0**
Production costs of sold products	63,802	43,892	71,978	145.4	61.0
Value of sold products and goods	420,465	364,800	576,713	115.3	63.3
Gross profit/loss on sale	**43,774**	**33,272**	**44,640**	**131.6**	**74.5**
Other income	34,512	54,798	110,524	63.0	49.6
Sale costs	18,705	12,760	12,767	146.6	99.9
Overheads	30,628	31,369	21,029	97.6	149.2
Other costs	27,484	152,296	17,485	179.7	871.0
Profit/loss on operational activity	**1,469**	**(108,355)**	**103,883**	**-**	**-**
Financial income	**22,427**	**133,249**	**187,135**	**16.8**	**71.2**
Interest	9,050	7,328	6,357	123,5	115.3
Other	13,377	125,921	180,778	10.6	69.7
Financial costs	**31,092**	**166,466**	**278,168**	**18.7**	**59.8**
Interest	16,688	24,570	27,305	67.9	90.0
Update of investment value	9,296	7,928	15	117.3	52,853.3
Other	5,108	133,968	250,848	3.8	53.4
Gross profit/loss	**(7,196)**	**(141,572)**	**12,850**	**5.1**	**1.101.7**
Legal person income tax	(9,056)	3,517	(25)	-	-
Net profit/loss	**1,860**	**(145,089)**	**12,875**	**-**	**-**

3. Basic financial ratios

		1.01-31.12.06	1.01. – 31.12.05	1.01. – 31.12.04
Return on assets	Net financial result / Total assets	0.4 %	(28.0%)	2.5%
Return on equity	Net financial result / equity (without profit)	1.8%	(99.0%)	(30.8%)
Net profitability on sales	Net financial result / Income on sales of products	0.4%	(32.8%)	1.9%
Liquidity ration I	Total current assets / Short term liabilities	1.2	0.9	1.0
Liquidity ration II	Total current assets - stock / Short term liabilities	0.8	0.7	0.7
Receivables payment period in days	Average level of receivables due to deliveries and services x 365 days / Income on sales of products	57	68	48
Liabilities payment period in days	Average level of liabilities due to deliveries and services x 365 days / Own cost of sold products	50	85	57
Stock turnover ratio	Average stock level x 365 days / Own costs of sold products	38	46	26
Accounting value per 1 share in PLN	Equity / Number of shares	0.78*	0.01	(0.27)
Financial result per one share in PLN	Net financial result for the last 12 months / Number of shares	0.01*	(1.35)	0.12

* a watered number of shares i.e. 134,290,216 was assumed for calculations.

4. Ratios' interpretation

In the audited period the Company had net profit in the amount of PLN 1,860 thousand which was reflected in positive levels of profitability ratios.

As compared with the previous year there was substantial increase of income on sales (by 19.5%), that jointly with higher gross profitability of sales made it possible to have gross profit on sales in the amount of PLN 43,774 thousand as compared with PLN 33,272 thousand in 2005.
The gross result on sales was adjusted by costs of sale and overhead costs as well as positive total of other operational activity. Negative result on financial activity mainly results from the costs of external financing incurred by the Company. As a result the Company had gross loss in the amount of PLN 7,197 thousand.
The positive result obtained finally is the effect of resolving provisions due to deferred tax.
Balance sheet total amounts to PLN 519,716 thousand and remained unchanged as compared with the previous reporting period.
In the audited period there were no significant changes in the structure of assets. The share of fixed assets amounts to 62.8% of balance sheet total as compared with 65.3% in the previous year.
In fixed assets the decrease of tangible fixed assets and long term investments was balanced by increase of long term receivables, and in current assets the decrease of receivables by increase of stock level and cash.
In the structure of liabilities significant change is caused the increase of basic capital by the amount of PLN 100,000.00 in the audited period. The increase by the amount of PLN 31,681 thousand took place by way of liabilities conversion in relation to Banks Syndicate (under the concluded agreement – see section 5.2 Chapter I), and the remaining part i.e. PLN 68,319 thousand it was paid by cash (under the investment Agreement with Autostrade S.p.A with its seat in Rome – see 5.3 Chapter I).
As a result of the above event there is a significant increase of equity in the structure of liabilities (from 0.3% to 20.2%), decrese of liabilities and increase of cash.
The decrease of liabilities is also related to successive performance of composition provisions.

Decrease of liabilities and at the same time increase of current assets was reflected in the liquidity ratios that were improved as compared with the previous period. I rate liquidity ratio is 1.2 (and in 2005 it was 0.9), II rate 0.8 (and in 2005 it was 0.7), and III rate 0.2, at the practically zero level obtained in the previous year.

Increase of income on sales and own costs of sold products with slight fluctuation of average levels of trade receivables and stock and significant decrease of average trade liabilities level had impact on decrease of the level of turnover ratios. Liabilities payment period ratio is 50 days (with 85 in 2005) and in the audited period is lower then the receivables payment period ratio which is 57 days (with 68 days in 2005).

In the audited period the Company concluded an Investment Agreement with Autostrade S.p.A with its seat in Rome. In accordance with the Agreement, a strategic investor is to take shares with the total value of PLN 269,000 thousand (including part of shares taken in 2006), however further capitalisation depends on fulfilling by Stalexport S.A. certain conditions (see section 5.3, Chapter I.). As of the date of the report the conditions contained in the Investment Agreement were fulfilled i.e. on 13th November 2006 a decision was issued by Urząd Ochrony Konkurencji i Konsumentów concerning the approval for concentration consisting of taking over by Autostrade S.p.A. the control over Stalexport S.A., on 14th February 2007 a Resolution

was made by the General Meeting of Shareholders of Stalexport S.A. concerning the increase of basic capital by way of shares issuing (excluding the pre-emptive rights of present shareholders) for Autostrade S.p.A. and on 31st May 2007 the agreement concerning the sale of trade part was concluded.
At the moment as a result of legal action initiated by Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej, there is ongoing proceedings concerning reverse or invalidation of resolution related increase of basic capital as well as its registration by District Court, Unfavourable decision for the Company of the above mentioned issues may result in lack of possibilities to further perform composition provisions and finally may lead to jeopardizing further activities of the Company.

III. DETAILED PART OF THE REPORT

1. Evaluation of the accounting system as well as internal control system

1.1. Accounting system

The Company has documentation describing assumed by them accounting principles. Applied rules of costs account, assets and liabilities valuation and establishing the financial result comply with International Accounting Standards.

In accordance with Resolution No. 4 made by Extraordinary Meeting of Shareholders on 20th January 2005 the Company, starting from 1st January 2005, applies in its accounting policy International Financial Reporting Standards.

The methods of balance sheet assets and liabilities valuation as well as establishing financial result in the audited period and in the comparable period were applied in continuous way and comply with binding legal regulations.
Financial report covering balance sheet as of 31st December 2005 constituted basis for opening accounting books of the Company on 1st January 2006.

The amounts of assets and liabilities as of the accounting books opening day were entered in the same amounts as of its closing day in the previous period.

Accounting books are run by means of a computer and AS 400 software is used.

Source evidence, that are correctly described and prepared, constitute basis for covering in accounting books commercial events. The entries in the books are made permanently. The way of making entry in the books allows for identification of commercial operation date, source document, a person entering the source document, amount and marking of booking accounts on which a given operation was listed.

The accounting books are run in run in a reliable, correct, possible to check and up-to-date way.

Access to data and system of their processing by a computer is limited to appointed people.

Accounting evidence, accounting books and financial reports are kept in the Company's seat.

1.2. Inventory taking of assets ad liabilities

The inventory list of assets and liabilities was made in accordance with the requirements on the Accounting Act.

Inventory list differences were correctly settled and covered in the books.

1.3. Internal control

The Management Board of the Company is responsible for preparation and functioning of the Company's internal control system and for preventing and finding out incorrectness.
At planning and conducting the audit of the financial report of the Company for the period ended on 31st December 2006, we took under consideration internal control procedures in such a scope in which it was necessary in order to specify our procedures necessary for providing reliable opinions on the audited financial statement. Therefore our review of internal control system may not have revealed all weaknesses in the structure of the said system.

2. Introduction to financial statement, additional information and explanations

The Company prepared additional information covering introduction to financial statement and additional information as well as explanations fulfilling the requirements of the Act as well as International Accounting Standards, International Financial Reporting Standards concerning the scope of disclosed data.

3. List of changes in equity

List of changes in equity reveals in a correct way an increase of equity in the amount of PLN 103,691 thousand in the period from 1st January 2006 to 31st December 2006; and it was drawn up correctly and reveals correct relation with the balance sheet as well as the Profit and Loss Account.

4. Cash Flow Account

Data revealed in Cash Flow account for business year from 1st January 2006 to 31st December 2006 was correctly related to the balance sheet, Profit and Loss Account and accounting books, and they present the sources of Company's financing in a fair and correct way.

5. Information on significant violation of law or Company's statute of association that was stated during the audit and that had impact on the financial report

The was no violation of law stated in the Company that would have impact on the shape of financial statement.

6. Management Board's report on Company's activity

In accordance with the requirements of Art. 49 of the Act as well as the Code of Commercial Companies, the Management Board made a report on Company's activities in 2006.

Information contained in report on activity complies with information included in the audited financial report of the Company for 2006.

7. Statement of the entity's management

The Company's management submitted a written statement on completeness of data in accounting books, revealing the list of all conditional obligations and significant events that took place after the balance sheet date.

Katowice, 1st June 2007

BDO Numerica Spółka z o.o.
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02-676 Warszawa
Nr ewidencyjny 523
Oddział Katowice
al. Korfantego 2
40-004 Katowice

The certified auditor performing the audit

Halina Żur-Zuber
Certified Auditor
Identification No. 8450/497

Acting on behalf of BDO Numerica Sp. z o.o

Andrè Helin, PhD
State Authorized
Public Accountant
Certified Auditor 90004/502
President of BDO Numerica Sp. z o.o.

Dear Shareholders,

There have been many difficult moments during recent years and nearly each of them was crucial for the operations of STALEXPORT S.A. It is enough just to mention the conclusion of the composition and non-composition agreement with Company's creditors.

6th June 2007 was certainly an important day as on that day Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej withdrew its lawsuit concerning invalidation of the resolution regarding the increase of the Company's capital.

Therefor, the danger of bankruptcy, hanging over the Company during recent years, was finally obviated. It opens a new period in the history of STALEXPORT S.A., and it turned out to be possible due to events of 2006 and first months of 2007. As they were very important let me present them.

We began 2006 full of optimism as:

- still at the end of December 2005, an agreement was signed with Autostrade S.p.A with its seat in Rome (currently Atlantia S.p.A.) – Letter of Intent - in which they agreed to become a strategic investor of STALEXPORT S.A. by means of increasing the basic capital by 100%,
- there were intensive negotiations with Banks Syndicate concerning obtaining an investment credit for Stalexport Autostrada Małopolska S.A.,
- there were also intensive negotiations with Banks Syndicate that financed in the past Walcownia Rur Jedność (Rollling Mill "Jedność"); the negotiations were held in order to solve the problem of debt of STALEXPORT S.A. in relation to those banks. The said debt resulted from the guarantees issued by the Company in favour of WRJ.

Therefore, in the scope of strategy the first half of 2006 was devoted to performance of the above. In the field of trade there was, similar to previous years, a dramatic fight to maintain financial liquidity as well as reliability in relation to suppliers. We also strived to keep the trade level, so in other words, to maintain the basic part of the Company. It was all done in the context of the necessity to allocate (very often at the expense of operating capital) additional means in the amount of about PLN 111 million for the payment of composition and non-composition liabilities in 2006 and in the first half of 2007.

Obtaining by Stalexport Autostrada Małopolska S.A. in the first quarter of 2006 a financial closing for the section of A4 motorway Kraków-Katowice allowed to start necessary investment works and took away for ever the danger of depriving the company of the licence for exploitation of the above mentioned section.

Successful end of negotiations with the banks syndicate that finance the construction of Walcownia Rur Jedność (Rollling Mill "Jedność") resulted in conclusion in May 2006 an agreement that converted the debt into increase of basic capital.

Both the above mentioned events as well as maintaining financial liquidity by STALEXPORT S.A. in the first half of 2006, mainly due to the sale of property located at ul. Obrzeżna in Warsaw – influenced the decision of withdrawing by Autostrade S.p.A. from the original condition of one time increase of capital, after fulfilment of all conditions precedent, including, among others, the sale of steel part what – as was shown by further events – could be carried out only at the end of III quarter of 2007. Withdrawal from such a condition and agreement to increase capital in two trenches resulted in signing an Investment Agreement with Autostrade S.p.A.on 26 June 2006 and obtaining at the beginning of the third quarter of 2006 the amount of about PLN 69 million from the first increase of basic capital which saved STALEXPORT S.A. from bankruptcy till the time of second increase of capital.

All shareholders benefited from this event as the shares rate from the mid June (before signing an agreement with Autostrade S.p.A.) increased from PLN 1.95 to over PLN 7.00, the value regularly reached in recent weeks. It shall be emphasised that in case of STALEXPORT S.A. bankruptcy, this rate would be close to zero.

To whole picture was completed by:

- enactment of 14th February 2007 by Extraordinary Meeting of Shareholders concerning an increase of basic capital that was taken and paid by Autostrade S.p.A.,
- at the same time withdrawal by Autostrade S.p.A. from the condition precedent included in the Investment Agreement and in the form of closing the steel part sale process – before the second increase of capital.

Settlement of disputes related to the conduct of Extraordinary Meeting of Shareholders called for February 2006, before signing on 6th June 2007 a trilateral agreement between STALEXPORT S.A., Autostrade S.p.A. and NFOŚiGW, closes reorganization process of STALEXPORT S.A. Signing an Investment Agreement with Złomrex S.A. means that at the moment STALEXPORT S.A. got serious basis for not endangered functioning in the future, and in a few months, after closing the sale process of the steel part and conducting the changed in the Company's name and resulting from that event, STALEXPORT S.A., shall concentrate only on motorway activity that so far have been only one of the pillars of STALEXPORT S.A. operations.

Therefore, the over forty year period of steel trade as a dominant activity in the history of STALEXPORT S.A., is closed.

In a year in a next report there shall be only slight historic echo of problems that dominated the period of the last, very difficult seven years. I would like to thank here for the last seven years without which it would not be possible to finish this letter with a positive accent.

I thank the employees whose attitude enabled surviving the difficult period and who, as it shall be emphasised, are the main beneficiary of the success. I would like to thank the composition and non-composition creditors and in particular trade creditors whose good will and presented trust allowed the Company to survive this extremely difficult period. I would like to express my special thanks to Mittal Steel Polska.

I would also like to thank separately the shareholders who supported the Management Board's reorganization activities at key moments.

Finally, I would like to thank warmly to the management and the partners of Autostrade S.p.A. for the fact that they were able to notice in a not so long ago almost going bankrupt Company, STALEXPORT, the potential enabling creation of a leader in the motorway industry in Poland and that they were consequent, even though there were so many difficulties, in their conviction while supporting the Management Board and the Company during the most difficult moments.

Ladies and Gentlemen,

Please excuse a very personal character of this letter. However, it is the right moment to convey to you the emotions that have been growing for the past seven years and that have been experienced by myself and the whole Management Board.

I encourage you to read the financial report of STALEXPORT Management Board's report on operation in 2006, where you shall find a detailed description of the Company's condition. The said report is available at the following website: www.stalexport.com.pl.

Herby I also wish to invite you to participate in meetings with shareholders and analysts organised regularly by our company. The calendar of such meetings as well as other important corporate events is published at our website.

To end up I would like to express my hope that you shall find solid basis for sharing our optimism as to the bright future of our Company.

President of the Management Board
General Director

Emil Wąsacz

Introductory information and characteristics of applied accounting rules in financial report as of 31st December 2006.

1. Stalexport S.A. is a joint stock company registered in Poland KRS No. 16854. The Company's seat s located in Katowice ul. Mickiewicza 29

2. The presented financial report covers data from 1st January 2006 to 31st December 2006 and was prepared in accordance with International Financial Reporting Standards "EU IFRS".

3. The report was approved by the Management Board of the Company.

4. The data in the financial report was presented in PLN after rounding to full thousands.

5. Stalexport S.A. is a dominant company and prepares consolidated financial report.

6. The presented financial report was made with the assumption of on going commercial operation of the Company in predictable future. Simultaneously the Management Board informs that there is a serious threat for continuation the activity by the Company, which results from the appealing against the resolutions of the EGSM by Narodowy Fundusz Ochrony Srodowiska i Gospodarki Wodnej dated 14.02.2007, which concern the Company's capital increase by the amount of ca 210 m zloty by the strategic investor Autostrade S.p.A. On 31.05.2007 before the District Court in Katowice the trial will be held which will decide a dispute and its verdict will determine the Company's possibility to continue the activity.

7. Financial report and comparable data were prepared in such a way that ensures their comparability with the application of unified accounting principles.

8. In the opinion of certified auditors concerning the audit of financial report, there were no reservations that would make it necessary to make corrections in relation to presented data of the financial statement or compared financial data.

Accounting principles assumed by the Company

The entity applies statutory valuation principles based on historical buy, purchase or production price, excluding the evaluation of financial assets and investment property that were evaluated in accordance with IFRS principles, according to fair value.

<u>Financial instruments</u>

Derivative financial instruments.

The Company uses derivatives for securing exchange rate risk.

Derivative financial instrument is useful for economic securing the risk resulted from exchange rate differences related to covered cash asset or liability and all profit and loss connected with securing instrument are covered by Profit and Loss Account.

Long term assets

<u>Tangible fixed assets – note no. 1</u>

<u>Own items of tangible fixed assets</u>

Tangible fixed assets are the fixed assets, that:

- are kept by the Company in order to use them in production process, goods delivery, service providing, in order to give them to others for use or for administrative purposes or in accordance with expectations they shall be used by the time that is longer than one business period.

Initial recognition of the asset is valuated in accordance with purchase price or production price.

The company uses the cost method to valuate tangible fixed assets that takes place after initial recognition of fixed asset; the cost method means purchase price or production price decreased by cumulated depreciation (write off) and write downs due to loss of value.

The purchase price covers the purchase price of assets' item and costs indirectly related to the purchase an adjusting the said asset to the condition that allows its use, jointly with transportation costs, as well as loading, unloading and storing costs. Rebates, discount and other derivatives of decrease and recoveries decrease the purchase price of the asset.

Production costs of assets and assets under construction covers all the costs incurred by the entity during their construction, assembling, adjusting and improvement until the date of taking such an asset to use.

Note No. 1B presents the changes of fixed assets in accordance with kinds groups.

The sale of building and constructions that constituted trade branch in Warsaw, ul. Obrzeżna, had a significant impact on many items of the said assets. .

It is clear from the Note No. 1A presenting "tangible fixed assets" that there was a significant increase in "technical equipment and machines" and it was related with start of a new branch in Krzyż Wlkp. which produces steel reinforcement for construction industry; and in "fixed assets under construction" as it was related with a new trade branch in the area of Ursus.

In case of cease of use of the property for own needs and giving it for investment, the property is valuated in accordance with fair value and re-classified to investment property. All profits due to valuation to fair value are revealed directly in capital. All loss are revealed in the Profit and Loss Account.

Depreciation

Items of tangible fixed assets, or their relevant or separate parts, are depreciated by straight line method during their use period.

The entity assumes the following use periods for particular kinds of tangible fixed assets:

Buildings	40 years
Technical equipment and machinery	5-12 years
Vehicles	5-10 years
Furniture and equipment	3-5 years

Items of tangible fixed assets used on the basis of lease agreements.

Lease agreements, under which the entity has all the risk and takes advantage resulting from having an item of tangible fixed assets are as financial lease agreements.

Original value of fixed assets subject to lease agreement of liabilities corresponding to the above (Note No. 19A) is established in the amount equal to discounted value of future lease payments.

Incurred lease payments in the reporting period are related to liabilities due to financial leasing in the amount equal to capital payments, extra amount as financial cost charges in total financial costs.

Re-classification to investment property

Tangible fixed assets produced in order to use them in the future as investment property are accounted for as fixed assets and revealed on the basis of their production costs until the moment of production end; then they are re-classified to investment property and evaluated in accordance with fair value they are revealed in Profit and Loss Account.

In case of cease of use of the property for own needs and giving it for investment, the property is valuated in accordance with fair value and re-classified to investment property. All profits due to valuation to fair value are revealed directly in capital. All loss are revealed in the Profit and Loss Account.

Intangible assets – Note No. 2A, 2B, 2C

Intangible assets acquired by the entity are revealed on the basis of their purchase price, decreased by depreciation and write downs due to loss of value. .

Intangible assets as revealed as taking over economic entity are revealed in assets separately from the Company's goodwill, if it is possible at the original recognition to estimate their fair value in a reliable way.

Note no. 2C presents in detail the change of intangible assets value within the reporting period. The Company considers the values of write downs on intangible assets as general costs.

Depreciation

Intangible assets are depreciated by straight line method with taking into account the period of their usage unless it is not specified. The company's goodwill and intangible assets with not specified usage period are subject to tests due to loss of value, intangible assets are depreciated for each day since the day of their availability for use. Estimated use period is as follows::

• copyrights	up to 5 lat
• computer software	up to 5 years
• licences	2-5 years

Long term receivables – Note No. 3A

Long term receivables are evaluated according to their purchase prices with taking into account the rules of cautious valuation so it means decreased by write downs.

Long term receivables are receivables from a subsidiary, Stalexport Autostrada Małopolska S.A., due to settlement of incurred investment expenditures that were made by Stalexport S.A. before transfer of licence for construction of A4 motorway.

Long term investments – Note No. 4

Stalexport S.A. Company differentiates in this group:

- property – Note No. 4A
- long term financial assets – Note No 4C

Initial recognition of long term financial assets is evaluated in accordance with purchase price and is revaluated by write downs due to permanent loss of value (Note 4E).

There is registered pledge on most of long term investments in favour of banks and it concerns: shares of Stalexport Serwis Centrum S.A. Stalexport Centrostal Lublin S.A. Beskidzki Dom Maklerski S.A. and shares of Stalexport Autoroute S.a.r.l Luksemburg.

Assets available for sale – Note No. 5

Assets item (or group to sell) is qualified as for sale if its balance sheet value shall be regained by way of sale transaction and not by further use.

Such assets and sets for sale are not subject to depreciation.

Short term assets

Stock – Note No. 8

Stock of materials and goods is evaluated as of the balance sheet date in accordance with purchase price. Ready products and production-in-progress are evaluated in accordance with technical production cost (established as direct costs and charges of direct costs determined with the assumption of normal usage of production capacity). Technical production cost does not include activated costs of external financing.

The entity assumed FIFO as a method of stock dispatch.

In the purchase price or the technical production costs is higher than predicted sale price, the company makes a write down that adjust costs of sale.

Write down are also made on stack that does not show turnover over 360 days.

Short term receivables – Note No. 9A

Receivables due to deliveries and services whose due date is from 30 to 90 days are revealed in accordance with originally invoiced amounts with taking into account write offs for uncollectible receivables.
Receivables are revaluated in cases specified in Art. 35b section 1 of the Accounting Act as well as :

- for receivables due to deliveries and services if the delay in payment is longer than 180 days form the due date,
- for receivables due to interest if the delay in payment is longer than 180 days form the payment due date,

Short term investments - Note No. 10A
Securities are revealed in accordance with purchase price FIFA and is subject to revaluation as of the balance sheet day in accordance with stock exchange rate binding as of the balance sheet date.
Granted loans jointly with due interest are revealed in net values i.e. after decrease by write down.

Cash and cash equivalents- Note No. 11A
Cash and cash equivalents cover cash in the bank and on hand as well as short term deposits with preliminary maturity not longer than three months.
The balance of cash revealed in Cash Flow Account consists of the above mentioned cash and its equivalents.

Assets value loss
In case of evidence indicating the possibility of value loss of possessed items of fixed tangible assets and intangible assets, there is a test conducted; the said test concerns the loss of value and established amounts of write downs decrease balance sheet value of the asset they relate to and they are referred to Profit and Loss Account.
Write downs of assets value that are subject to previous recalculation over the purchase price, adjust the capital from valuation write down do the amounts covered by capital, and below the purchase price are refereed to Profit and Loss Account.

The amounts of write downs are reversed in case of cease of the reason justifying their creation. The consequences of the referred to Profit and Loss Account excluding the amounts that were earlier decreasing the capital from revaluation and that adjust the said capital to the amount of burdens that were made.

Provisions for service anniversary award and retirement severance pay
The above liabilities result from acquired rights of Company's employees in a current year as well as in previous years, in accordance with assumed rights in the company payroll system.
Employee's benefits are valuated by actuarial method and the are not subject to change during longer periods.

Income tax – Note no. 34
Income tax revealed in Profit and Loss Account covers current part and deferred part. Income tax is covered by Profit and Loss Account excluding amounts related to items settled directly with equity. Current tax constitutes expected liability due to income subject to taxation and is

calculated with application of tax rates binding as of the balance sheet day and in accordance with w tax regulations.

Deferred income tax is established by balance sheet method, on the basis of interim differences between the value of assets and liabilities as revealed in accounting books and their value for accounting purposes. The value of revealed deferred tax takes into account the planned way of performance and settlement of balance sheet value of assets and liabilities items with application of income tax rates binding as of the balance sheet date.

Assets due to deferred tax are established in the amount predicted in the future for deducting from income tax in relation to negative interim differences that shall cause in the future the decrease of income tax base for calculation.

The Company, due to the fact of marinating tax loss does not create assets due to deferred tax in balance sheet.

Balance sheet

	note	2006	2005
ASSETS			
I. Long-term assets		**326 589**	**338 653**
1. Fixed assets	**1**	**56 037**	**49 069**
2. Intangible assets including:	**2**	**95**	**212**
- goodwill		**-**	**-**
3. Long-term receivables	**3**	**32 680**	**509**
4. Long-term investments	**4**	**237 777**	**286 664**
4.1 Real estates		**10 000**	**56 945**
4.2 Intangible assets		**-**	**-**
4.3 Long-term financial assets		**227 577**	**229 519**
a) in related entities, including:		**226 406**	**227 712**
- stocks or shares in subsidiary entities evaluated via the method of ownership rights		**32**	**32**
b) in other entities		**1 171**	**1 807**
4.4 Other long-term investments		**200**	**200**
5. Assets available for sale	**5**	**-**	**2 199**
6. Assets by virtue of the deferred income tax	**6**	**-**	**-**
7. Long-term interperiod settlements	**7**	**-**	**-**
II. Short-term assets		**193 127**	**179 926**
1. Inventories	**8**	**57 579**	**43 810**
2. Short-term receivables	**9**	**91 118**	**130 814**
3. Short-term investments	**10**	**4 546**	**235**
4. Cash and its equivalent	**11**	**39 269**	**4 658**
5. Short-term interperiod settlements	**12**	**615**	**409**
Assets in total		**519 716**	**518 579**

	NOTE	2006	2005
LIABILITIES			
I. Equity capital		**105 090**	**1 399**
1. Stock capital	**13**	**315 524**	**215 524**
2. Due payments for the stock capital (negative value)			
3. Own shares (stocks) (negative value)	**14**	**(21)**	**(23)**
4. Inventory capital	**15**	**2 931**	**35**
5. Capital from updating evaluation	**16**	**131 812**	**132 879**
6. Other reserve capitals	**17**	**-**	**51 016**
7. Profit (loss) from previous years		**(347 016)**	**(252 943)**
8. Net profit (loss) per the shareholders of the Company		**1 860**	**(145 089)**
9. Deductions from net profit within the financial year (negative value)	**18**	**-**	**-**
II. Long-term liabilities	**19**	**248 473**	**317 326**
1. Credits and loans		**17 137**	**40 781**
2. Liabilities by virtue of financial leasing		**515**	**670**
3. Trade accounts payable			
4. Other liabilities		**191 134**	**223 147**
5. Reserve by virtue of the deferred income tax	**20**	**29 383**	**38 687**
6. Reserves for other liabilities	**21**	**9 559**	**13 283**
7. Long-term interperiod settlements	**22**	**745**	**758**
III. Short-term liabilities	**23**	**166 153**	**199 854**
1. Credits and loans		**51 800**	**50 006**
2. Liabilities by virtue of financial leasing			
3. Trade accounts payable		**67 771**	**65 571**
4. Other liabilities		**41 246**	**73 046**
5. Reserves for liabilities	**24**	**1 738**	**5 459**
6. Short-term interperiod settlements	**25**	**3 598**	**5 772**
Liabilities in total		**519 716**	**518 579**

Book value		**105 090**	**1 399**
Number of shares		**157 762 023**	**107 762 023**
Book value per one share (in zlotys)		**0,67**	**0,01**
Diluted number of shares			
Diluted book value per one share (in zlotys)			

Profit and loss account

	note	2006	2005
I. Net incomes from the sale of products, goods and materials, including:		**528 041**	**441 964**
1. Net incomes from the sale of products	**27**	**65 078**	**46 933**
2. Net incomes from the sale of goods and materials	**28**	**462 963**	**395 031**
II. Costs of sold goods, products and materials, including:		**484 267**	**408 692**
1. Cost of manufacturing sold products	**29**	**63 802**	**43 892**
2. Value of sold goods and materials		**420 465**	**364 800**
III. Gross profit (loss) on sales (I - II)		**43 774**	**33 272**
IV. Other incomes	**30**	**34 512**	**54 798**
V. Sales costs		**18 705**	**12 760**
VI. Costs of general management		**30 628**	**31 369**
VII. Other costs	**31**	**27 484**	**152 296**
VIII. Profit (loss) from operating activity (III + IV - V- VI - VII)		**1 469**	**(108 355)**
IX. Financial incomes	**32**	**22 427**	**133 249**
X. Financial costs	**33**	**31 092**	**166 466**
XI. Gross profit (loss) (VIII + IX - X)		**(7 196)**	**(141 572)**
XII. Income tax	**34**	**(9 056)**	**3 517**
a) current part		**-**	**-**
b) deferred part		**(9 056)**	**3 517**
XIII. Net profit (loss) (XI - XII)		**1 860**	**(145 089)**
Net profit (loss)		**1 860**	**(145 089)**
Average weighted number of ordinary shares		**157 762 023**	**107 762 023**
Profit (loss) per one ordinary share (in zloty)	**35**	**0,01**	**-1,35**
Average weighted diluted number of ordinary shares			
Diluted profit (loss) per one ordinary share (in zloty)			

Changes in equity capital

	2006	2005
I. Equity capital at the beginning of the period (Opening Balance - OB)	**1 399**	**(28 963)**
a) changes of adopted principles of the accounting (policy)		
b) corrections of basic errors		
I.a. Equity capital at the beginning of the period (OB), after squaring with comparabe data	**1 399**	**(28 963)**
1. Stock capital at the beginning of the period	**215 524**	**215 524**
1.1. Changes of stock capital	**100 000**	**-**
a) increases (by virtue)	**100 000**	**-**
- share issuance (issuing shares)	**100 000**	
increase in basic capital		
b) decreases (by virtue of)	**-**	**-**
- amortization (of shares)		
-decresae in basic capital		
1.2. Stock capital at the end of the period	**315 524**	**215 524**
2. Due payments for stock capital at the beginning of the period		
2.1. Changes of due payments for stock capital	**-**	**-**
a) increases (by virtue)	**-**	**-**
b) decreases (by virtue of)	**-**	**-**
-settlement of due payments		
2.2. Due payments for stock capital at the end of the period	**-**	**-**
3. Own shares at the beginning of the period	**(23)**	
3.1. Changes of own shares	**2**	**(23)**
a) increases (by virtue of)	**-**	**(570)**
- issuing for minority shareholders		**(570)**
b) decreases (by virtue of)	**(2)**	**(547)**
- issuing for minority shareholders	**(2)**	**(547)**
3.2. Own shares at the end of the period	**(21)**	**(23)**
4. Inventory capital at the beginning of the period	**35**	**42 343**
4.1. Changes of inventory capital	**2 896**	**(42 308)**
a) increases (by virtue of)	**2 896**	**35**
- share issuing above the nominal value	**2 888**	
- from the profit distribution (statutory)		
- from the profit distribution (above the minimum value statutory required)		
- other		
- sale, liquidation of fixed assets	**8**	**35**
b) decreases (by virtue of)	**-**	**42 343**
- loss coverage		**42 343**
4.2. Inventory capital at the end of the period	**2 931**	**35**
5. Capital from updating the evaluation at the beginning of the period	**132 879**	**8 457**
5.1. Capital changes from updating the evaluation	**(1 067)**	**124 422**
a) increases (by virtue of)	**248**	**153 651**
- revaluation of the financial assets	**248**	**153 651**
b) decreases (by virtue of)	**1 315**	**29 229**
- disposal liquidtaion of fixed assets	**8**	**35**
- reserve for the deferred income by viture of revaluation of financial assests	**1 307**	**29 194**
- other		
5.2. Capital from updating the evaluation at the end of the period	**131 812**	**132 879**

	2006	2005
6. Other reserve capitals at the beginning of the period	**51 016**	**95 979**
6.1. Changes of other reserve capitals	**(51 016)**	**(44 963)**
a) increases (by virtue of)	**-**	**51 016**
- profit distribution		
- executing arrangement commitments instalment re-payments		**51 016**
b) decreases (by virtue of)	**51 016**	**95 979**
- re-booking for inventory capital		
- loss coverage	**51 016**	**95 979**
6.2. Other reserve capitals at the end of the period	**-**	**51 016**
7. Profit (loss) from previous years at the beginning of the period	**(252 943)**	**(391 266)**
7.1. Profit from previous years at the beginning of the period		**12 876**
a) changes of the adopted principles of the accounting (policy)		
b) corrections of basic errors		
7.2. Profit from previous years at the beginning of the period, after squaring with comparable data	**-**	**12 876**
a) increases (by virtue of)	**-**	**-**
- profit distribution from previous years		
- other		
b) decreases (by virtue of)	**-**	**12 876**
- transferred for inventory capital		
- payment of dividends		
- other		
- loss coverage		**12 876**
7.3. Profit from previous years at the end of the period	**-**	**-**
8.4. Loss from the previous years at the beginning of the period	**252 943**	**404 142**
a) changes of the adopted principles of the accounting (policy)		
b) corrections of basic errors		
7.5. Loss from the previous years at the beginning of the period, after squaring with comparable data	**252 943**	**404 142**
a) increases (by virtue of)	**145 089**	**-**
- loss transfer from previous years for coverage		
- loss from 2005	**145 089**	
b) decreases (by virtue of)	**51 016**	**151 199**
- loss coverage from profit, reserve and inventory capital	**51 016**	**151 199**
7.6. Loss from previous years at the end of the period	**347 016**	**252 943**
7.7. Profit (loss) from previous years at the end of the period	**(347 016)**	**(252 943)**
8. Net result per shareholders of the Company	**1 860**	**(145 089)**
a) net profit per Company's shareholders	**1 860**	
b) net loss per Company's shareholders		**145 089**
II. Equity capital at the end of the period (Closing balance)	**105 090**	**1 399**
III. Equity capital after taking into consideration the proposed profit distribution (loss coverage)		

Cash flow (indirect method)

	2006	2005
A. Net cash flows from operating activity - indirect method		
I. Net profit (loss) per shareholders of the Company	**1 860**	**(145 089)**
II. Corrections in total:	**(48 976)**	**91 146**
1. Share in net profits (losses) of sobordinated entities evaluated via the method of ownership rights		
2. Depreciation	**2 449**	**2 376**
3. Profits (losses) by virtue of foreign exchange rate differences	**(13)**	
4. Interests and shares in profits (dividends)	**3 379**	**2 436**
5. Profit (loss) from investment activity	**(190)**	**5 615**
6. Change of the state of reserves	**(9 305)**	**(584)**
7. Change of the state of inventories	**(13 769)**	**16 058**
8. State of the state of receivables.	**7 525**	**33 458**
9. Change of the state of short-term liabilities, with the exception of loans and credits	**(28 003)**	**31 125**
10.Change of the state of interperiod settlements	**(9 837)**	**(76 868)**
11. Other corrections	**(1 212)**	**77 530**
III. Net cash flows from operating activity (I + II)	**(47 116)**	**(53 943)**

	2006	2005
B. Net cash flows from investment activity.		
I. Proceeds	**76 908**	**101 747**
1. Sale of intangible and tangible fixed assets	**8 741**	**3 729**
2. Sale of investment in the real estate and intangible assets	**55 041**	**13 200**
3. Sale of financial assets, including:	**13 126**	**7 456**
a) in related entities	**2 521**	**2 204**
- sale of financial assets		
- dividends and shares in profits	**2 189**	**2 204**
- repayment of granted long-term loans	**332**	
- interests		
- other proceeds from financial assets		
b) in other entities	**10 605**	**5 252**
- sale of financial assets	**187**	**511**
- dividends and shares in profits		**1**
- repayment of granted long-term loans	**211**	**158**
- interests	**3 707**	**4 334**
- other proceeds from financial assets	**6 500**	**248**
4.Other investment proceeds		**77 362**
II. Expenses	**32 046**	**1 967**
1. Purchase of intangible assets and tangible fixed assets	**16 100**	**1 777**
2. Investments in the real estates and intangible assets		
3. For financial assets, including:	**13 884**	**190**
a) in related entities	**319**	**190**
- acquisition of financial assets		**190**
- granted long-term loans	**319**	
b) in other entities	**13 565**	**-**
- acquisition of financial assets	**13 565**	
- granted long-term loans		
4. Other investing expenses	**2 062**	
III. Net cash flows from investment activity (I - II)	**44 862**	**99 780**

	2006	2005
C. Cash flows from financial activity		
I. Proceeds	**68 319**	**-**
1. Net proceeds from the shares issuing (issuing of shares) and other capital instruments and capital surcharges	**68 319**	
2.Credits and loans		
3. Issuance of indebted securites		
4. Other financial proceeds		
II. Expenses	**31 454**	**47 857**
1. Acquisition of own shares		**23**
2. Dividends and other payments in favour of owners		
3. Expenses by virtue of profit distribution other than payments in		
4. Repayments of credits and loans	**21 851**	**38 638**
5. Redemption of indebted securities		
6. By virtue of other financial assets		
7. Payments of liabilities by virtue of financial leasing agreements	**328**	**221**
8. Interests	**9 275**	**8 975**
9. Other financial expenses		
III. Net cash flows from financial activity (I - II)	**36 865**	**(47 857)**
D. Net cash flows (A.III+B.III+C.III)	**34 611**	**(2 020)**
E. Balance sheet change of the state of cash, including:	**34 611**	**(2 020)**
- change of the state of cash by virtue of foreign exchange rate differences	**196**	**124**
F. Cash at the beginning of the period	**4 658**	**6 678**
G. Cash at the end of the period (D+F), including	**39 269**	**4 658**
- with a limited disposing capacity		

Explanatory notes to balance sheet

Note 1A

TANGIBLE FIXED ASSETS	2006	2005
a) tangible assets, of which:	**42 255**	**48 225**
- land (including the right of perpetual usufruct of land)	**5 737**	**6 028**
- buildings, premises and land and water engineering structures	**29 974**	**37 189**
- machinery and technical equipment	**5 566**	**3 767**
- transportation vehicles	**837**	**1 023**
- other tangible assets	**141**	**218**
b) tangible assets in progress	**13 782**	**844**
c) prepaid tangible assets in progress		
Total tangible fixed assets	**56 037**	**49 069**

Note 1B

CHANGES IN TANGIBLE FIXED ASSETS (by category)
see page 11

Note 1C

BALANCE SHEET TANGIBLE FIXED ASSETS (BY OWNERSHIP)	2006	2005
a) owned	**42 122**	**48 050**
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:	**133**	**175**
- passenger's car leasing	**133**	**175**
- other		
Total balance sheet tangible fixed assets	**42 255**	**48 225**

Note 1D

TANGIBLE FIXED ASSETS SHOWN OFF-BALANCEE SHEET	2006	2005
used under leasing, rent, tenancy or similar contract, including lease contract, of which:	**2 448**	**773**
- value of land in perpetual usufruct		
- means of A4 motorway	**2 448**	**773**
Total off-balance sheet tangible fixed assets	**2 448**	**773**

Note 1B

CHANGES IN TANGIBLE FIXED ASSETS - by category						
SPECIFICATION	-land (inclusive of right perpertual 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	**6 288**	**46 689**	**20 865**	**1 989**	**1 546**	**77 377**
b) additions of which)	**76**	**910**	**2 596**	**47**	**32**	**3 661**
- purchase			**2 594**	**47**	**32**	**2 673**
- accept from investment	**76**	**910**				**986**
- donations						**-**
- widening of the Capital Group						**-**
- other			**2**			**2**
c. Reductions, of which :	**323**	**7 109**	**312**	**191**	**25**	**7 960**
- sale	**323**	**7 109**	**12**	**191**	**12**	**7 647**
- liquidation			**300**		**13**	**313**
- donation						**-**
-						**-**
- other						**-**
d. Gross value of tangible fixed assets at the end of period	**6 041**	**40 490**	**23 149**	**1 845**	**1 553**	**73 078**
e. Accumulated depreciation (amortisattion) at the beginning of period	**260**	**9 500**	**17 098**	**966**	**1 328**	**29 152**
f. Depreciation for the period (of which)	**44**	**1 016**	**485**	**42**	**84**	**1 671**
- current amortisation	**121**	**1 224**	**697**	**190**	**98**	**2 330**
- other						**-**
- disposal, liquidation and donations of tangible fixed assets and other deductions	**(77)**	**(208)**	**(212)**	**(148)**	**(14)**	**(659)**
g. Accumulated depreciation (amortisation) at the end of period	**304**	**10 516**	**17 583**	**1 008**	**1 412**	**30 823**
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	**5 737**	**29 974**	**5 566**	**837**	**141**	**42 255**

Note 2A

INTANGIBLE FIXED ASSETS	2006	2005
a. Costs of finished research and development work		
b) goodwill		
c) concessions, patents, licenses and similar assets, of which:	**94**	**209**
- computer software	**85**	**192**
d) other intangible assets	**1**	**3**
e) prepaid intangible assets		
Total intangible assets	**95**	**212**

Note 2B

CHANGES IN INTANGIBLE ASSETS - by category	
see page 13	

Note 2C

INTANGIBLE ASSETS - by ownership	2006	2005
a) owned	**95**	**212**
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:		
Total intangible assets	**95**	**212**

CHANGES IN INTANGIBLE ASSETS - by category	a	b	c		d	e	
	costs of finished research and development work	goodwill	concessions, patemts, licences and similar assets purchased, of which:	computer software	other intangble assets	prepaid intangible assets	Total intangible assets
a). Gross value of intangible assets at the beginning of period			1 808	1 112	970		2 778
b) additions, of which:	-	-	20	2	-	-	20
- purchase			20	2			20
- accept from investment							-
- other							-
c) reductions, of which:	-	-	94	94	-	-	94
- sale							-
- liquidation			94	94			94
- other							-
d) gross value of intangible assets at the end of period	-	-	1 734	1 020	970	-	2 704
e) accumulated amortisation at the beginning of period			1 599	920	967		2 566
f. Amortisation for the period, of which:	-	-	41	15	2	-	43
- current amortisation			118	92	2		120
- other			(77)	(77)			(77)
- sale of intangible fixed assets							-
g) accumulated amortisation at the end of period	-	-	1 640	935	969	-	2 609
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 assets at the end of period	-	-	94	85	1	-	95

Note 3A

LONG-TERM RECEIVABLES	2006	2005
a) from related entities, of which:	**32 680**	-
- from dubsidiary entities (by virtue of)	**32 680**	-
- trade accounts receivable		
- other	**32 680**	
- from associated entites (by virtue of)	-	-
- trade accounts receivable		
- other		
- from dominat entity (by virtu of)	-	-
- trade accounts receivable		
- other		
b) from other entities (by virtue of)	-	**509**
- trade accounts receivable		
- other		**509**
Net long-term receivables	**32 680**	**509**
c) write-off updating receivables		
Gross long-term receivables	**32 680**	**509**

Note 3B

CHANGES IN LONG-TERM RECEIVABLES (by genre)	2006	2005
a. Balance at the beginning of period	**509**	**50 800**
b. Addtions (in virtue of)	**32 680**	**-**
- reclassification		
- other	**32 680**	
c. Reductions (in virtue of)	**509**	**50 291**
- restructuring agreement		**49 858**
- deposits	**509**	**433**
Long-term receivables at the end of periosd	**32 680**	**509**

Note 3C

CHANGES IN ALLOWANCES FOR LONG-TERM RECEIVABLES	2006	2005
a. Balance at the beginning of period	**-**	**9 638**
b. Additions (in virtue of)	**-**	-
- trade accounts receivable		
- rate differences		
- other		
c. Exercised (in virtue of)	**-**	**9 638**
- cession of liabilities		**1 354**
- restructuring agreement		**7 334**
- other		**950**
d. Dissolution (in virtue of)	**-**	-
- trade accounts receivable		
- other		
Allowances for long-term receivables at the end of period	**-**	-

Note 3D

LONG-TERM RECEIVABLES - by currency	2006	2005
a) in Polish currency (zloty)	**32 680**	
b) in foreign currencies (in currencies and as restated in zloty)	**-**	**509**
b1. Unit/currency in thousand USD		**156**
in thousand zloty		**509**
b2. Unit/currency in thousand EUR		
in thousand zloty		
b3. Unit/currency in thousand GBP		
in thousand zloty		
b4. Other currencies in thousand zloty		
Total long-term receivables	**32 680**	**509**

Note 4A

CHANGES IN REAL ESTATE (BY CATEGORY)	2006	2005
a.balance at the begining of period including:	56 945	36 658
b. Addition (in virtue of)	-	46 945
- taking over from Stalexport Centrostal W-wa merger		46 945
- purchase		
- other		
c. Reduction (in virtue of)	46 945	26 658
- sale	46 945	20 643
- updating write -off for real estate of Kościuszko mill		6 015
- other		
Balance at the end of period	10 000	56 945

Note 4B

CHANGES IN INTANGIBLE ASSETS (BY CATEGORY)	2006	2005
a.balance at the begining of period	-	
b. Addition (in virtue of)	-	-
- other		
c. Reduction (in virtue of)	-	-
- other		
Balance at the end of period	-	-

Note 4C

LONG-TERM FINANCIAL ASSETS	2006	2005
a. in subsidiary and interrelated entities which are not subject to consolidation	**226 374**	**227 680**
- shares or stocks	**226 374**	**227 680**
- debt securities		
- other securities (by type)		
- loans granted		
- other long-term financial assets (by type)		
b. in subsidiary, interrelated and affiliated entities evaluated via the method of ownership rights	**32**	**32**
- shares or stocks	**32**	**32**
- debt securities		
- other securities (by type)		
- loans granted		
- other long-term financial assets (by type)		
c. in other entities	**1 171**	**1 807**
- shares or stocks	**1 171**	**1 807**
- debt securities		
- other securities (by type)		
- loans granted		
- other long-term financial assets (by type)		
Long-term financial assets in total	**227 577**	**229 519**

Note 4D

CHANGE IN THE STATE OF LONG-TERM FINANCIAL ASSETS (ACC. TO GENRE GROUPS)	2006	2005
a. state at the beginning of the period	**229 519**	**91 597**
b. increase (by virtue of)	**-**	**155 356**
- shares and stocks		**1 704**
- revaluation of shares of SAM and Stalexport Transroute		**153 652**
- other		
c. decrease (by virtue of)	**1 942**	**17 434**
- shares and stocks	**383**	**17 419**
- other long-term financial assets		
-updating write-offs	**252**	
- reclassification		**15**
- other	**1 307**	
State at the end of the period	**227 577**	**229 519**

Note 4E

SHARES IN SUBORDINATED COMPANIES												
	a	b	c	d	e	f	g	h	i	j	k	l
No	Name of the company and its legal status	location	profile of company	Nature of affiliation (subsidiary, mutually controlled, associated company incl. disclosure of direct and indirect relationships	applied method of consolidation /equity valuation or indication that the company is not subject to sonsolidation	date of taking-over control /mutual control / substantial influence	value of shares at purchase price	Total revaluation write-downs	balance sheet value of shares owned	% of the ownership in share capital	share in total number of votes at the GM	other basis of control/ mutual control / substantial influence other than specified in items j) or k)
1.	Stalexport Autostrada Dolnośląska S. A.	Katowice	Construction and operating on motorway section Katowice-Wrocław	subsidiary	full	1997	28 075	(7 547)	20 528	100,00%	100,00%	
2.	Petrostal S. A. w likwidacji	Warszawa	Building materials, products trading	subsidiary	full	2005	1 727	(1 727)		100,00%	100,00%	
3.	Stalexport Metalzbyt Białystok Sp. z o.o.	Białystok	Steel products trading	subsidiary	full	2005	1 287	(1 287)		98,76%	98,76%	
4.	Stalexport Serwis Centrum S. A.	Bełchatów	Steel products trading	subsidiary	full	2005	4 723	(3 223)	1 500	95,14%	95,14%	
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.o w upadłości	Komorniki	Steel products trading	subsidiary	full	1990	12 072	(12 072)		97,96%	97,96%	
7.	Stalexport Serwis Centrum S. A.	Katowice	Steel products trading	subsidiary	full	1992	22 214	(600)	21 614	97,78%	97,78%	
8.	Stalexport Centrostal S. A.	Lublin	Steel products trading	subsidiary	full	1992	501		501	66,00%	66,00%	
9.	Stalexport Autoroute S.a r.l	Luksemburg	Motorway projects servicing	subsidiary	full	2005	183 538	(1 307)	182 231	100,00%	100,00%	

Contd. Note 4E

No	a	b	c	d	e	f	g	h	i	j	k	l
SHARES IN SUBORDINATED COMPANIES												
	Name of the company and its legal status	location	profile of company	Nature of affiliation (subsidiary, mutually controlled, associated company incl. disclosure of direct and indirect relationships	applied method of consolidation /equity valuation or indication that the company is not subject to sonsolidation	date of taking-over control /mutual control / substantial influence	value of shares at purchase price	Total revaluation write-downs	balance sheet value of shares owned	% of the ownership in share capital	share in total number of votes at the GM	other basis of control/ mutual control / substantial influence other than specified in items j) or k)
10.	Biuro Centrum Sp. z o.o.	Katowice	Administration of the building at 29 Mickiewicza Street	associated	method of ownership right	1 994,00	32		32	40,63%	40,63%	
11.	Invest Centrostal Sp. z o.o.	Warszawa	General construction	associated	not-consolidated	2005	297	(297)		42,00%	42,00%	
	TOTAL:						**254 639**	**(28 233)**	226 406			

Note 4F

SHARES OR STOCK IN OTHER ENTITIES										
	a	b	c	d	e		f	g	h	i
L.p.	Name of the company and its legal status	location	profile of company	balance sheet value of shares owned	equity capital of the entity, including:	share capital	percentage of owned share capital	share in general numer of votes at the general meeting	shares not paid-up by the company	dividends received or receivable for the last year
1.	Atlantico Trans EX Sp. z o.o.	Katowice	Transport nad spedition				12,12%	12,12%		
2.	Walcownia Rur Jedność Sp. z o.o.	Siemianowice	Productioin of steel pipes				7,26%	7,26%		
3.	Beskidzki Dom Maklerski S. A.	Bielsko-Biała	Turnover of securities	1 171			5,10%	5,10%		
	Total			**1 171**	-	-				

Note 4G

SECURITIES, SHARES AND OTHER LONG-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)	2006	2005
a) in Polish currency	**45 346**	**228 825**
b) in foreign currencies (acc. to currencies and after calculating into zloty)	**182 231**	**694**
b1. unit/currency in thousand USD		**117**
in thousand zloty		**383**
b2. unit/currency in thousand EUR	**47 565**	**81**
in thousand zloty	**182 231**	**311**
b3. unit/currency/GBP		
in thousand zloty		
b4. other currencies in thousand zloty		
Securities, shares and other long-term financial assets in total	227 577	229 519

Note 4H

GRANTED LONG-TERM LOANS (BY CURRENCY STRUCTURE)	2006	2005
a) in Polish currency		
b) in foreign currencies (acc. to currencies and after calculating into zloty)	-	-
b1. unit/currency in thousand USD		
in thousand zloty		
b2. unit/currency in thousand EUR		
in thousand zloty		
b3. unit/currency/ in thousand GBP		
in thousand zloty		
b4. other currencies in thousand zloty		
Total granted lomg-term loans	-	-

Note 4I

OTHER LONG-TERM INVESTMENTS (ACCORDING TO GENRE)	2006	2005
- surcharges to capital	200	200
Other long-term investments	**200**	**200**

Note 4J

CHANGE IN THE STATE OF OTHER LONG-TERM INVESTMENTS (ACCORDING TO GENRE GROUPS)	2006	2005
a. state at the beginning of the period	200	200
b. increase (by virtue of)	-	-
- long-term deposit		
- other		
c. Decrease (by virtue of)	-	-
- other		
d. state at the end of the period	**200**	**200**

Note 4K

OTHER LONG-TERM INVESTMENTS (CURRENCY STRUCTURE)	2006	2005
a) in Polish currency	200	200
b) in foreign currencies (acc.to currencies and after calculating into zloty)	-	-
b1. unit/currency in thousand USD		
in thousand zloty		
b2. unit/currency in thousand EUR		
in thousand zloty		
b3. unit/currency:in thousand GBP		
in thousand zloty		
b4. Other currencies in thousand zloty		
Other long-term investments in total	**200**	**200**

Note 5

CHANGE IN ASSETS AVAILABLE FOR SALE	2006	2005
a. state at the beginning of the period	**2 199**	**130 211**
b. increase (by virtue of)	**-**	**15**
- revaluation of assets for sale		
- other		**15**
c. Decrease (by virtue of)	**2 199**	**128 027**
- sale	**2 199**	**128 027**
- other		
d. state at the end of the period	**-**	**2 199**

Note 6

CHANGES IN DEFERRED INCOME TAX	2006	2005
1. Balance of deferred income tax at the beginning of period, of which:	-	-
a) assigned to financial results	-	
b) assigned to shareholders' equity	-	
c) assigned to goodwill	-	
2. Additions	-	**4 101**
a) assigned to financial results for the period due to negative timing differences:	-	-
- remuneration by virtue of task work contract not paid on the balance sheet date		
- penal interests not paid on balance sheet date		
-other		
b) assigned to financial results for the period due to taxation loss:	-	**4 101**
- settlement of the tax loss from previous years		
- updating write-off for receivables (n.k.u.p).		
-other		**4 101**
c) assigned to shareholders' equity 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 shareholders' equity for the priod due to taxation loss:	-	-
e) assigned to goodwill or negative goodwill due to negative timing differences:	-	-
- other		
3. Reductions	-	**4 101**
a) assigned to financial results for the priod due to negative timing differences:	-	-
- interests payment		
- other		
b) assigned to financial results for the priod due to taxation loss:	-	**4 101**
- dissolving accepted allowance		**4 101**
c) assigned to shareholders' equity for the priod due to negative timing differences:	-	-
d) assigned to shareholders' equity for the priod due to taxation loss:	-	-
e) assigned to goodwill or negative goodwill due to negative timing differences:	-	-
4. Total deferred income tax at the end of period, of which:	-	-
a) assigned to financial results	-	-
b) assigned to shareholders' equity	-	-
c) assigned to goodwill or negative goodwill	-	-

Note 7

LONG-TERM DEFERRED EXPENSES	2006	2005
a. deferred expenses of which:	-	-
b) other deferred assets, of which:	-	-
- other		
Total other deferred assets	-	-

Note 8

INVENTORIES	2006	2005
a. Materials	**8 952**	**3 327**
b. Work in progress		
c. Finished products	**281**	**1 139**
d. Merchandise	**45 255**	**38 117**
e) prepaid supplies	**3 091**	**1 227**
Total inventories	**57 579**	**43 810**

Note 9A

CURRENT RECEIVABLES	2006	2005
a) from affiliated companies	**656**	**51 318**
- trade accounts receivable, with maturity of:	**656**	**51 318**
- less than 12 months	**656**	**51 318**
- over 12 months		
- other		
- receivables in litigation		
b) from subsidiary and associated companies	**90 462**	**79 496**
- trade accounts receivable, with maturity of:	**61 072**	**51 816**
- less than 12 months	**57 630**	**47 762**
- over 12 months	**3 442**	**4 054**
- taxes recoverable, subsidies, tariffs, social and health security, or other benefits receivable	**25 158**	**18 869**
- other	**4 232**	**8 811**
- receivables in litigation		
Total net current receivables	**91 118**	**130 814**
c. Receivables updating allowances	**318 345**	**333 006**
Total gross current receivables	**409 463**	**463 820**

Note 9B

CHANGES IN ALLOWANCES FOR DOUBTFUL CURENT RECEIVABLES	2006	2005
a. Balance at the beginning of period of which:	333 006	186 912
b. Additions of which:	23 948	167 469
- by virtue of trade account receivable	17 459	33 420
- guarantees and interests	3 374	2 088
- other	3 115	131 961
c. Reduction of which:	38 609	21 375
- by virtue of trade account receivable	33 679	20 216
- guarantees and interests	874	524
- other	4 056	635
d. Balance of allowances for current receivables at the end of period (of which)	318 345	333 006

Note 9C

GROSS CURRENT RECEIVABLES - by currency	2006	2005
a) in Polish currency (zlotys)	379 641	450 200
b) in foreign currencies (and as restated in zlotys)	29 822	13 620
b1. Unit / currency in thousand USD	7 523	2 570
in thousand zlotys	22 023	8 334
b2. Unit / currency in thousand EUR	2 036	1 370
in thousand zlotys	7 799	5 286
b3. Unit /currency in thousand GBP		
in thousand zlotys		
b4. Other currencies in zlotys		
Total current receivables	409 463	463 820

Note 9D

LONG-TERM AND SHORT-TERM CONTESTED AND OVERDUE DEBTS	2006	2005
a. Contested and overdue debts by virtue of:	107 144	121 483
- trade account receivables	88 261	94 275
- other	18 883	27 208
Long-term and short-term contested and overdue debts in total, including:	107 144	121 483
- from which updated write offs were not executed	17 157	16 005
- not indicated as" receivables claimed by means of an action of law "	62 287	58 338

Note 10A

SHORT-TERM FINANCIAL ASSETS	2006	2005
a. In subsidiaries	**-**	**-**
- shares or stocks		
- 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 or stocks		
- 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 or stocks		
- 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	**4 546**	**235**
- shares or stocks	**4 522**	
- receivables in virtue of dividends and shares in profits		
- debt securities		
- other securities (by type)	-	-
- other		
- loans granted	**24**	**235**
- other short-term financial assets (by type)	-	-
- interests on loans		
Total short-term investments	**4 546**	**235**

Note 10B

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (BY CURRENCY)	2006	2005
a) in Polish currency (zlotys)	4 522	
b) in foreign currencies (and as restated in zlotys)	-	-
b1. Unit / currency in thousand USD		
in thousand zlotys		
b2. Unit / currency in thousand EUR		
in thousand zlotys		
b3. Unit /currency in thousand GBP		
in thousand zlotys		
b4. Other currencies in thousand zlotys		
Total securities, shares and other short-term financial assets	**4 522**	-

Note 10C

GRANTED SHORT-TERM LOANS (BY CURRENCY)	2006	2005
a) in Polish currency (zlotys)	24	235
b) in foreign currencies (and as restated in zlotys)	-	-
b1. Unit / currency in thousand USD		
in thousand zlotys		
b2. Unit / currency in thousand EUR		
in thousand zlotys		
b3. Unit /currency in thousand GBP		
in thousand zlotys		
b4. Other currencies in thousand zlotys		
Total granted short-term loans	**24**	**235**

Note 10D

OTHER SHORT-TERM INVESTMENTS (BY CATEGORY)	2006	2005
Total other short-term investments	-	-

Note 10E

OTHER SHORT-TERM INVESTMENTS (BY CURRENCY)	2006	2005
a) in Polish currency (zlotys)		
b) in foreign currencies (and as restated in zlotys)	-	-
b1. Unit / currency in thousand USD		
in thousand zlotys		
b2. Unit / currency in thousand EUR		
in thousand zlotys		
b3. Unit /currency in thousand GBP		
in thousand zlotys		
b4. Other currencies in thousand zlotys		
Total other short-term investments	-	-

Note 11A

CASH AND CASH EQUIVALENTS	2006	2005
- cash at bank and on hand	**39 232**	**4 568**
- cash equivalents	**37**	**90**
Total cash and cash equivalents	**39 269**	**4 658**

Note 11B

CASH AND CASH EQUIVALENTS (BY CURRENCY)	2006	2005
a) in Polish currency (zlotys)	**32 839**	**3 543**
b) in foreign currencies (and as restated in zlotys)	**6 430**	**1 115**
b1. Unit / currency in thousand USD	**176**	**196**
in thousand zlotys	**513**	**641**
b2. Unit / currency in thousand EUR	**1 544**	**123**
in thousand zlotys	**5 917**	**474**
b3. Unit /currency in thousand GBP		
in thousand zlotys		
b4. Other currencies in thousand zlotys		
Total cash and cash equivalents	**39 269**	**4 658**

Note 12

SHORT-TERM DEFERRED EXPENSES	2006	2005
a) deferred expenses, of which:	**607**	**388**
- car insurance and subscription	**395**	**57**
- costs of shares issue	**135**	**207**
- the Institutional Social Benefit Fund deduction		
- other	**77**	**124**
b) other deferred assets, of which:	**8**	**21**
- real estate evaluation		**21**
- general overhauls		
- costs of company's organisation		
- other	**8**	
Total short-ternm diferred expenses	**615**	**409**

Note 13

EQUITY CAPITAL (STRUCTURE)								
Series/issue	Type of shares	Type of shares preference	Type of shares restriction	Number of shares	Value of series/ issue according to the nominal value	Terms of acquisition	Date of registration	Right to the dividend (since)
				8 341 030	16 682		05.11.93	05.11.93
				492 796	986		29.08.94	29.08.94
				4 000 000	8 000		10.04.98	01.01.97
				94 928 197	189 856		12.08.03	01.01.03
				50 000 000	100 000		26.07.06	01.01.06
Total number of shares				**157 762 023**				
Total equity capital					**315 524**			
Nominal value of one share =2,00 zloty								

Note 14A

OWN SHARES IN TREASURY				
Number	Value at purchase price	Balance sheet value	Purchase purpose	Destination
10 461	21	21		transferred to minority shareholders of Stalexport Centrostal Warszawa S. A.
10 461	**21**	**21**	-	-

Note 14B

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

Note 15

RESERVE CAPITAL	2006	2005
a. sale of shares above the nominal value	**2 887**	**-**
b) capital established by law		
c) capital established due to statutory/contractual provisions, in excess of the (minimum) value required by law		
d. From surcharges of the shareholders		
e. Other	**44**	**35**
Total reserve capital	**2 931**	**35**

Note 16

REVALUATION CAPITAL	2006	2005
a. Revaluation of tangible assets	**8 412**	**8 421**
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)	**123 400**	**124 458**
- revaluation of finacnial assets	**123 400**	**124 458**
- other		
Total revaluation capital	**131 812**	**132 879**

Note 17

OTHER RESERVE CAPITAL (BY APPROPRIATION)	2006	2005
a. Investments		
b. Loss coverage		
c. Re-assessment of fixed assets		
d. partial execution of the arrangement commitments conversion		
e. Partial execution of the arrangement commitments -instalments		**51 016**
f. Other		
Total other reserve capital	**-**	**51 016**

Note 18

NET PROFIT WRITE OFFS DURING THE FINANCIAL YEAR - specifically	2006	2005
-		
-		
-		
Total net profit write-offs during the financial year	-	-

Note 19A

LONG-TERM LIABILITIES	2006	2005
a. Towards subsidiaries	**3 263**	**4 629**
- credits and loans	**420**	
- issue of debt securities		
- other financial liabilities, of which:	-	-
- financial lease agreements		
- other (by type)	**2 843**	**4 629**
- by virtue of trade account receivable		
- other	**2 843**	**4 629**
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	**205 523**	**259 969**
- credits and loans	**16 717**	**40 781**
- issue of debt securities		
- other financial liabilities, of which:	-	-
- interests		
- other		
- financial lease agreements	**515**	**670**
- other (by type)	**188 291**	**218 518**
- arrangement liabilities	**23 472**	**54 831**
- other	**164 819**	**163 687**
Total long-term liabilities	**208 786**	**264 598**

Note 19B

LONG-TERM LIABILITIES (BY CURRENCY)	2006	2005
a) in Polish currency (zlotys)	**207 499**	**264 598**
b) in foreign currencies (and as restated in zlotys)	**1 287**	**-**
b1. Unit / currency in thousand USD		
in thousand zlotys		
b2. Unit / currency in thousand EUR	**336**	
in thousand zlotys	**1 287**	
b3. Unit /currency in thousand GBP		
in thousand zlotys		
b4. Other currencies in thousand zlotys		
Total long-term liabilities	**208 786**	**264 598**

Note 19C

LONG-TERM LIABILITIES BY VIRTUE OF CREDITS AND LOANS									
Name (company) 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	3 315		3 315		WIBOR+margin	according to the restructuring agreement	cash inflows on to credit accounts in current accounts mortgage	
Bank Handlowy S. A.	Katowice	8 662		8 662		WIBOR+margin	according to the restructuring agreement	credit on foreign curremcy account, mortgage	
Bank Handlowy S. A.	Katowice	8 598		8 598		WIBOR+margin	according to the restructuring agreement	mortgage	
BRE Bank S. A.	Katowice	3 291		3 291		WIBOR+margin	according to the restructuring agreement	cash inflows onto current account, mortgage, current acount credit	
ING Bank Śląski	Katowice	400		400		WIBOR+margin	according to the restructuring agreement	cash inflows onto credit accounts, sole bill in blanco pledge on shares, credit in current account	
PKO BP S. A.	Katowice	14 364		14 364		WIBOR+margin	according to the restructuring agreement	revolving credit, sole bill in blanco, pledge on shares, mortgage	
BPH PBK S. A.	Sosnowiec	2 338		2 338		WIBOR+margin	according to the restructuring agreement	sole bill in blanco, operating credit, in crediting line,pledge on shares, mortgage	
Stalexport Autostrada Dolnośląska S. A.	Katowice	420		420		WIBOR+margin	05.07.2008		
TOTAL:		**41 388**		**41 388**					

The amount of long-term credits differs from the amount disclosed in note 20A because of disclosing a part of credits as short-term ones in the payment period.

Disclosure in short-term liabilities note 24A

Note 19D

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

Note 20

CHANGES IN RESERVE FOR DEFERRED INCOME TAX	2006	2005
1. Reserve for deferred income tax at the beginning of period, of whicl	**38 687**	**725**
a) assigned to financial result	**9 493**	**725**
b) assigned to shareholders' equity	**29 194**	
c) assigned to goodwill	**-**	
2. Additions	**10**	**38 674**
a) assigned to financial results for the priod due to positive timing differences:	**10**	**9 480**
- interests counted into the income	**10**	**127**
- interests on loans counted into the income		
- other		**9 353**
b) assigned to shareholders' equity for the priod due to positive timing differences:	**-**	**29 194**
- fixed assets (financial leasing)		
- revaluation of financial assets		**29 194**
c) assigned to goodwill or negative goodwill due to positive timing differences:	**-**	**-**
3. Reductions:	**9 314**	**712**
a) assigned to financial result for the period due to positive timing differences (of which)	**9 066**	**712**
- interests counted into the income (paid, cancelled)	**109**	**316**
- change in tax rate		
- other	**8 957**	**396**
b) assigned to shareholders' equity due to positive timing differences (of which)	**248**	**-**
-appraisal of financial assets	**248**	
c) assigned to goodwill or negative goodwill due to positive timing differences (of which)	**-**	**-**
4. Reserve for deferred income tax at the end of period, of which:	**29 383**	**38 687**
a) assigned to financial result	**437**	**9 493**
b) assigned to shareholders' equity	**28 946**	**29 194**
c) assigned to goodwill	**-**	**-**

Note 21

CHANGES IN OTHER LONG-TERM PROVISIONS - specifically	2006	2005
a. Balance at the beginning of period of which:	13 283	11 557
b. Additions (in virtue of)	304	6 887
- holiday leaves		
- termination pays, jubilee bonuses	304	2 074
- interests on bill liabilities State Treasury		
- contingent liabilities		
- interests on credits		4 813
- other		
c. Excercised of which	273	2 595
- holiday leaves		
- termination pays, jubilee bonuses	273	495
- severance pays for dismissed employees		
- contingent liabilities		2 100
- interests on credits		
- other		
d) reversals, of which:	3 755	2 566
- interests on liabilities towards State Treasuury		1 984
- interests on credits	3 755	
- contingent liabilities		582
e. Balance at the end of period	9 559	13 283

Note 22

LONG-TERM DEFERRED EXPENSES	2006	2005
a) accrued expenses, of which:	-	-
- other		
b) deferred income, of which:	745	758
- long-term accruals:		
- redeemed arrangement liabilities		
- evaluation of shares	741	741
- other	4	17
Total long-term deferred expenses	745	758

Note 23A

SHORT-TERM RECEIVABLES	2006	2005
a. Towards subsidiary companies	**12 153**	**13 450**
- credits and loans	**9 200**	**9 400**
- issue of debt securities		
- dividends		
- other financial receivables :	**1 146**	**783**
- interests on loans and prepayments	**1 146**	**783**
- prepayments for capital increase		
- trade accounts payable, with maturity of:	**21**	**2 232**
- less 12 months	**21**	**2 232**
- over 12 months		
- trade prepayments received		
- promissory notes payable		
- other (by type)	**1 786**	**1 035**
- arrangement liabilities under payment period	**1 786**	**1 035**
-other		
b. Towards associated entities	**4 266**	**4 588**
- credits and loans of which	**3 340**	**3 340**
- issue of debt securities		
- dividends		
- other financial receivables :	**222**	**257**
- interests on loans and prepayments	**222**	**257**
- prepayments for capital increase		
- trade accounts payable, with maturity of:	**409**	**991**
- less 12 months	**409**	**991**
- over 12 months		
- trade prepayments received		
- promissory notes payable		
- other (by type)	**295**	**-**
- penalty intersts and other		
- in virtue of investment	**295**	
e. Towards the dominant entity	**-**	**-**
- credits and loans of which:		
- of which current portion of long-term credits and loans		
- dividends		
- other financial receivables :	**-**	**-**
- interests on loans and prepayments		
- prepayments for capital increase		
- trade accounts payable, with maturity of:	**-**	**-**
- less 12 months		
- over 12 months		
- trade prepayments received		
- promissory notes payable		
- other (by type)	**-**	**-**
- penalty intersts and other		
- other		
f.towards other entities	**144 398**	**170 585**
- credits and loans of which:	**39 260**	**37 266**
including the long-term credit in payment period	**24 252**	**37 259**
- issue of debt securities		
- dividends		
- other financial receivables :	**57**	**-**
- interests on loans and prepayments		
- guarantees	**57**	
- trade accounts payable, with maturity of:	**67 341**	**62 348**
- less 12 months	**67 341**	**62 348**
- over 12 months		
- trade prepayments received		
- promissory notes payable	**874**	**350**
- other (by type)	**36 866**	**70 621**
- liabilities by virtue of taxes	**1 080**	**927**
- liabilities by virtue of remunerations	**15**	**93**
- by virtue of arrangement proceedings	**31 369**	**33 850**
- other	**4 402**	**35 751**
Total short-term receivables	**160 817**	**188 623**

Note 23 B

SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE)	2006	2005
a) in Polish currency (zlotys)	**158 749**	**186 975**
b) in foreign currencies (and as restated in zlotys)	**2 068**	**1 648**
b1. Unit / currency in thousand USD	**429**	**376**
in thousand zlotys	**1 249**	**1 227**
b2. Unit / currency in thousand EUR	**214**	**104**
in thousand zlotys	**819**	**403**
b3. Unit /currency in thousand GBP		
in thousand zlotys		
b4. Other currencies in thousand zlotys		**18**
Total short-term receivables	**160 817**	**188 623**

Note 23C

SHORT-TERM RECEIVABLES by virtue of credits and loans									
Name (firma) of the entity	Seat	Amount of credit/loan acc to the agreement		Amount of credit /loan to be repaid		Interest conditions	Date of payment	security	Other
		zloty	currency	zloty	currency				
Stalexport Autostrada Dolnośląska S. A.	Katowice	8 200		8 200		WIBOR + marża	31.07.2007		
Stalexport Autostrada Śląska S. A.	Katowice	3 340		3 340		WIBOR + marża	31.12.2006		
Stalexport Transroute Autostrada S. A.	Mysłowice	1 000		1 000		WIBOR + marża	31.03.2007		
Fortis Bank Polska S. A.	Katowice	15 000		14 996			11.05.2007	sole bill in blanco, mortgage, transfer of receivables, register pledge, alienation of goods, cession of right from policy	
Other				12					
		27 540		**27 548**					

The amount of short-term credits differs from the amount shown in note 24 A because of disclosing a part of long-term credits as the long-term ones under payment period.

Note 23D

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

Note 24

CHANGES IN OTHER SHORT-TERM PROVISIONS - specifically	**2006**	**2005**
a. Balance at the beginning of period	**5 459**	**11 007**
b. Additions (in virtue of)	**1 051**	**3 255**
- holiday leaves	**754**	**681**
- termination pays, jubilee bonuses	**76**	**395**
- severance pays for dismissed employees		**9**
- contingent liabilities		**582**
- interests on credits	**221**	
- other		**1 588**
c) applications, of which:	**4 091**	**5 748**
- holiday leaves		
- termination pays, jubilee bonuses	**68**	
- severance pays for dismissed employees	**9**	
- contingent liabilities	**1 782**	
- interests on credits	**644**	**5 746**
- other	**1 588**	**2**
d) reversals, of which:	**681**	**3 055**
- holiday leaves	**681**	**384**
- interests on credits		**2 671**
- capital group dimishing		
e. Balance at the end of period	**1 738**	**5 459**

Note 25

SHORT-TERM INTERPERIOD SETTLEMENTS	**2006**	**2005**
a) accrued expenses, of which:	-	-
- other		
b) deferred income, of which:	**3 598**	**5 772**
- settlements of incomes	**3 589**	**5 763**
- redeemed arrangement liabilities		
- advanced payments for supplies and services		
- other	**9**	**9**
Toatl short-term interperiod setllements	**3 598**	**5 772**

Note 26

Off-balance sheet items

	2006	2005
1. Contingent liabilities	-	-
1.1. From related entities (by virtue of)	-	-
- received warranties and guarantees		
1.2. From other entities (by virtue of)	-	-
- received warranties and guarantees		
2. Contingent liabilities	**24 123**	**4 474**
2.1. In favour of related entities (by virtue of)	**12 326**	**84**
- granted warranties and guarantees	**12 326**	**84**
- customs warranties		
- other		
2.2. In favour of other entities (by virtue of)	**11 797**	**4 390**
- granted warranties and guarantees	**11 623**	**4 390**
- opening of the letter of credit	**174**	
- other		
3. Other (by virtue of)	-	-
- mortgage		
- customs warranties		
- other		
Total off-balance sheet liabilities	**24 123**	**4 474**

Explanatory notes to profit and loss account

Note 27A

NET REVENUES FROM SALE OF GOODS (by class of business)	2006	2005
a. Maintenance and Construction of motorways		
- of which: from associated companies		
b. Reinforcement production for building industry	**62 213**	**44 390**
- of which: from associated companies	**1 234**	**785**
c. Sale of services	**2 865**	**2 543**
- of which: from associated companies	**1 072**	**1 053**
Total net revenues from sale of goods	**65 078**	**46 933**
- of which: from associated companies	**2 306**	**1 838**

Note 27B

NET REVENUES FROM SALE OF GOODS (by geographic area)	2006	2005
a. Domestic sales	**65 078**	**46 933**
- of which: from associated companies	**2 306**	**1 838**
b. Export sales		
- of which: from associated companies		
Total net revenues from sale of goods	**65 078**	**46 933**
- of which: from associated companies	**2 306**	**1 838**

Note 28A

NET REVENUES FROM SALE OF GOODS AND MERCHANDISE (BY CLASS OF BUSINESS)	2006	2005
a. Export	**312 383**	**211 141**
- of which: from related companies		
c. Sale of imported goods	**18 999**	**17 971**
- of which: from related companies		**146**
d. Sale of goods purchased in Poland	**130 919**	**165 524**
- of which: from related companies	**8 326**	**17 579**
j. Sale of goods	**662**	**395**
- of which: from related companies		
Total net revenues from sale of goods and merchandise	**462 963**	**395 031**
- of which: from related companies	**8 326**	**17 725**

Note 28B

NET REVENUES FROM SALE OF GOODS AND RAW MATERIALS (by geographic area)	2006	2005
a. Domestic sales	**150 580**	**183 890**
- of which: from related companies	**8 326**	**17 725**
b. Export sales	**312 383**	**211 141**
- of which: from related companies		
Total net revenues from sale of goods and raw materials	**462 963**	**395 031**
- of which: from related companies	**8 326**	**17 725**

Note 29

EXPENSES BY TYPE	2006	2005
a. Depreciation	2 449	2 376
b) raw materials and energy used	52 564	36 986
c) third party work	33 719	26 219
d) taxes and charges	4 124	2 342
e) salaries and wages	14 629	14 634
f) social security and other employee benefits	3 061	2 923
g) other expenses:	2 006	1 894
Total expenses by type	112 552	87 374
- Changes in inventories, products and deferred expenses	583	647
- Cost of work and services for own needs (negative value)		
- Distribution expenses (negative value)	(18 705)	(12 760)
- General administrative expenses (negative value)	(30 628)	(31 369)
Costs of products sold	63 802	43 892

Note 30

OTHER OPERATING INCOME	2006	2005
a. Profit from disposal of non-fonancial fixed assets		2 641
a) provisions and allowances cancelled, of which:	29 554	18 035
- dissolution of allowances updating receivables	17 671	14 232
- dissolving other updating allowances	9 070	823
- dissolution of reserve for contingent liabilities	1 782	2 100
- dissolution of other reserves	1 031	880
c. Other income of which:	4 958	34 122
- settlement of payment by virtue of contingent liabilites	1 285	28 136
- interests on receivables by virtue of supplies, works and services	2 331	1 419
- pozostałe	1 342	4 567
Total other operating income	34 512	54 798

Note 31

OTHER EXPENSES	2006	2005
a. loss on sale of non-financial fixed assets	3 620	
b. Revaluation of non financial assets, of which:	19 374	137 963
- receivables updating allowances	17 221	133 810
- for other updating allowances	1 019	1 080
- for contingent liabilities		
- for other provisions	1 134	3 073
c.other, of which:	4 490	14 333
- judicial fees	318	600
- donations	10	8
- costs of non-effective investments	525	856
- interests on liabilities by virtue of supplies, works and services	1 552	3 219
- prior years' costs and receivables in arrears	659	4 881
- other	1 426	4 769
Total other operating expenses	27 484	152 296

Note 32

FINANCIAL INCOME	2006	2005
a. Dividends and shares in profits, including:	**2 189**	**2 205**
- from related entities	**2 189**	**2 204**
b. Interests, including:	**9 049**	**7 328**
b.1. From bank accounts and investments	**942**	**121**
b.2. By virtue of granted loans, out of which:	**20**	**12**
- from related entities		
b.3.other interests: out of which:	**8 087**	**7 195**
- from related entities		
c. Profit on sale of investment	**3 811**	
d. Re-valuation of the investment	**2 705**	**1 560**
e. other income, including:	**4 673**	**122 156**
e.1. Balance of positive difference in rates, of which:	**143**	**-**
- realized	**22**	
- unrealized	**121**	
e.2. Dissolved updating write-off (by virtue of)	**123**	**500**
- calculted interests	**123**	**500**
- other		
e.3. Other, of which:	**4 407**	**121 656**
- revaluation of investments on A4 motorway		**2 298**
- amortised interests	**3 755**	
- receivables from Walcownia Rur Jedność		**119 208**
- other	**652**	**150**
Total financial income	**22 427**	**133 249**

Note 33

FINANCIAL EXPENSES	2006	2005
a. Interests, including:	**16 688**	**24 570**
a.1. On credits and loans, of which:	**8 980**	**9 181**
- for related entities	**638**	**931**
a.2. Other interests, of which:	**7 708**	**15 389**
- for related entities	**80**	**195**
b. Loss on sale of investment		**8 279**
c. Revaluation of investments	**9 296**	**7 928**
d. Other financial costs, including:	**5 108**	**125 689**
d.1. Balance of the negative differences in rates of which:	**-**	**905**
- executed		**606**
- not executed		**299**
d.2. Created other updating allownace (by virtue of)	**3 610**	**2 156**
- for calculted interests	**3 610**	**2 156**
- other		
d.3.. Other, of which:	**1 498**	**122 628**
- liabilities towards bank syndicate and the State Treasury		
- costs by virtue of redemption of bonds		
- liabilities towards bank syndicate and the State Treasury		**119 208**
- other	**1 498**	**3 420**
Total financial costs	**31 092**	**166 466**

Note 34A

CURRENT CORPORATE INCOME TAX	2006	2005
1. Gross profit (loss) consolidated	**(7 197)**	**(141 572)**
2. Consolidated adjustments		
3. Differences between gross profit (loss) and the income tax basis (by type)	**(2 025)**	**117 863**
- permanent differences adjusting expenses	**4 630**	**133 779**
- transient differences adjusting expenses	**34 751**	**157 410**
- permanent differences adjusting incomes	**(6 304)**	**(149 549)**
- transient differences adjusting incomes	**(35 102)**	**(23 777)**
- other		
4. Income tax basis	**(9 222)**	**(23 709)**
5. Corporate income tax at 19 % rate		
6. Current corporate income tax as stated in the taxation statement for the period, of which:		
7. Current corporate income tax as stated in the taxation statement for the period, of which:	**-**	**-**
- disclosed in the profit and loss account		
- referring to items that decreased or increased the shareholders' equity		
- referring to items that decreased or incrased goodwill		

Note 34B

DEFERRED CORPORATE INCOME TAX IN PROFIT AND LOSS ACCOUNT	2006	2005
- decrease (increase) due to occurrence or reversal of timing differences	**(9 056)**	**(584)**
- decrease (increase) due to change of taxation rates		
- decrease (increase) due to formerly not recognized losses, tax reliefs, or timing differences of prior periods		
- decrease (increase) due to writing-off assets by virtue of deferred income tax or lack of possibility of applying a reserve on deferred income tax		**4 101**
- other components of deferred income tax, of which:	**-**	**-**
- calculated due interests included in result		
- interests paid		
- write-off updating receivables not being the costs of obtaining the revenues		
- resertve for holiday leaves		
Total deferred income tax	**(9 056)**	**3 517**

Note 34 C

TOTAL AMOUNT OF DEFERRED INCOME TAX	2006	2005
- included in the shareholders' equity	**(9 056)**	**3 517**
- included in the goodwill or negative goodwill		**-**

Note 35

CALCULATION OF PROFIT (LOSS) PER ONE ORDINARY SHARE AND PER DILUTED SHARE	2006	2005
Net profit (loss)	1 860,00	(145 089,00)
Average weighted number of ordinary shares	157 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)	0,01	-1,35
Average weighted diluted number of ordinary shares		
Diluted profit (loss) per one ordinary share (in zloty)		

Additional information

1. Reason for changing particular assets and liabilities in balance sheet as well as financial result as of 31st December 2006.

Main factors that influenced the change of particular assets and liabilities of the Company as of 31st December 2006 in relation to the situation at the end of 2005:

a. further payment of composition liabilities,
b. increasing basic capital by issuing shares of F series,
c. sale of perpetual usufruct right in Warsaw jointly with covered area at Obrzeżnej Street in Warsaw – moving the seat of Trade Branch to the area of Ursus
d. starting new steel yard of elements for construction in Krzyż Wielkopolski and purchase of new steel fixing machine for steel yard in Katowice-Panewniki,
e. creating a write down for trade assets,
f. reclassification of receivables of a subsidiary Stalexport Autostrada Małopolska S.A. due to settlement of investments incurred by Stalexport S.A.
g. resolving the provision for deferred tax.

Ad. a.
During 2006 the Company carried out payments of liabilities related to concluded composition, and the value of paid instalments amounted to PLN 34,885thousand.
The amount of the liabilities die to concluded composition as of the last day of the year was PLN 59,471 thousand.

Ad. b.
Stalexport S.A., in accordance with the provisions of Management Board Resolution No. 63 as of 5th June 2006, amended Resolution No. 71/2006 as of 9th June 2006 conducted private subscription directed at syndicate banks (WRJ creditors). Within the issuing of the first tranche of "F" series shares, syndicate banks covered 15,840,622 shares with issuing price of PLN 2 i.e. with total value of PLN 31,681 thousand. This operation had impact on decrease of long term liabilities of Stalexport S.A. due to surety for WRJ, whose situation at the end of the year was PLN 85,577 thousand. This liability constitutes re-guarantee granted by Stalexport S.A. in favour of the State Treasury that is security agent of credits for WRJ granted by the syndicate of banks.
In accordance with the Resolution of the Management Board of Stalexport S.A. No. 82/2006 of 26th June 2006 on increase of basic capital as part of issuing of II tranche of "F" series shares, Stalexport issued 34,159,378 shares. The issue was covered by the strategic investor Autostarde S.p.A.
Both issues were registered by District Court in Katowice, Commercial Division of state Court Register on 6th and 27th July 2006, Therefore, the value of basic capital was increased by PLN 100,000 thousand.

Ad. c.
Stalexport SA within the programme of activity costs lowering, made a decision concerning the sale of the object in Warsaw ul. Obrzeżna and transferring the trade activity that was run in that place to a cheaper object located in the area of Ursus. As a result of the sale operation there was a decrease of tangible fixed assets by the amount of PLN 7,109 thousand and decrease of long term investment in the "property" item by the amount of PLN 46,945 thousand.

In the Profit and Loss account the said transaction had a positive impact on financial income 6,758 thousand (sale of perpetual usufruct right) with charging other operational costs in the amount of PLN 168 thousand (sale of buildings and constructions). All in all, the operation had a positive effect on the result PLN 6,589 thousand.

Ad. d.
The commission of a new branch of a steel yard in Krzyż Wielkopolski, equipping the steel yard in Katowice-Panewniki with a new machine, and modernization of newly taken over storage facility in the area of Ursus, had its share in the increase of tangible fixed assets.

Ad. e.
The Company during the reporting period, made significant write downs for trade receivables in the amount of PLN 18,240 thousand, that directly affected the decrease of operational result.

Ad. f.
On 22nd December 2005 Stalexport S.A. concluded an agreement concerning the return of expenditures for a subsidiary Stalexport Autostarda Małopolska.
Pursuant to the agreement 25% of expenditure return amount shall be paid from last draw of means from the planned financial venture. As the term of last draw of financial means assigned to 2009 was established in 2006, the liability was changed from short term to long term.

Ad. g.
The Company in the above mentioned period dissolved the provision for deferred tax in the amount of PLN 8,957 thousand which had a positive impact on net result. Dissolving the provision for deferred tax was related to sale transaction of property jointly with buildings in Warsaw ul. Obrzeżna.

2. Financial instruments.

The Company during the reporting period, due to application of “forward” derivatives securing the exchange rate risk had net financial income of PLN 3,396 thousand.

3. The value of land with perpetual usufruct right in accordance with the situation as of 31st December 2006 (in PLN thousand).

Details	B.O.	B.Z.
Office building and parking of the company’s seat	1 754	1 754
Panewniki object	1 176	1 176

4. The value of not depreciated and not written off by the Company fixed assets used on the basis of lease agreements as of 31st December 2006 amounted to PLN 2,448 thousand and it covered computer equipment and personal cars.

5. Liabilities in relation to the state budget or entities of local self-government due to obtaining the right to buildings and constructions – they did not occur in the above mentioned period.

6. Data concerning the structure of share capital ownership as well as number and face value of subscribed shares, including privileged ones (detailed description in Note No. 13 of the financial report).

Basic capital:

Share capital	value	PLN 315 524 thousand
Subscribed shares	quantity	157 762 023 shares
Face value		PLN 2

Main shareholder:

Autostrade S.p.A.	21.65% of shares
Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej	11.42% of shares
Powszechna Kasa Oszczędności Bank Polski S.A.	5.54% of shares
Julius Baer Investment Management LLC	6.56% of shares
Other shareholde4rs	54.83% of shares.

In the management report in capital's structure, the Company's capital and its structure was presented with taking into account the registration in URS of the increased capital which took place in July.

7. List of liabilities groups secured on the Company's property (with indication as to its kind).

List of mortgages and pledges

THE SUBJECT OF SECURING	KIND OF SECURITY	Group of liabilities
Property in Panewniki KW 33944	Mortgage	credit liability
	Mortgage	credit liability
Property in Katowice, ul.Mickiewicza KW 32921	Mortgage	credit liability
Stalexport's Seat in Katowice KW 30094	Mortgage	credit liability
	Mortgage	credit liability
	Mortgage	credit liability
Property in Chorzów KW 17662	Mortgage	credit liability
Property in Katowice, parking	Mortgage	credit liability
Property in Piła KW 5722	Mortgage	liabilities due to the purchase of goods
Property in Gostyń KW 27409	Mortgage	liabilities due to the purchase of goods
Property in Gnieznoe KW 1658	Mortgage	liabilities due to the purchase of goods
Shares of Stalexport Serwis Centrum Katowice	Pledge	credit liability
Shares of Stalexport Wielkopolska	Pledge	credit liability
Shares of Stalexport Centrostal Lublin	Registered pledge.	credit liability
Shares of Beskidzki Dom Maklerski	Registered pledge.	credit liability
Total value of metallurgical products stock	Registered pledge.	liabilities due to the purchase of goods
Means in non-discretionary account Pekao S.A.	Registered pledge.	Autostrade SpA

8. Conditioned liabilities, sureties and guarantees.

In total the amount of sureties as of 31st December 2006 amounts to PLN 23,949 thousand and consists of:

- surety for a subsidiary Stalexport Bełchatów S.A. in the amount of PLN 33 thousand.
- guarantee (trade one) in favour of Banks in the amount of PLN 11,618 thousand.
- surety for a subsidiary Transroute Autostrada PLN 12,293 thousand
- surety for Centrozłom Pruszków in the amount of PLN 5 thousand.

In relation to the previous year the sureties significantly increased and it was related to granting by Stalexport S.A. a surety of due performance by Stalexport Transroute S.A. in favour of a licence holder (SAM S.A.) the duties resulting from the Agreement concerning maintenance and exploitation of A-4 Katowice – Kraków Motorway, and due to increase of trade guarantees as granted in favour of the Banks.

9. Discontinued operations.

In the discussed period there were no discontinued operations in the Company.

10. Planned capital expenditures.

Incurred and planned capital expenditures were discussed in “Management Report”.

11. Significant transactions of Stalexport S.A. – a dominant company with subsidisers covered by consolidation:

- mutual receivables and liabilities (in PLN thousands)

Details		Receivables of Stalexport S.A. as of 31st December 2006.	Liabilities of Stalexport S.A. as of 31st December 2006
Stalexport Autostrada Małopolska	Mysłowice	32,680	-
Stalexport Autostrada Dolnośląska	Katowice		13,896
Stalexport Transroute Autostrada	Mysłowice	226	1,004
Stalexport Autoroute S.a.r.l.	Luxemburg	-	-
Stalexport Serwis Centrum	Katowice	122	510
- Stalexport Serwis Centrum	Bełchatów	574	3
- Stalexport Metalzbyt	Białystok	1,658	1
Stalexport Centrostal	Lublin	156	2
Stalexport Autostrada Śląska S.A.	Katowice	1	3,562
Biuro Centrum Sp. z o.o.	Katowice	-	613
Total		**35,417**	**19,591**

- costs and income from mutual transactions (in PLN thousand)

Stalexport S.A. income	13,136
Stalexport S.A. costs	7,864

12. Common ventures.

In the above mentioned period there were no common ventures.

13. Employment.

Average employment as of 31st December 2006was as follows:

- total FTE (full time equivalents)	278.0
- Management	2.8
- trade employees	120.9
- administration and office employees	43.0
- other employees	111.6

Total employment at Stalexport S.A. as compared with the same period of the previous year decreased by 13.4 FTE. A slight decrease of employment is a result of retirement of employees.

14. Total remuneration paid to Proxies, members of the Management Board and Supervisory Board in 2006 was presented in the Management Report.

15. **The people who manage**, as well as supervise the Company did not take advantage of advance payment, credits, guarantees.

16. **Stalexport S.A. did not have a legal predecessor.**

17. **Financial report was** not subject to **necessary adjustment by inflation rate** (in the due period the inflation rate amounted to 20% annually).

18. **Events after balance sheet date.**

They were described in detail in the Management report.

19. **The change of financial result** as presented in quarterly report SAQ 4/2006 in annual report SAR/2006.
In quarterly report SAQ-4/2006 the Company presented net profit in the amount of PLN 1,990 thousand and in the audited annual report SAR/2006 the net profit in the amount of PLN 1860 thousand. The difference of the net financial result in the amount of PLN 130 thousand is of little relevance and does not require any comments.

MANAGEMENT BOARD REPORT ON STALEXPORT S.A. ACTIVITY For the year 2006

Katowice, June 2007

MANAGEMENT BOARD REPORT ON STALEXPORT S.A. ACTIVITY for the year 2006
(SA R 2006)

Table of contents:

1. INTRODUCTION

Management Board Report on the activity of STALEXPORT S.A. with its seat in Katowice, for the year 2006 includes the most important information on Company's operation in the reporting period.

The main tasks assumed by STALEXPORT S.A for the realisation in 2006 year resulted from „STALEXPORT S.A. Strategy Realisation Program In the Years 2002-2007 Under the Reorganisation Proceedings", adopted in 2002. The tasks encompassed:

1) Payment of liabilities by way of reorganisation and non-reorganisation proceedings,
2) Conducting effective commercial activity based on the existing and optimised sales network and the reconstruction of market position in steel trade,
3) Further organisational restructuring of the Company and Capital Group heading towards the consolidation of its distributing section,
4) Continuing motorway activity through:
   - § Capital Group (Stalexport Autostrada Małopolska S.A.) performance of granted concession for the use of A4 toll road on the section Kraków-Katowice, including the realisation of Annex no 5 to the Concession Contract and finalisation of enterprise financial closure,
   - § Participation in tender proceedings for granting concession for construction and operation of the toll roads,
5) Steel processing development,
6) Maintaining cost discipline.

It was essential to acquire financial resources for the realisation of the above mentioned tasks, and therefore for further Company existence.

Owing to the lack of external financing in the form of credits (gradual opening of the new credit lines for financing current activity was anticipated from the year 2004, and the Company received its first credit in the amount of PLN 15 mln only in May 2006), exhausting the additional source of financing liabilities, originating from the sale of redundant property and in the situation, when none of the former shareholders was inclined to support the Company with the resources essential for its further functioning (either through the increase of capital or granting credit), the only way to save Company's existence and to ensure its optimal functioning, from the point of view of its all stakeholders (employees, shareholders and creditors) – was to acquire the Strategic Investor.

The Board has undertaken intensive actions towards achieving the investor in the II half of 2005, with the knowledge and approval of the Supervisory Board. The Company's equity price on GPW (Warsaw Stock Exchange) was then and long afterwards reaching the level far below PLN 2 per share. Concluding the Investment Contract with Autostrade S.p.A. on 26.06.2006 ensued at the last moment before the possible loss of Company liquidity.

AUTOSTRADE S.p.A. entering STALEXPORT S.A. and complete performance of the concluded contract are and will be advantageous for its all stockholders, i.e.:

- **For the employees**, since it gives them opportunity to work under conditions devoid of STALEXPORT S.A. historical liabilities
- **For creditors**, since the Company acquires sources for paying its liabilities,
- **For the shareholders**, since in the long run it brings about the increase of Company's value, and its quotations on GPW at the same time.

It needs to be particularly underlined that:

1. Following the Investment Contract, STALEXPORT S.A. has already acquired above PLN 68 mln cash at the first stage of its performance. Its target is to acquire PLN 201 mln more. There was no such considerable capital support for the Company in its entire history;
2. Without this cash injection STALEXPORT S.A. would have to continue further drainage of operating assets in order to pay its reorganisation, non-reorganisation and current liabilities;
3. Drainage of these assets would entail further trade turnover recession until complete cease of activity in the perspective of few quarters;

4. The lack of servicing current trade liabilities would bring about the irretrievable withdrawal of the main suppliers' limits – the outcome would be the same as mentioned above and additionally there would be the risk of bankruptcy petition for STALEXPORT S.A. submitted by some of the creditors or by the very Management Board by virtue of the law.

Apart from acquiring the strategic investor, two other important events took place in the year 2006, i.e.:

- Concluding agreement with the Consortium Banks satisfying their claims by way of credits granted to Walcownia Rur Jedność (Pipe Mill) and warranted by STALEXPORT S.A. On 4 May 2006 STALEXPORT S.A. signed an agreement with the Consortium Banks represented by ING Bank Śląski S.A. in Katowice, by virtue of the warranty granted by the Company, securing payment of credits granted to Walcownia Rur Jedność Sp. z o.o. by the Consortium Banks.

- Achieving financial closure by Stalexport Autostrada Małopolska S.A. Due to signing Annex no 5 to the Concession Contract, Stalexport Autostrada Małopolska S.A. (SAM S.A.) has effectively concluded the long term Facility Agreement with the Consortium of Banks for the amount PLN 380 mln. It constitutes the so called „financial closure" in the light of the Concession Contract records, which means that the risk of reclaiming concession (viable in case of lack of closure) has been definitely eliminated and therefore part of the motorway property value was secured in STALEXPORT S.A. assets.

Besides STALEXPORT S.A. paid four successive reorganisation liabilities instalments in the year 2006. It must be remembered that the reorganisation proceedings of STALEXPORT S.A. encompassed PLN 605 mln, of which:

a) About PLN 240 mln were reduced,
b) Almost PLN 190 mln were paid through the conversion into shares,
c) By the end of 2006 the amount of about PLN 140 mln was settled in cash (in total 13 instalments) (capital + reorganisation interests).

Besides the restructured liabilities are being paid to the banks – non-reorganisation proceedings creditors, amounting PLN 173 mln on the day of signing the agreements. Payments by way of these amounted (the capital) PLN132 mln by the end of the year 2006. There are PLN 41 mln capital to be paid to the banks. Whereas non-reorganisation liabilities towards the State Treasury by way of warranties for Huta Ostrowiec (Ironworks) (about PLN 78 mln) will be paid by mid 2008. The interests are paid systematically. Such considerable financial burdens influence the decrease of the operating assets and therefore limit Company's and Capital Group trade opportunities.

Besides in 2007, by the date of this report, PLN 16,5 mln reorganisation debt was paid and PLN 8,4 mln of non-reorganisation proceedings debt by way of the historic debt was paid.

Discussing the undertaken actions and achieved results is provided in the subsequent chapters of this statement.

The Management Board Report includes:

1. **Introduction,**
2. **Basic information about STALEXPORT S.A.**
3. **Financial section,** including discussing financial results, the description of the abnormal factors influencing activity result, description STALEXPORT S.A. assets and financial standing,
4. **Commercial part**, encompassing basic information about market and sale,
5. **Other information** about STALEXPORT S.A.,
6. **The description of development perspectives and the basic risks and threats to STALEXPORT S.A.** as well as Management Board activities undertaken in order to define the conditions for further Company development,
7. **Changes of share price value** at Warsaw Stock Exchange in Warsaw,
8. **Summary**, and
9. **Management Board Statements** required by the Minister of Finance Decree of 19.10.2005 on current and periodic information provided by the issuer of the securities.

Presented report encompasses the issues defined in the Minister of Finance Decree of 19.10.2005 on current and periodic information provided by the issuer of the securities (Journal of Law no 209, item 1744).

2. BASIC INFORMATION ABOUT STALEXPORT S.A.

Name:	STALEXPORT S.A.
Business activity:	Export, import of metals and ores, PKD 51 52 Z
Legal form of the enterprise:	Joint Stock Company
Registering body:	District Court in Katowice, Economic Division of the National Court Register
Company's office:	40-085 Katowice, ul. Mickiewicza 29
KRS:	0000016854 registered in the District Court VIII Division KRS in Katowice, ul. Lompy 14
Regon:	271936361
NIP:	634-013-42-11
NKP:	38-10454
Equity capital:	315.524.046 zł
Account:	FORTIS BANK POLSKA S.A. O/Katowice Nr 78 1600 1055 0002 3211 5570 2001
www:	http://www.stalexport.com.pl
e-mail:	stalex@stalexport.com.pl
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ZUS (Social Security) appropriate for the Company:	ZUS Chorzów Branch ul. Dąbrowskiego 45, 41-500 Chorzów
Urząd Skarbowy (Inland Revenue) appropriate for the Company:	Pierwszy Śląski Urząd Skarbowy ul. Braci Mieroszewskich 97, 41-219 Sosnowiec

STALEXPORT S.A. has commenced its activity on 1 January 1963 as Foreign Trade Company, specialising in export and import of ironworks products and import of the raw materials for Polish metallurgy. In the year 1993 it was converted into a single-member State Treasury joint-stock company and privatised. It is at present the Joint-stock company, the shares of which were admitted for public corporate turnover on Warsaw Stock Exchange on 26 October 1994.

In 1997 STALEXPORT S.A. won tender procedure and has received, for 30 years, concession for construction, through adaptation and operation of the section of A4 Katowice-Kraków toll road.
So far the Company and the Capital Group activity has been concentrating on two main segments:

The motorway services segment including adaptation and operation of A4 Katowice-Kraków motorway section for conditions of the toll road, as well as participating in the selected tenders for construction and/or operation of the successive motorway projects.

Trade segment encompassing export, import, domestic turnover of steel products, metallurgical raw materials and processing steel products,

Solidity and reliability in servicing clients allowed for acquiring Quality System certificate according to norm PN-ISO 9002 in 1998, and in the year 2004 according to EN ISO 9001:2000, awarded by Rheinisch Westfalishscher TUV e.V. In 2007 the recertification of Quality System by TV Nord ensued for further 3 years.

At present STALEXPORT S.A. has been performing the reorganisation procedure with the creditors, approved by the decision of the District Court in Katowice on 27.06.2002. Pursuant to the conditions of the reorganisation proceedings, payments of liabilities should ensue in 20 quarterly instalments. STALEXPORT S.A. paid 14 instalments by 30 May 2007.

In 2006 STALEXPORT S.A. has acquired the strategic investor Autostrade S.p.A. with its seat in Rome (Italy), the leader on the European market of managing motorways.

Autostrade S.p.A. manages the network of over 3 400 km toll roads in Europe and in the USA and is the leader in the scope of automatic toll collection systems on the motorways. Autostrade S.p.A. is quoted on the Stock Exchange in Mediolan, and its market value amounts above EUR 12 billion EUR.

According to the concluded investment contract Autostrade S.p.A. has assumed 34 159 378 shares F series II tranche in June 2006, emitted under the increase of share capital within the target capital, which constitutes 21,7% in Company's share capital. Registering the increase ensued on 2 August 2006. Then in March 2007 Autostrade S.p.A. has covered the next emission of shares (G series), of total value about PLN 201 mln. There is at present the ongoing process of Company's share capital increase registration as well as the proceedings on cancellation/annulment of Company Extraordinary Shareholders Meeting resolutions dated 14 February, constituting the basis for the above mentioned increase. Acquiring the above resources from the emission of shares in case of positive Court's decision will allow for payment of the restructured Company's liabilities on one hand and the realisation of the development strategy in the motorway segment on the other.

Simultaneously – pursuant to the records of the investment contract – there is undergoing sale process of Company's steel part, planned for commencement by the end of III quarter of 2007.

3. COMPANY FINANCIAL ANALYSIS

3.1. Discussing financial results

STALEXPORT S.A financial results for the year 2005 and 2006 are presented in the table below.

Data in thousand PLN	2006	2005	Shift
I. Net incomes from the sale of products, goods and materials	528 041	441 964	19,5%
1. Net incomes from products sale	65 078	46 933	38,7%
2. Net incomes from goods and materials sale	462 963	395 031	17,2%
II. The costs of the sold products, goods and materials	484 267	408 692	18,5%
1. The cost of manufacturing the sold products	63 802	43 892	45,4%
2. The value of the sold goods and materials	420 465	364 800	15,3%
III. Profit (loss) gross from sale	43 774	33 272	31,6%
IV. Other incomes	34 512	54 798	-37,0%
V. Sale costs	18 705	12 760	46,6%
VI. The costs of overall management	30 628	31 369	-2,4%
VII. Other costs	27 484	152 296	-82,0%
VIII. Operational activity profit (loss)	1 469	-108 355	
IX. Financial incomes	22 427	133 249	-83,2%
X. Financial costs	31 092	166 466	-81,3%
XI. Profit (loss) gross	-7 196	-141 572	-94,9%
XII. Income tax	-9 056	3 517	
XIII. Profit (loss) net	1 860	-145 089	

3.1.1. Central activity results

Under the structural perspective, in accordance with the directions of sale, the incomes in the discussed period are as follows:

Data in thousand PLN	2006	2005	% share in turnover total 2006	Shift
I. Sale incomes total	528 041	441 964	100,00%	19,5%
Including:				
1. Trade activity	525 176	439 421	99,46%	19,5%
a) export (and re-export)	312 383	211 141	59,16%	48,0%
b) domestic	130 919	165 524	24,79%	-20,9%
c) import	18 998	17 971	3,60%	5,7%
d) production	62 875	44 785	11,91%	40,4%
2. Other sale	2 865	2 543	0,54%	12,7%
II. The costs of purchase and sale	502 972	421 452	x	19,3%
III. Sale margin	25 069	20 512	x	22,2%
Margin index in % (total)	4,60%	4,64%	x	-0,9%

In 2006 STALEXPORT S.A. sale incomes amounted PLN 528.041 thousand and were by 19,5% higher compared to the year 2005.
The sale increase was influenced by both the internal factors – including mainly the acquisition of the new strategic investor Autostrade S.p.A, which to the large extend eliminated operating capital drain, perceptible in previous years - as well as the external factors related with the improvement of business outlook on the steel market.
In 2006 the cost of sold goods, products and materials equalled in total PLN 484.267 thousand.

The volume of sales was considerably influenced by export sale incomes, which amounted PLN 312.383 thousand, constituting near 60% share in the total incomes. The volume of turnover by way of export has increased consecutive year in a row, and in 2006 the increase went up by as far as 48%.

The sale on the domestic market performed through the headquarters and the company's trade stores located in the entire country amounted PLN 149.917 thousand (including the sale of imported goods PLN 18.998 thousand), and its participation in total sale amounted above 28%.
12% of share in sale was chalked up by the reinforcement prefabrication plants. All the same in comparison with the previous years, the domestic sale has considerably lost its significance in favour of the export sale and production. Owing to the development of productive activity (the third reinforcement prefabrication plant was started in Krzyż Wlkp.and other plants were modernised), its share in the incomes from company's sales is growing systematically. Compared to the previous year an increase of the sale of concrete reinforcement components has ensued by more than 50 %.
Gross sale profit at the end of 2006 amounted PLN 43.774 thousand, i.e. 32 % more than in the previous year.
An increase of sales costs ensued to the amount of PLN 18.705 thousand, which was the consequence of the incurred costs of transport and agent's fee following higher than anticipated export sale to South America.
The costs of the overall management reached the level PLN 30.628 thousand in 2006, while in 2005 they were developed at the level PLN 31.369 thousand, which means the decrease by 2,4 %.

3.1.2. Other incomes and operational costs

The other operational incomes amounted PLN 34.512 thousand, the remaining operational costs amounted PLN 27.484 thousand.
Within the other incomes the biggest position constitutes the release of write downs in the amount of PLN 21.729 thousand, of which PLN 11.995 thousand refer the release of the reserves for the receivables from Centrozap company, following their exchange into shares under the reorganisation procedure. Another significant incomes position is held by the release of write offs concerning the property in Katowice in the amount PLN 7.065 thousand, following its sale.
The other costs amounted PLN 27.484 thousand, comprising of the costs by way of setting up write offs for non-financial assets in total amount PLN 18.240 thousand, including PLN 17.221 thousand as trade receivables write offs, and PLN 754 thousand reserve set up for not used employees leaves.
The biggest trade receivables write offs include the debts if the storehouse in Piła, the value of which amounted PLN 8.564 thousand. The sale was accomplished in aid of the contracting parties, which proved insolvent and STALEXPORT S.A. Has At present launched executive proceedings against the dishonest debtors.
The costs also include the sale loss after the sale of the property in Katowice in the amount PLN 2.787 thousand. At the end of 2006 STALEXPORT SA operational activity profit amounted PLN 1.469 thousand, towards the loss in 2005 in the amount PLN 108.355 thousand.

3.1.3. The incomes and financial costs

Financial activity balance for the year 2006 is negative and amounts PLN 8.762 thousand. Financial incomes amounted PLN 22.608 thousand, comprised of, above other things, the profit in the amount PLN 6.758 thousand by way of property sale in Warsaw, and the incomes by way of interests in total amount of PLN 12.547 thousand.
Financial costs, which were at the level PLN 31.370 thousand, included above other things, the cost of interests for the total amount PLN 16.685 thousand, including PLN 8.342 thousand credit interests, and PLN 4.904 thousand the reorganisation liabilities interests. Other financial costs refer setting up a reserve for Centrozap shares, by way of cautious valuation in the amount PLN 9.043 thousand.

3.1.4. Financial results - summary

All the activities and events described above were of direct influence on Company's result achieved in 2006.

STALEXPORT S.A. gross result in 2006 was negative and amounted PLN 7.196 thousand. The increase of gross result by way of the corporate tax amounts PLN 9.056 thousand.

STALEXPORT S.A. net profit for the year 2006 amounted PLN 1.860 thousand (in 2005 the result net was negative and amounted PLN 145.089 thousand).

3.2. The evaluation of factors and abnormal events influencing the economic activity result considering the events after the reporting date

The essential factors influencing 2006 financial result include the increase of equity capital. The emission of shares F series contributed to hindering the outflow of turnover capital in the II half of 2006 owing to payment of historic liabilities with the resources coming from the capital increase. It allowed for hindering the sale drop, unavoidable in case of the lack of increase.
(P.Michalunio – description of Piła)

3.3. Assets and financial standing with the description of the sources of finance, debt policy and risk management policy

Balancing data at the end of 2006 compared with the standing at the end of 2005 are the following:

Data in PLN thousand	31.12.2006	31.12.2005	dynamics	structure
I. Long term assets	**326 589**	338 653	-4%	63%
1. Tangible fixed assets	**56 037**	49 069	14%	11%
2. Intangible and legal assets	**95**	212	-55%	0%
3. Long–term receivables	**32 680**	509	6321%	6%
4. Long-term investments	**237 777**	286 664	-17%	46%
4.1. Properties	**10 000**	56 945	-82%	2%
4.2. Intangible and legal assets	**0**	0		0%
4.3. Long-term financial assets	**227 577**	229 519	-1%	44%
4.4. Other long-term investments	**200**	200	0%	0%
5. Assets available for sale	**0**	2 199	-100%	0%
6. Deferred tax assets	**0**	0		0%
7. Long -term accrued liabilities	**0**	0		0%
II. Short-term assets	**193 127**	179 926	7%	37%
1. Stock	**57 579**	43 810	31%	11%
2. Short-term receivables	**91 118**	130 814	-30%	18%
3. Short-term investments	**4 546**	235	1835%	1%
4. Monetary resources and their equivalents	**39 269**	4 658	743%	8%
5. Short-term accrued liabilities	**615**	409	50%	0%
Assets total	**519 716**	518 580	0%	100%

I. Equity capital	**105 090**	1 399	7410%	20%
1. Share capital	**315 524**	215 524	46%	61%
2. Payments due for the share capital (negative value)	**0**	0		0%
3. Own stocks (shares) (negative value)	**-21**	-23	-7%	0%
4. Supplementary capital	**2 931**	35	8240%	1%
5. Capital revaluation	**131 813**	132 879	-1%	25%
6. Other reserve capital	**0**	51 016	-100%	0%
7. Profit (loss) from previous years	**-347 016**	-252 943	37%	-67%
8. Profit (loss) net	**1 860**	-145 089	-101%	0%
II. Long-term liabilities	**248 473**	317 327	-22%	48%
1. Credits and loans	**17 137**	40 781	-58%	3%
2. Financial leasing liabilities	**515**	670	-23%	0%
3. Trade payables	**0**	0		0%
4. Other liabilities	**191 134**	223 147	-14%	37%
5. Deferred income tax reserve	**29 383**	38 687	-24%	6%
6. Reserves for other obligations	**9 559**	13 283	-28%	2%
7. Long -term accrued liabilities	**745**	758	-2%	0%
III. Short-term liabilities	**166 153**	199 854	-17%	32%
1. Credits and loans	**51 800**	50 006	4%	10%
2. Financial leasing liabilities	**0**	0		0%
3. Trade payables	**67 771**	65 571	3%	13%

4. Other liabilities	**41 246**	73 046	-44%	8%
5. Reserves for other obligations	**1 738**	5 459	-68%	0%
6. Short-term accrued liabilities	**3 598**	5 772	-38%	1%
Liabilities total	**519 716**	518 580	0%	100%

3.3.1. Company's Assets

Total Company's assets as for the day of 31 December 2006 remained almost unaltered compared to the condition of 31 December 2005. The value of assets amounted PLN 519.716 thousand, of which 63% are the long term assets and 37% short-term assets.

In 2006 the long-term assets decreased by 4%, while the biggest changes in its structure appeared in connection with the sale of the property in Warsaw (book value - PLN 46.945 thousand) and including the amount PLN 32.680 thousand in the long-term receivables referring the return of the capital investments from SAM S.A. incurred by the Company within the I stage of Katowice-Kraków motorway investment.

The main positions within the long-term receivables as for the standing on 31.12.2006 are constituted of:

- Long-term investments in the amount PLN 237.776 thousand, including long-term financial assets in the amount PLN 227.576 thousand,
- Property fixed assets in the amount PLN 56.037 thousand.

Short-term assets at the end of 2006 achieved the value of PLN 193.127 thousand and increased within the year by 7%. The biggest position within the confines of the short-term assets is constituted by the short-term receivables in the amount of PLN 91.118 thousands, which however in comparison to the previous year decreased by 30%, mainly as a result of receivables classification change towards SAM S.A., from short- to long-term receivables. The stock has increased by 31% from PLN 43.810 thousand to PLN 57.579 thousand, which is related with the increased volume of turnover and expanding production activity.

Important changes in the assets structure ensued in the monetary resources, achieving the level PLN 39.269 thousand, owing to the acquisition of the new strategic investor Autostrade S.p.A. Through the increase of equity capital, monetary resources were acquired in the mid year in the amount PLN 68.319 thousand, destined for financing payment of the receivables under the reorganisation and non-reorganisation proceedings.
Besides within the short-term investments – which at the end of 2006 amounted PLN 4.546 thousand – the shares of Centrozap S.A. were encompassed, included within the confines of the reorganisation proceedings for the receivables towards that company.

3.3.2. Equity capital and liabilities

The structure of liabilities as for the day of 31 December 2006 comprises of:

- Positive equity capital in the amount PLN 105.090 thousand, which constitutes 20% share in the total value of liabilities,
- Long-term liabilities in the amount of PLN 248.473 thousand, which gives 48% share in liabilities,
- Short-term liabilities in the amount PLN 166.153 thousand, which constitutes 32% share in liabilities.

Equity capital, which achieved the positive value in 2005, increased during the 2006 by 74 times, which was the outcome of conducted shares emission.
An increase of the equity capital ensued by PLN 100.000 thousand by way of issuing F series shares for the new investor Autostrade S.p.A at the amount PLN 68.319 thousand and through the conversion of liabilities for the banks by way of guarantees granted for WRJ in the amount of PLN 31.681 thousand.
The other reserve capital in the amount of PLN 51.017 thousand were destined for decreasing the loss from the previous years.

The level of long-term liabilities has decreased by 22% to the level of PLN 248.473 thousand, mainly as a result of paying reorganisation and non-reorganisation instalments. Within these liabilities the remaining liabilities, in the amount PLN 191.134 thousand, are decisive, consisting of – apart from reorganisation liabilities – the long-term liabilities towards the State Treasury by way of granted endorsement on bill referring Huta Ostrowiec (Ironworks) and by way of granted warranties referring Walcownia Rur Jedność (Pipe Mill). Huta Ostrowiec liabilities are to be paid from August 2008, i.e. after terminating payment of instalments. Whereas the commitment for WRJ is, as far as the amount and the payment method the subject of the negotiation.

The remaining long-term reorganisation liabilities remained for payment, amount at the end of 2006 PLN 26.316 thousand, and the long-term banking credits constitute PLN 17.137 thousand of it.

In the structure of short-term liabilities, which notified the decrease at the end of 2006 by 17% towards the year 2005, the most important are liabilities by way of supplies and services in the amount of PLN 67.771 thousand. Liabilities by way of credits and loans amounted PLN 51.800 thousand, of which PLN 24.252 thousand is the value of the long-term credits, the payment of which is due in 2007, the amount of PLN 15.008 thousand constituting the value of current credits, and the loans value amounting PLN 12.540 thousand.

The remaining short-term liabilities in the amount of PLN 1.246 thousand include, among other things, the liabilities resulting from the reorganisation procedure in the amount of PLN 33.155 thousand, which period due is in 2007.

3.3.3. The structure of finance sources and managing money resources

For the first time in many years the source of financing assets in 2006 was also made up by the equity capital, apart from the liabilities.
The index of overall debt (relation of liabilities to the balancing total) has decreased from 100% to 80%.

The evaluation of managing financial resources is composed of the main events influencing the liquidity and profitability of the Company.

In the evaluation of liquidity and profitability the following indexes were used:

- The index of current liquidity: short-term assets/liabilities,
- The index of fast liquidity: short-term assets – stocks/short-term liabilities,
- Sale profitability: profit sale gross/sales incomes,
- Profitability net: profit net/sale incomes.

Index	2006	2005
Index of current liquidity	1,16	0,90
Index of fast liquidity	0,82	0,68
Sale profitability gross	8,3 %	7,5%
Profitability net	0,4 %	-32,8%

In 2006 the liquidity indices were clearly improving compared to the year 2005. It results mainly from acquiring financial resources from the new strategic investor.

The situation related with money flows was significantly influenced by the necessity of paying non-reorganisation credits and payment of main creditors within the realisation of the reorganisation proceeding decisions.
They were mainly financed from the resources originating from the emission of shares and the sale of fixed assets, which prevented the decrease of the operating assets, as in the previous years.

Under the circumstances an increase of sales incomes ensued by near 20%, and the results from trade activity improved. Profit gross from the sale increased in 2006 by 31,6%, and the sale profitability index gross increased from 7,5% at the end of 2005 to 8,3 % at the end of 2006.

In 2006 the Company obtained bank credit for the first time from the beginning of its restructuring. It was a short-term credit in the amount of PLN 10 mln drawn in May and paid in August. Credit was used to finance the purchase of metallurgic products destined for export.
Apart from the realisation of reorganisation liabilities and bank arrangements concerning payment of the restructured credits, an essential financial load for the company constitute the liabilities resulting from warranties for the State Treasury by way of credits granted to Huta Ostrowiec, and warranties by way of credits granted for the investment of Walcownia Rur Jedność Sp. z o.o. Bearing in mind limited financial capabilities, the Company's Management Board undertaken actions, which enabled payment of liabilities by way of warranties towards the Consortium of Banks for Walcownia Rur Jedność credits through conversion into shares. In this way PLN 35,6 mln Company's liabilities were paid in 2006.

3.4. The description of investment activity

The value of investment expenditures of fixed assets (without granted long terms loans) incurred in 2006 are presented in the table below.

Investment expenditures (in PLN thousand)	31.12.2006	%
Total in PLN thousand, including:	17.053	100,0
1) Intangible and legal assets	20	0,1
2) Tangible fixed assets	17.033	99,9

The total volume of investment expenditures incurred in 2006 amounted PLN 17.053 thousand.

Within the incurred investment expenditures for the tangible fixed assets, the following positions can be distinguished:

- The facility Warszawa-Ursus (purchase of property and construction works for the new commercial branch and prefabrication and processing reinforcement components plant)PLN 12.441 thousand
- Stalbud facility (construction works and purchase of equipment for reinforcement plant) PLN 3.086 thousand
- Krzyż Wlkp. facility (construction works and purchase of equipment)PLN 1.041 thousand
- Investments in the office building PLN 363 thousand
- The purchase of computer equipment and office fittings PLN 102 thousand

4. ANALYSIS OF COMPANY'S COMMERCIAL ACTIVITY

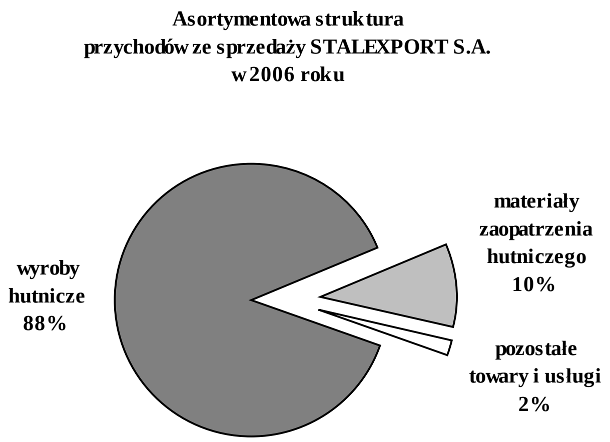
4.1. Sale – Information about basic products, goods and services

In 2006 gross sale incomes were by 20% higher than in the year 2005. The assortment sale structure is presented in the table below.

Main goods in STALEXPORT S.A. turnover in 2006

Good /Service	Sales value [in PLN mln]	Share in profits
Sections	181,7	34,4%
Concrete reinforcement components production	62,9	11,9%
Flat products	61,1	11,6%
Pipes	55,7	10,5%
Non-ferrous metals products	51,0	9,7%
Bars and wire rods	49,6	9,4%
Half-products	39,8	7,5%

The participation of metallurgic products has decreased a little in Company's turnover from 90% (in 2005) to 88% (in the year 2006). While an increase of metallurgic procurement materials share has increased respectively from 8% to the level of 10%.



An assortment constituting the greatest share in STALEXPORT S.A. sale are invariably the sections, the incomes from which increased by 31% in 2006 compared to the year 2005.
There was a considerable increase of incomes form manufactured prefabricated reinforcement components – by 53%. An increase from pipes sale was also observed – by 31%. The highest sale increase in 2006 compared to 2005 was acquired by the half-products: – an increase by 89% and the non-ferrous metals products – increase by 59%.
The sale of the third, in terms of significance, assortment group has decreased - flat products – in the same period of time by 24%.

4.2. Information about trade area and suppliers

In 2006 the export sale had the biggest share in sale incomes – 59%, domestic sale – 37%, while import sale constituted – 4% of share.
The share in 2005 was developed in the following way: domestic sale - 48%, export sale - 48% and import sale -4%.

Export sale

In 2006, 24% of export sale was provided on the European Union market and 13% to the remaining European countries. 49% constituted an export to South America, 13% export to North America while 1% of products was addressed on the markets of Far East and Africa.

The assorted structure of export was constituted in 86% by the sale of metallurgic products, while 13% of half-products and the remaining goods 1%.

Main goods in STALEXPORT S.A. export sale in 2006

	Sales value [in PLN mln]	Export share
Sections	155,3	49,7%
Non-ferrous metals	49,0	15,7%
pipes	43,7	14,0%
Half-products	39,8	12,7%
rods	13,7	4,4%
Other steel products	7,7	2,5%

Domestic and import sale

The assorted structure of domestic sale was constituted in 91% by the sale of metallurgic products and in 9% materials of metallurgic stock and the other goods and services.

Main sale goods on STALEXPORT S.A. domestic market in 2006

	Sales value [in PLN mln]	Share in sales on domestic market
Concrete reinforcement components production	62,9	29,2%
Flat products	61,1	28,3%
Bars and wire rods	35,9	16,6%
sections	26,4	12,2%
pipes	11,9	5,5%

Main suppliers

The biggest Company's supplier in 2006 was MITTAL STEEL POLAND S.A.

Main STALEXPORT S.A. suppliers (above 10% of share in sales) in 2006

	Sales value [in PLN mln]	Share in purchase value
MITTAL STEEL POLAND S.A	175,0	37,5%
ZŁOMREX Sp. z o.o.	50,8	10,9%

Main receivers

Four main STALEXPORT S.A. receivers in 2006 were foreign companies from North America, European Union and Ukraine. The sale to these clients constituted 33% of Company's incomes.
The sale to the distributing companies of the Capital Group constituted about 3% of STALEXPORT S.A turnover.
None of the individual receivers exceeded 10% of sales incomes, about 7% constituted main receivers of the prefabricated concrete reinforcements.

4.2 a. Distribution network

The restructuring process of STALEXPORT Capital Group distribution companies initialled in 2001 has focused on facilitating the trade processes and clients services, organisation improvement and optimisation of the incurred expenditures. There is conducted constant effectiveness analysis of the owned property and its allocation to the areas providing the appropriate incomes.

Particular attention is paid to the effectiveness of activity addressed to the direct client servicing and on the increase of the added value of the sold steel through submitting it to processing and prefabrication.

Large sales network focused on the client, supported by growing steel processing opportunities, is the main, not fully used development factor of STALEXPORT S.A.

At the end of 2006 STALEXPORT Capital Group distribution network is being constituted by:

- 3 commercial offices (Warszawa, Częstochowa, Białystok).
- 8 commercial storehouses, (Gostyń, Gniezno, Piła, Bełchatów, Krzyż Wielkopolski, Koszalin, Kostrzyn, Koronowo),

- 4 sales points serviced by Company's affiliates, i.e.:
    - STALEXPORT SERWIS CENTRUM S.A. (Wrocław, Opole, Katowice),
    - STALEXPORT CENTROSTAL S.A. with its seat in Lublin.

At the same time assuming that not only the quantity and the presence of trade stocks on the whole area of the country is important, but also effectiveness of their operation, a decision was taken about the liquidation of 3 trade stores in 2006 (Komorniki, Rzeszów, Łódź).

In the consequent way the procedures of servicing clients and acquiring goods are simplified, flexibility and fast reaction to the processes and phenomena occurring in the steel market increased.

4.2 b. Concrete reinforcement processing and prefabrication plants

By expanding its offer STALEXPORT S.A. is developing concrete reinforcement processing and prefabrication plants. Today there are three processing plants in the structure of STALEXPORT S.A.: in Katowice, Warsaw and in Krzyż Wielkopolski of total productive capacity 72 thousand tons per year, manufacturing for the needs of the biggest investors, as well as construction companies.

The scheme presents the trade stocks of STALEXPORT S.A distribution network and reinforced concrete processing and prefabrication plants with the indicated scope of territorial supply.

5. OTHER INFORMATION

5.1. Information about concluded contracts significant for company's operation, including the contracts, the company is familiar with, concluded between the shareholders, insurance or cooperation contracts

1. **On 12.01.2006** STALEXPORT S.A. concluded preliminary property sale agreement for the amount PLN 62 mln net with the company having its seat in Warsaw. The subject agreement referred the sale of property located in Warsaw at Obrzeżna street (perpetual usufructary right), of total land area 45.622 square meters, with buildings and structures (property law) of the area 9.769 square meters. The final agreement was concluded on 9 March 2006 and the release of property ensued – pursuant to the agreement – in September 2006.

2. **On January 13, 2006** STALEXPORT S.A. informed about concluding exporting contracts to South America of total value about PLN 28,5 mln. Time of performance: January – February 2006. Supplier: Mittal Steel Poland/ Mittal Steel Ostrava

3. **On February 3, 2006** STALEXPORT S.A. informed about concluding exporting contracts for supplies of the seamless tubes in the first quarter of 2006, for the receivers in USA, of total value ca PLN 8,8 mln.

4. **On May 4, 2006** STALEXPORT S.A. signed an agreement with the Consortium Banks represented by ING Bank Śląski S.A. in Katowice, i.e: Millenium S.A. Bank with its seat in Warsaw, Bank Gospodarki Żywnościowej S.A. with its seat in Warsaw, Bank Handlowy in Warsaw 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 Warsaw, ING Bank Śląski S.A. with its seat in Katowice. The above agreement was effected in order to satisfy accounts receivables of the Consortium Banks by STALEXPORT S.A., by virtue of warranties granted by the Company, securing payments of credits granted to Walcownia Rur Jedność by the Consortium Banks. Consortium Banks receivables are, by virtue of the law (art. 67 § 1 Reorganisation Proceedings Law) encompassed by STALEXPORT S.A reorganisation procedure, as main creditors receivables and are subject to reduction by 40% of their amount. The total value of STALEXPORT S.A. receivables, having considered 40% reduction amounted from PLN 33.447.189,48 to PLN 65.160.620, 17, plus interests calculated from the day of 4 March 2005 (the date of terminating WRJ credit agreements by the Consortium Banks) to the date of STALEXPORT S.A. Management Board adopting a resolution on increasing Company's share capital. The final scope of STALEXPORT S.A. receivables was determined by the Court of Arbitration, appointed by the parties. Satisfying all Consortium Banks receivables together with interests by the Company ensued by way of conversion into shares in STALEXPORT S.A. share capital, through contribution of the above mentioned receivables, as non-cash contribution, in return for shares. The emission of shares will be effected excluding the right of subscription for previous shareholders. The emission price was established based on market regulations binding in this scope, on the basis of the average exchange rate of STALEXPORT S.A. shares on the Warsaw Stock Exchange, for the period of six months preceding signing this Agreement, which amounted PLN 2,2458 per one share.

5. **On May 16, 2006** STALEXPORT S.A. signed two agreements with Fortis Bank Polska S.A. with its seat in Warsaw: Financing Agreement and Nonrevolving Facility Agreement. The limit of credit assumed under the above agreements amounted PLN 10 mln, and the credit security is the blank promissory note with bill of exchange declaration, deposit financial bond mortgage for properties in Chorzow owned by the Company, transfer of the existing and future receivables towards the selected Company's clients, registered pledge on trade goods, assignment of trade goods till the time of establishing lawful entry of the registered pledge and transfer of rights from trade goods insurance policy. The credit was destined for financing the purchase of steel sections from Company's supplier and was granted on 30 August 2006. Interest rate amounted WIBOR 1M plus bank margin. Credit was repaid by the Issuer on 30 August 2006.

6. **On May 22, 2006** STALEXPORT S.A. signed an agreement on issuing periodic contractual insurance guarantees with PZU S.A. with its seat in Warsaw. The agreement encompasses granting contractual insurance guarantees by PZU S.A. under the determined renewable limit in the amount PLN 8 mln, securing claims of the indicated beneficiaries, by way of the return of advance payment for concluded contracts on supplies of prefabricated concrete reinforcements duly accomplished by STALEXPORT S.A. The guarantee is constituted by five blank promissory notes, deposit financial bond mortgage on the build-up property in Częstochowa, owned in 1/3 by STALEXPORT S.A. and voluntary submitting for execution pursuant to art. 777 Kpc.

7. **On June 7, 2006** STALEXPORT S.A. signed with Pekao LEASING Spółka z o.o. leasing agreement, the subject of which is the production line for manufacturing reinforced concrete for building industry. The price net amounts PLN 1.524 thousand, and its payment shall ensue in 48 monthly instalments.

8. **On June 26, 2006** an investment agreement was signed between STALEXPORT S.A., and Autostrade S.p.A. (the company created and operating under Italian law with its seat in Rome, entered in the Company's register in Rome under the number 1023691). Following the provisions of the investment agreement, Autostrade S.p.A. assumed in the first place 34.159.378 items of the II tranche of shares series F, issued within the capital increase within the limits of target capital, which gave Autostrade S.p.A. the share in the amount of 21,05% votes in favour at the Shareholders Meeting. The value of new emission of shares amounted PLN 68.318.756. Besides according with the agreement, Autostrade S.p.A. assumed 89.500.000 of G series shares in the amount about PLN 201 mln in March 2007.

10. **On June 26, 2006** an agreement on assuming new emission shares, within the private placing, was signed between STALEXPORT S.A. and Autostrade S.p.A. with its seat in Rome. Within the emission of the II tranche of F series shares, STALEXPORT S.A. issued in total 34.159.378 items of common bearer shares of the nominal value PLN 2 each, on the grounds of STALEXPORT S.A. Management Board resolution no 82 dated 26 June 2006. The shares F series II tranche will participate in the dividend from 1 January 2006. All shares F series II tranche were covered at the emission price equal PLN 2 per one share and were paid in cash.

11. **On June, 29 2006** the Company signed preliminary agreement on the sale of perpetual usufruct right to the non-build up plots of the area 14.701 m^2 with „ZFI HAVRE" Sp. z o.o. in the organisation with its seat in Krakow, for the amount PLN 6,5 mln net on condition, that the Major of Katowice shall effect the pre-emption right, the District is entitled to. The property is located in Katowice at the junction of Sobieskiego, Zabrska and Dąbrówki streets. The promised agreement was effected in 30 August 2006.

12. **At the beginning of the third quarter of 2006** the company concluded exporting contracts to Germany, Sweden and Belarus for the total amount of about PLN 7 mln. The time of performance of the above mentioned contracts was for August 2006.

13. **On August 16, 2006** the Company informed about concluding exporting contracts for steel supplies to USA, South America and Germany of total value about PLN 34,3 mln. The time of supplies performance was anticipated for III quarter of 2006.

14. **On August 17, 2006** the Company informed about signing two contracts with Hutmen S.A., with its seat in Wroclaw. The subject of the contracts was the supply of coin blanks, whose final customer is the Ukrainian Mint. The realisation of contracts ensued by the end of 2006. The coin blanks manufacturer is Walcownia Metali „Dziedzice" S.A., Hutmen S.A. affiliate. The total value of the contracts amount EUR 5.656 thousand.

15. **On August, 22 2006** the Company informed about concluding exporting contracts to Great Britain of total value amount PLN 860 thousand. The realisation of the contract ensued in September and October 2006.

16. **On August, 23 2006** the Company informed about concluding exporting contracts for the supplies to USA, of total value about PLN 3,6 mln with the time of performance in IV quarter of 2006.

17. **On August 30, 2006** the Company informed about concluding contract of the perpetual usufruct sale of the non-build-up plots of the area 14.701 m^2 located in Katowice at the junction of Sobieskiego, Zabrska and Dąbrówki streets with ZFI HAVRE Sp. z o.o. in the organisation with its seat in Krakow, for the amount PLN 6,5 mln net.

18. **On September 6, 2006** the Company informed about concluding exporting contracts for deliveries to Germany, of total value about PLN 1,8 mln with the time of performance in September 2006.

19. **On September 12, 2006** the Company informed about concluding exporting contracts for deliveries to North and South America of total value about PLN 12 mln with the time of performance in the fourth quarter of 2006 and the delivery contracts to Scandinavia with the time of performance in the months September – October 2006 for the amount PLN 0,9 mln.

20. **On September 14, 2006** the Company informed about signing a land and building ownership contract with the company Belgian Polish Investment Sp. z o.o., with its seat in Wroclaw, for the amount of PLN 5,7 mln net. The purchased property is located in Warsaw, in Ursus quarter at Gierdziejewskiego 3 street, and encompasses in total the area of 14.481 m^2 with the production hall of the area 7.290 m^2 .

21. **On October 2, 2006** the Company informed about concluding exporting contracts to Germany and Czech Republic of total value about PLN 3,8 mln with the time of deliveries performance in October 2006.

22. **On October 5, 2006** the Company informed about concluding exporting contracts for the deliveries to South America of total value about PLN 27,5 mln with the time of performing deliveries in the IV quarter of 2006.

23. **On October 9, 2006** the Management Board informed about concluding exporting contracts to Scandinavia of total value about PLN 1 mln with the time of realisation at the end of October and beginning of November 2006.

24. **On November 14, 2006** the Management Board signed a renewable credit contract with Fortis Bank Polska S.A. in the amount of PLN 15 mln. The contract was concluded within the financing contract dated 16 May 2006. The credit period elapses on 13 November 2016.

25. **On December 21, 2006** the Management Board informed that on 21 December 2006 the Company received signed contract for the delivery of prefabricated reinforced concrete components for the domestic receiver, of total net value about PLN 24 mln with the time of performance in 2007.

26. **On December 28, 2006** the Management Board informed about concluding a contract for the purchase of non-ferrous metal products, destined for export to the Ukrainian customer, with the Hutmen S.A. Company. The total value of the contract amounts PLN 47,5 mln. The time of performance till the end of 2007. The Board at the same time informed that in December exporting contracts were concluded for the deliveries of steel products to Argentina and Uruguay at the value about PLN 27 mln with the time of performance: December 2006 – January 2007.

27. **On January 8, 2007** the Management Board informed that the company received the Limit of Credit in the amount of PLN 15 mln from Bank DnB NORD Polska S.A. with its seat in Warsaw. The Limit can be used for payment of liabilities by way of the purchase of raw materials for production of prefabricated reinforced concrete. The time of using the credit: till 31Decemebr 2007.

28. **On February 1, 2007** the Management Board informed about concluding – for the I quarter of 2007 – exporting contracts for steel products to North America of total value amount PLN 16 mln.

29. **On February 27, 2007** the Management Board informed that the Company Stalexport Autostrada Małopolska S.A.- concessionary of A4 toll road of signed contract for overhaul of 7 bridge facilities and 24 km motorway surface with Budimex-Dromex S.A.. The value of the contract amounts PLN 178.466.850 net. Overhaul works will commence in March 2007 and its termination is planned for August 2008.

30. On May 31, 2007 an investment agreement (preliminary sales agreement) was concluded between Stalexport S.A., Złomrex S.A. and Stalexport Trade S.A. referring:

- The disposal of all owned Stalexport Trade S.A shares by Stalexport S.A., in aid of the Comany Złomrex S.A. or other purchaser, which may be Złomrex S.A. affiliate at the price corresponding to the value of paid-up capital, i.e. for the day 31.05.2007, PLN 125.000 (not more than PLN 500.000).

and

- The disposal the organised part of the enterprise **(ZCP),** by Stalexport S.A. encompassing assets and liabilities owned by Stalexport S.A. related above all with trade and production of steel products, to Stalexport Trade S.A. Złomrex S.A. offered **the referential price** in the amount PLN 122.500.000,00 for ZCP, calculated on the basis of ZCP consolidated balance per day 30.09.2006. **The price of ZCP sale** will be calculated for the transaction day based on the price formula approved by the parties, and then verified by the independent expert, Ernst & Young company.

Owing to the complex character of this agreement it includes numerous conditions suspending transaction closure (sale of shares and the sale of ZCP). The basic conditions include:

a) the Parties will approve draft Shares Sale Agreement and ZCP Sale Agreement by 15 June 2007,
b) Stalexport S.A. will prepare and sign, in accordance with its representation, and will provide Złomrex S.A. with the statements and assurances with complete Enclosures by 30 June 2007
c) The Parties will conclude an Agreement with the Expert and will conclude an Agreement with Additional Expert;
d) The Shareholders Meeting of Stalexport S.A. will adopt a resolution on agreeing to sell ZCP (including the Real Estates and Affiliates stocks/shares) as the organised part of the enterprise, preparing its balance independently;
e) Stalexport S.A. shall indicate, on the grounds certificates provided to ZŁOMREX, issued, following Stalexport Trade S.A. motion, by the appropriate authorities and institutions, stating that it has no tax arrears and other public law liabilities,
f) The release will ensue or the appropriate creditors will submit liabilities, of the content approved by Złomrex S.A., to release guarantees on ZCP property and loads established on Affiliates property for securing Stalexport S.A liabilities,
g) the decision of the District Court in Katowice – National Court Register will come into force, on the entry to the Enterprise National Court Register for Stalexport S.A. effecting its capital equity increase, by way of issuing shares series G, of total issuing price equal PLN 200.999.100;
h) a motion will be put forward to the District Court in Katowice for STALEXPORT change registration, while the new company can continue to use the word „STALEXPORT" as one element;
i) The Chairman of UOKiK (Office of Fair Competition and Trading) will grant his consent for concentration, referred to in Art. 13 of the Bill dated 16 February 2007 on Competition and Consumer Protection, following the intention of the indirect purchase of ZCP by Złomrex S.A.;
j) Złomrex S.A. will acquire the appropriate corporate permits for effecting the Transaction.
k) Złomrex S.A. or the Purchaser will pay the amount equal to the Referential Price onto the Trust Account.
l) The Board of Stalexport Trade S.A. will agree to dispose the Shares by STALEXPORT in aid of the Purchaser under the mode determined in Stalexport Trade S.A. Statute,
m) There will be no event, waiver or other circumstance constituting the Essential Negative Influence or despite the occurrence of such events, the Parties will jointly resolve to Transaction Closure.

The Transaction Closure shall ensue after fulfilment of all suspending conditions. These conditions should be fulfilled in such a way so that the Transaction Closure should not occur later than on 1 October 2007.

5.2. Changes in the Company's organisational or capital relations with other entities and its key domestic and foreign investments with a description of their financing methods

1. **On 2 January, 2006** the Company received a notification of registration of „STALEXPORT Autoroute S.a.r.l." with its registered office in Luxembourg on 30.12.2005, by a notary public in Luxembourg. The company's initial share capital amounts to 15,000 euros (say: fifteen thousand euros) and it is divided into 600 shares with a nominal value of 25 euros each. One share authorises its holder to one vote at the general shareholders' meeting. The company's capital was paid in full in cash and is owned in 100% by STALEXPORT S.A. Establishment of the company is an element of the holding structure anticipated in a credit agreement for financing of the Katowice-Kraków paid motorway project (financial closure).

2. **On 24 February, 2006** the Company obtained, from its first attorney-in-fact in Luxembourg, the original documents concerning registration of an increased share capital of „STALEXPORT Autoroute S.a.r.l." with its registered office in Luxembourg, which is a wholly-owned subsidiary of STALEXPORT S.A. The share capital was increased from 15,000 euros to 42,765,000 euros, i.e. by 42,750,000 euros, by issuing 1,710,000 shares of 25 euros each. The total number of votes after the changed capital was registered is 1,710,600. The share capital was increased by contribution in kind brought into the company by STALEXPORT S.A. in form of 100 % shares of STALEXPORT Autostrada Małopolska S.A.

3. **On 22 March, 2006** the Company was informed by its attorney-in-fact in Luxembourg about the registration of the increased capital of „STALEXPORT Autoroute S.a.r.l." with its registered office in Luxembourg, which is a wholly-owned subsidiary of STALEXPORT S.A. The share capital was increased from 42,765,000 euros to 47,565,000 euros, i.e. by an amount of 4,800,000 euros, by issuing of 192.00 shares of 25 euros each. The total number of votes after the registration of the changed capital is 1,902,600. The share capital was increased by contribution in kind brought into the company by STALEXPORT S.A. in form of 55 % shares of STALEXPORT TRANSROUTE Autostrada S.A.

4. **On 26 June, 2006** the Company and Autostrade S.p.A. concluded an Investment Agreement, which came into force and effect on its signature by both parties. As a result, Autostrade S.p.A. held the shares which gave it 21.65% votes at the AGM of STALEXPORT S.A. Under the Investment Agreement, Autostrade S.p.A. declared to hold the following issue of shares in STALEXPORT S.A., and consequently the target stake of Autostrade S.p.A. in the Company's share capital will be at least 50% + 1 share. Holding of the following issue of shares in STALEXPORT S.A., pursuant to the Investment Agreement, depended on, but was not limited to, the following conditions:

    1) adoption of the resolutions concerning the following issues by the AGM of STALEXPORT S.A.:
        - an increase in the Company's share capital by issue of shares with the nominal value of PLN 2.00 each, at an issue price of PLN 2.00 each, excluding the share acquisition rights of the existing shareholders, allocated to Autostrade S.p.A.,
        - granting a consent for sale of the Commercial Segment of the Issuer's Group to a credible purchaser under the terms and conditions acceptable for the shareholders of STALEXPORT S.A.,
    2) obtaining an approval by the President of the Competition and Consumers Protection Office, under art. 12 par. 3 point 1 of the Act on protection of competition and consumers dated 15 December, 2000, for:
        - purchase of the Commercial Segment of the Issuer's Group by a chosen credible purchaser,
        - holding of at least 50% +1 share in the share capital of STALEXPORT S.A. by Autostrade S.p.A.,
    3) occurrence of no relevant changes that may adversely affect the motorway activity carried out by STALEXPORT Capital Group, and in particular the change of law in Poland concerning motorway activities, resulting in substantial modification of terms and conditions for participation of foreign entities in tenders concerning motorway business.

5. **On 9 September, 2006 the Management Board announced that they received a Decision of the District Court** in Katowice, X Economic Department, dated 30 June, 2006 on approval to an arrangement with the creditors of CENTROZAP S.A. in Katowice and a collective slip for 90431165

inscribed shares, C series, with the nominal value of PLN 9,043,116.50. These shares accounted for 8.34% of the Company's share capital and were held by STALEXPORT S.A., within the framework of the approved arrangement with the creditors of CENTROZAP S.A. The shares were held at the price of PLN 0.15 per share and were covered by receivables.

7. On 14 February, 2007 the Extraordinary General Meeting of Shareholders approved an increase in the share capital by issue of 89.5 million shares, G series, at an issue price of PLN 2.2458 per share, addressed to the qualified investors.

8. From 16 to 23 March, 2007 reservations for the G series shares were collected

9. On 26 March, 2007 the Management Board allocated all the G series shares to Autostrade S.p.A. – after their complete payment for approx. PLN 201 million.

10. On 23 March, 2007 the District Court in Katowice issued a decision on an entry of Stalexport Trade S.A. into the National Court Register – the register of entrepreneurs. The Company's scope of business comprises trading activities. The initial share capital of Stalexport Trade S.A amounts to PLN 500,000 and it is divided into 50,000 shares with the nominal value of PLN 10 each. The capital was paid up to its quarter, i.e. the amount of PLN 125,000. All the Company's shares were held by STALEXPORT S.A.

11. On 30 March, 2007 the Management Board of STALEXPORT S.A. announced that on 29.03.2007 the Company received a notification from the District Court in Katowice, VIII Economic Department, dated 19.03.2007, on submission of a petition by the National Fund for Environmental Protection and Water Economy [Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej], filed against STALEXPORT S.A., for cancellation or confirmation of invalidity of the resolutions nos. 2 and 3 of the Extraordinary General Meeting of Shareholders dated 14 February, 2007.

12. On 11 May, 2007 before the District Court in Katowice (XIII Economic Department) a case filed by the National Fund for Environmental Protection and Water Economy in Warsaw (NFOŚiGW) against STALEXPORT S.A. in Katowice, on confirmation of invalidity or cancellation of the Resolutions Nos. 2 and 3 dated 14 February, 2007, adopted by the Extraordinary General Meeting of Shareholders of STALEXPORT S.A., was heard. Due to the fact that a shareholder of Stalexport S.A, i.e. Autostrade S.p.A., applied for inclusion into the case in the capacity of a supporting intervener and the plaintiff NFOŚiGW appealed against it, **the Court postponed the proceedings** until its decision on refusal to the appeal becomes legally valid.

13. On 17 May, 2007 the District Court in Katowice (VIII Economic Department) suspended the proceedings concerning registration of an increase in the capital until the decision of the District Court in the case submitted by NFOŚiGW and concerning confirmation of invalidity or cancellation of the Resolutions Nos. 2 and 3 dated 14 February, 2007, adopted by the Extraordinary General Meeting of Shareholders of STALEXPORT S.A, becomes legally valid.

14. On 31 May, 2007 an investment agreement (a preliminary contract for sale) was concluded by and between Stalexport S.A., Złomrex S.A. and Stalexport Trade S.A., concerning:

- sale of all the shares held in Stalexport Trade S.A. by Stalexport S.A to Złomrex S.A. or any other buyer, which may be a subsidiary of Złomrex S.A., at a price equivalent to the value of capital paid, i.e.. PLN 125,000 as of 31.05.2007 (not more than PLN 500,000).

and

- sale of an organised part of a company **(ZCP)** by Stalexport S.A.**,** which comprises the assets and liabilities belonging to Stalexport S.A., related first of all to trade in and production of steel products, to Stalexport Trade S.A. Złomrex S.A. offered for ZCP **a reference price of** PLN 122,500,000.00, based on a balance-sheet of consolidated ZCP, as of 30.09.2006. **The selling price of ZCP** will be calculated as of a transaction date, based on a pricing formula accepted by both parties, and then verified by an independent expert, Ernst & Young.

The conditions suspending the transaction are described in 5.1.
The transaction will be completed after all the suspending conditions are met. These conditions should be fulfilled so that the Transaction can be completed by 1 October 2007 at the latest.

5.3. Description of a transaction with related entities (for single or total value of the transaction exceeding 500,000 euros in a financial year)

The only significant transaction in the Capital Group is settlement with STALEXPORT Autostrada Małopolska S.A. concerning investment expenditure incurred by STALEXPORT S.A. and related to the Kraków- Katowice A4 motorway, amounting to PLN 127 million. The terms and conditions of the agreement for reimbursement of expenditure obliged SAM.S.A. to repay the amount of PLN 127 million in two tranches, i.e..:

- 75% of the net amount of „Stage I expenditure" was repaid at the turn of 2007 by SAM S.A. from the first drawing of the funds from the planned financing of the projects,
- 25% of the net amount will be repaid from the last drawing of the funds from the planned financing of the projects within the framework of the Availability Period.

5.4. Credits taken, loan agreements including their due dates, securities and guarantees granted

At the end of the year, apart from the payables under the loans and credits presented below, the Company has the payables under the following titles:

- concluded composition arrangement PLN 59,470,000,
- restructuring contracts for repayment of bank credits PLN 40,968,000,
- security for a guarantee granted by the State Treasury to Huta Ostrowiec PLN 77,955,000,
- security for the guarantee granted by the State Treasury to WRJ PLN 85,576,000,

The total financial liabilities amount to PLN 263,970,000, of which the amount of PLN 93,909,000 falls due in 2007, mainly repayment of composition arrangement instalments and repayment of restructured bank credits.

Loan payables at the end of 2006 amount to PLN 12,960,000, of which:

Lender/ registered office	Principal ('000 PLN)	Due dates	Comments
STALEXPORT Transroute Autostrada S.A.	1 000	31.03.2007	Prolonged further to 30.09.2007
STALEXPORT Autostrada Dolnośląska S.A.	8 200	31.07.2007	
STALEXPORT Autostrada Śląska S.A.	3 340	31.10.2006	The loan will be settled together with planned reduction in the capital, approved at the AGM of SAŚ S.A. on 9.05.2007 in Q4 of 2007.
STALEXPORT Autostrada Dolnośląska S.A.	420	05.07.2008	
Total	**12 960**		

The total payables of the Company under credits taken at the end of 2006 were PLN 55,965 , including

Name of entity	Registered office	Amount of credit to be repaid ('000 PLN)	Due date
Bank Handlowy S.A.	Katowice	**20 576**	As per the restructuring agreement signed
BRE Bank S.A.	Katowice	**3 291**	As per the restructuring agreement signed
ING Bank Śląski	Katowice	**400**	As per the restructuring agreement signed

PKO B.P. S.A.	Katowice	**14 364**	As per the restructuring agreement signed
Bank BPH S.A.	Sosnowiec	**2 338**	As per the restructuring agreement signed
FORTIS Bank Polska	Katowice	**14 996**	11.06.2007
Total		**55 965**	

Compared to 31.12.2005, credits went down by PLN 22,076,000. The discrepancy results from:

- reduction of payables to Bank Handlowy S.A. by PLN 16,504,000,
- reduction of payables to PKO BP S.A. by PLN 7,952,000,
- reduction of payables to Bank BPH S.A. by PLN 2,600,000,
- reduction of payables to BRE Bank S.A. by PLN 2,024,000,
- reduction of payables to ING Bank Śląski by PLN 200,000,
- repayment of an instalment to Getin Banku S.A. , which amounted to PLN 7,792,000, as of 31.12.2005,
- taking up a new credit from FORTIS Bank Polska S.A. in the amount of PLN 14,996,000.

5.5. Loans granted, including their due dates as well as securities and guarantees granted, with focus on loans, securities and guarantees granted to entities related to the Company

Receivables from the loans granted by STALEXPORT S.A. amount to PLN 83,573,000. A revaluation charge of PLN 83,549,000 was established for receivables under the loan contracts. A detailed list of the loans granted is presented in the table.

Loans granted – as of 31.12.2006

Due date	Borrower	Principal to be repaid (in '000 PLN)
31.12.2002	Huta Ostrowiec	5 000
31.12.2002	Huta Ostrowiec	31 500
31.12.2002	Huta Ostrowiec	36 000
31.12.2002	Huta Ostrowiec	5 600
30.09.2001	Centrozłom Warszawa	3 500
30.06.2001	Centrozłom Warszawa	1.949
29.02.2007	Jarosław Jatkiewicz	24
x	x	**Total 83 573**

The loans granted to Huta Ostrowiec and Centrozłom Warszawa were reported as the bankrupt's estate in connection with the bankruptcy proceedings of these companies.
A loan to Jarosław Jatkiewicz was taken over from Stalexport Centrostal Warszawa S.A. as a result of this company's amalgamation with STALEXPORT S.A.

The total value of off-balance-sheet liabilities under securities granted was PLN 12,330,000, and under contract guarantees PLN 11,618,000.
The securities in 2006 increased due to a security of PLN 12,292,000 granted to the Consortium of the Banks financing Stalexport Autostrada Małopolska S.A., for a 6-month compensation to an operator, i.e. Stalexport Transroute Autostrada S.A.

Securities and guarantees granted - as of 31.12.2006:

Name of entity	Amount of security ('000 PLN)	Exposure – unpaid capital ('000 PLN)	Beneficiary of a security	Valid until
SSC Bełchatów	33	33	Nordea Bank Polska S.A.	31.12.2008
Centrozłom Warszawa	5	5	TLK S.A.	
Stalexport Transroute Autostrada S.A.	12.293	12.293	Stalexport Autostrada Małopolska S.A./Consortium of	31.03.2021

			Banks represented by WESTLB AG	
Total securities	**12.331**	**12.331**		
Contract guarantees of Fortis Bank Polska	11.618	11.618		
Total guarantees	**11.618**	**11.618**		
TOTAL	**23.949**	**23.949**		

5.6. Issue of securities including description of the Company's use of income from the issue

In 2006 STALEXPORT S.A. issued the securities and launched in the regulated market 50,000,000 shares, F series, with a nominal value of PLN 2.00 each, which were issued based on the authorisation given to the Management Board of the Company by the General Meeting of Shareholders for an increase in the initial share capital within the scope of the target capital by a maximum amount of PLN 100,000,000.

Within the scope of the target capital, STALEXPORT S.A. issued 15,840,622 shares, F series, tranche I, which were held by the Consortium Banks in exchange for a contribution in kind, in form of securities granted by STALEXPORT S.A. to Walcownia Rur Jedność Sp. z o. o.
From the issue of the shares F series, tranche I the Company did not get any cash income, and it decreased its liabilities to the Consortium Banks by PLN 35,574,868.89, including interest due. The issue price of the shares, F I series, of the tranches addressed to the Xonsirtium Banks was PLN 2,2458.

Within the scope of the target capital, STALEXPORT S.A. also issued 34,159,378 shares of F series, tranche II, which were held by Autostrade S.p.A in exchange for cash, designed for repayment of the historical liabilities of the Company. The issue price of the shares, F series, tranche II, addressed to Autostrade S.p.A., was PLN 2.00.

According to a decision taken by the Management Board of the Securities Exchange, on 31.01.2007 the shares were launched in the primary market in a normal manner.

Consequently, since 31.01.2007 there have been 157,762,023 shares of STALEXPORT S.A. with a nominal value of PLN 2 each at the stock exchange.

5.7. Explanation of discrepancies between the financial results shown in the annual report (SA-RS) and the quarterly report (SAQ)

The figures given in the profit and loss account items shown in the annual report (SAR) were lower than the data given in the quarterly report (SAQ) by PLN 130,000 and they are negligible i.e. they do not need any detailed explanations.

5.8. Evaluation, including justification, of the financial resources management, with the focus on the ability to settle liabilities and specification of any possible threats and actions that STALEXPORT S.A. have undertaken or intend to undertake in order to prevent these threats

Since 2002, STALEXPORT S.A. due to considerable historical liabilities, have not used any external financing for their operation. The restructuring program followed by the Company assumed gradual opening of new credit facilities for financing of the current operations since 2004. However, the Company received its first working capital credit of PLN 15 million as late as May 2006, therefore the liabilities of the composition arrangement and non-composition arrangement were paid from the funds of the Company's non-core operations and decrease in the working capital Absence of additional financing for the Company from the shareholders and limited resources that the Company has at its disposal led to a necessity to find a strategic investor.
The actions taken by the Management Board led to the conclusion of the Investment Agreement with Autostrade S.p.A. and getting an investor, thanks to whom there is a possibility to finish the restructuring

development of the Company. A great risk for the restructuring process is failure to register the new shares, G series, held by the investor, for the amount of PLN 201 million, in connection with the trials by the courts, as described in more detail in 6.

5.9. Evaluation of investment feasibility

The information covering this point are partly presented in point 3.4 of this report. The Company's investment activities were presented in the Investment Expenditure Plan for 2006, as approved by the Supervisory Board. The funds for the investment expenditure came from the Company's current operation.

5.10. Evaluation of factors and extraordinary events that affect the results of the financial year, and to what extent these factors or extraordinary events affect the achieved results

The information covering this point are included in Chapter 3. THE COMPANY'S FINANCIAL ANALYSIS, point 3.2.

5.11. Description of external and internal factors relevant for the Company's development and development prospects for its business activities

Situation in European and global metallurgical industries
The global production of crude steel in 2006 was 1.24 billion tones, which means a 9 % increase, compared to the previous year, half of which was produced in Asia. China, which produced 419 million tons of steel, saw the biggest increase (by 18%) in production. The China's share in the world steel market increased from 30.9% in 2005 to 34% in 2006. The volume of steel manufactured by three countries with the highest output (China, Japan and the USA), accounted for more than a half of global production.
In Japan the production went up by 3%, and the American markets reported a 4% increase in output (by 6% in the USA), in the EU (25 countries) and CIS by 6%, compared to the previous year.

After a fall in prices in 2005, the year 2006 brought improvement in the price level of metallurgic products in the world markets.

In 2007 the biggest share and consumption dynamics will continue to be in the Far East countries, and one third of the demand will come from China. The increase in demand will also be seen in India. These countries are expecting a growth in the construction industry, but its pace is going to decrease. After a very good year of 2006, the situation in the construction industry in the years of 2007- 2008 is going to get worse.

The macroeconomic situation in Poland and in steel consuming sectors.
The domestic metallurgic industry, owing to restructuring, logistic and organisational changes, has achieved the permanent presence in the European metallurgic industry, and thanks to a global investor – in the global metallurgic industry. The Polish economy is expanding at a good pace (over 6% of GDP). Infrastructure investments are developing. The construction industry is growing. The prospects of the European Football Championship brings clear tasks to do, such as construction of roads, sport facilities and the entire business and social environment. Steel as the basic construction component, will be the necessary construction material, enjoying a guaranteed and increasing demand.

At the same time, the plants which produce consumption goods, including the ones made of steel, are moving to Poland. In 2006 the sectors which are regarded as the key consumers of steel products reported an increase in their output sold in such areas as:

- cars, trailers and semi-trailers by 22%
- production of metal goods by 18 %
- production of metals by 15%
- production of machines and equipment by 14%

There is a regular increase in the construction and assembly sector. In 2006 it was as much as 18% (7 % in the previous year). Sale of repair services went up the fastest - by 22%, and by 15% in the investment performance sector. There was a 12% growth in the entire construction industry.

Following an analysis of the presented data, a conclusion can be drawn that a high increase in GDP contributed to a significant improvement in the situation in the domestic steel industry as well as the cooperating sectors and steel-consuming sectors. There was a low, controlled inflation rate and a significant increase in the construction industry.

Production and trading situation in the Polish metallurgic industry
In 2006 the Polish steel industry saw a noticeable growth in production of steel and steel products. The domestic steelworks manufactured over 5.3 million tons of pig iron (a 19% increase compared to 2005), 10 million tons of crude steel (a 19% increase).
The total of 7.7 million tons of hot-rolled products were made (a 24% increase). Higher output was reported both in long products (by 21%) and flat products (by 29%). In cold-rolled metal sheet there was a 14% increase and in tinned sheet by 11%.
Tube production was 423,000 tons, i.e. went up by 10% compared to the previous year, including seamless tube output of 210,000 tons (a 25% increase), and seam tube output of 212,000 tons (a 2% fall).

In the period from January to November 2006 the total exports of steel products were 3.7 million tons (a 1% increase), and imports were 5.8 million tons (a 27 % increase). The foreign trade turnover per volume and value was negative.

In the period from January to November 2006, reported consumption of steel products was 9.7 million tons and was by 28% higher than in the corresponding period of 2005.
The structure of reported consumption showed an increase in consumption of long products by 36%, flat products by 23%, and tubes by 24%.
The share of imports in reported consumption after 11 months of 2006 was 50.8% (in the corresponding period of 2005 it was 53.3%).

Forecast for the macroeconomic situation in Poland.
According to the forecasts of Instytut Badań nad Gospodarką Rynkową (Market Economic Research Institute), the Poland's GDP in the years of 2007-2008 will stay at a high level. In 2007 it will go up by 5.3%, and in 2008 by almost 5.0%. The forecast slight slowdown of the growth will result from the market cycle.

In the years of 2006-2007 average annual inflation should stay at the level of 2.2-2.5%, which means that it will pose no threat to the macroeconomic stability of the Polish economy. A higher inflation connected with a high rate of economic growth may create pressure on a price rise, which would mean a necessity to raise interest rates. An additional factor which stimulates inflation will also be a rise in salaries and wages.

Forecasts for steel-consuming sectors in Poland
The market climate in the processing industry and the construction industry at the turn of 2007 was positive. This evaluation was based on positive predictions about the current and future portfolio of orders and the construction and assembly production sector.
The financial standing of companies is seen in a bit less optimistic light.
The economic forecasts for the steel-consuming sectors are positive. The increase in demand is affected, first of all, by investment in infrastructure (roads, motorways) and positive forecasts for the construction industry. An additional stimulus, which will provoke performance of numerous infrastructure projects will surely be the fact that the EURO 2012 Football Championship is going to be held in Poland. The wonderful market situation in the steel industry has a chance of continuing for a few years more.

Description of external and internal factors which are important for the Company's development and description of the development prospects for the motorway business can be found in **Chapter 6.**

5.12. Changes in the basic management rules for the Company`s undertaking and its Group Business.

Creating the Organised Part of the Undertaking (Zorganizowana Część Przedsiębiorstwa- ZCP) within the existing STALEXPORT S.A. structure was a vital change in the rules of management of the Company`s undertaking. Thus, the Organised Part of the Undertaking in the organisational structure constitutes separate (under the Art. 4a, point 4 of the Corporate Income Tax Law it constitutes the entity (department) which draws up the financial statement itself, as discussed by Art. 6 of the Act on goods and services tax) organised part of STALEXPORT S.A. and it is not a taxpayer. Therefore, the Organised Part of the Undertaking draws up only the financial statement and profit and loss statement.

Whereas, STALEXPORT S.A. is the registered taxpayer, which pays taxes as one taxpayer and whose tax settlements are conducted with the Organised Part of the Undertaking.

In the financial report dated 31st December 2006, STALEXPORT S.A. does not present the Organised Part of the Undertaking as “assets available for selling” as creating the Organised Part of the Undertaking is a temporary stage in the process of selling the steel part of STALEXPORT S.A. to the trade investor, the end of which is planned for the third quarter of 2007 after the fulfilment of suspensory conditions. The realisation of selling the created the Organised Part of the Undertaking part is subject to the following vital suspensory conditions:

- the positive decision for STALEXPORT S.A. of the dispute with The National Fund of Environmental Protection and Water Management [Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej] before Regional Court [Sąd okręgowy]. The dispute refers to challenging the resolutions of the Extraordinary General Meeting of Shareholders [Nadzwyczajne Walne Zgromadzenie Akcjonariuszy] as for the increase in the capital,
- getting the consent to sell the Organised Part of the Undertaking during the nearest General Meeting of Shareholders on 28th June 2007.

In addition, the basic activity of STALEXPORT S.A. in 2006 was conducted on the basis of assets and liabilities of the created Organised Part of the Undertaking part. It was also the reason not to present this part as “assets” available for selling in the financial report in 2006.

Optimization of selling network
In 2006, 3 trade offices, 8 trade warehouses and 4 sell places serviced by subsidiary companies constituted the STALEXPORT S.A. selling network. The product range structure of selling of particular trade warehouses is wide and varied. The analysis of this suggests that about 30% of elements of the product range generates 85% of the value of the income. Sheets and pipes constitute a significant group from the product range. Since MITTAL STEEL, department in Kraków is the main producer of this product range and it prefers collecting items transported by railway, the warehouse in Częstochowa has been prepared. It facilitated logistics, reduced the costs, allowed to complete deliveries for individual clients and trade warehouses by optimizing their warehouse state and increasing reserve rotation. The prospective possibilities of the central warehouse will be fully used after the increase of current assets.

Simplification of the organizational structure
The organizational structure has been simplified and the flexibility of management has increased by the conducted connection. This situation is better for the current conditions of conducting trade and it facilitates the mutual cooperation between STALEXPORT S.A. and direct clients. The management of the circulating capital has been improved.

Simplification of the management rules
System registration of purchase invoices, consolidation of the system of sending supplies to wholesale stores, standardizing the rules of making out invoices and activating a system which is integrated by computers and refers to prefabrication and production of reinforcement and material management have caused the standardizing the rules and simplification of management.

After the sale of the Steel Part Company Stalexport S.A. shall focus on operation of motorways.

5.13 Changes as for the persons who manage and supervise the Company during the last business year. The rules of appointing and dismissing persons who manage, in particular the right to make decisions on issue or redemption of shares.

a) The Management Board

In the period of time between 1st January 2006 and 21st October 2006 the following persons were working as the Management Board:

1. Emil Wąsacz President of the Management Board – General Director
2. Mieczysław Skołożyński Vice-president of the Management Board – Finance Director

3. Urszula Dzierżoń Member of the Management Board – Sales Director

On 21st October 2006 upon request of Emil Wąsacz, the Supervisory Board suspended him in activities as the President of the Management Board for the period of time from 1st November 2006 till 31st December 2006. At the same time, Mieczysław Skołożyński was entrusted with performing the duties of the President of the Management Board. Therefore, in the period of time from 1st November 2006 till 31st December 2006, the following persons were working as the Management Board:

1. Mieczysław Skołożyński Vice-president of the Management Board – Finance Director
acting the President of the Management Board

2. Urszula Dzierżoń Member of the Management Board – Sales Director

Since 1st January 2007 till now, the following persons constitute the Management Board:

1. Emil Wąsacz President of the Management Board – General Director
2. Mieczysław Skołożyński Vice-president of the Management Board – Finance Director
3. Urszula Dzierżoń Member of the Management Board – Sales Director

b) The Supervisory Board

The structure of the Supervisory Board was changing in 2006 and till 29th March 2006 it was the following:

1. Tadeusz Włudyka - President
2. Przemysław Majka – Vice-president
3. Krystyna Strzelecka – Secretary
4. Rober Bender
5. Jacek Legutko
6. Bohdan Wyżnikiewicz

On 29th March 2006 Robert Bender submitted a resignation from the work in the Supervisory Board. Therefore, in the period of time from 29th March 2006 till 24th May 2006, the structure of the Supervisory Board was the following:

1. Tadeusz Włudyka - President
2. Przemysław Majka – Vice-president
3. Krystyna Strzelecka – Secretary
4. Jacek Legutko
5. Bohdan Wyżnikiewicz

On 24th May 2006 the Extraordinary General Meeting of Shareholders introduced changes as for the structure of the Supervisory Board. Krystyna Strzelecka and Bohdan Wyżnikiewicz were dismissed. Katarzyna Galus, Tadeusz Sadowski and Jerzy Zieliński were appointed. After these changes in the period of time from 24th May 2006 till 13th July 2006 the structure of the Supervisory Board was the following:

1. Tadeusz Włudyka - President
2. Przemysław Majka – Vice-president
3. Katarzyna Galus – Secretaty
4. Jacek Legutko
5. Tadeusz Sadowski
6. Jerzy Zieliński

On 13th July 2006 the Company got the resignation of Jacek Legutko from the function of the Member of the Supervisory Board of the Company effective from 10th July 2006. Therefore, in the period of time from 10th July 2006 till 24th August 2006, the structure of the Supervisory Board was the following:

1. Tadeusz Włudyka - President
2. Przemysław Majka – Vice-president
3. Katarzyna Galus – Secretaty
4. Tadeusz Sadowski
5. Jerzy Zieliński

On 24th August 2006 Tadeusz Włudyka submitted a resignation from the function of the member of the Supervisory Board. Therefore, in the period of time from 25th August 2006 till 7th September 2006, the structure of the Supervisory Board was the following:

1. Przemysław Majka – Vice-president
2. Katarzyna Galus – Secretary
3. Tadeusz Sadowski
4. Jerzy Zieliński

The Supervisory Board consisting of four persons lost its ability to make decisions because of the number of members which was smaller than the minimum specified in the Code of Commercial Companies and Partnerships.
The Extraordinary General Meeting of Shareholders dated 8th September 2006 extended the number of members of the Supervisory Board from 6 to 9 members and it dismissed Jerzy Zieliński and made the following supplementary choices:

1. Galliano DiMarco – President
2. Bogusław Leśnodorski – Vice-president
3. Jerzy Sroka – Secretary
4. Dario V. Cipriani
5. Katrzyna Galus
6. Przemysław Majka
7. Christopher Melnyk
8. Giuseppe Palma
9. Tadeusz Sadowski

On 27th December 2006 the Extraordinary General Meeting of Shareholders made the changes in the structure of the Supervisory Board. Przemysław Majka and Tadeusz Sadowski were dismissed. Alexander Neuber and Jeffery Grady were appointed. Therefore, the structure of the Supervisory Board was the following:

1. Galliano DiMarco – President
2. Bogusław Leśnodorski – Vice-president
3. Jerzy Sroka – Secretary
4. Dario V. Cipriani
5. Katarzyna Galus
6. Jeffery Grady
7. Christopher Melnyk
8. Alexander Neuber
9. Giuseppe Palma

On 14th February 2007 the Extraordinary General Meeting of Shareholders made changes in the structure of the Supervisory Board. Jeffery Grady was dismissed. Konrad Tchórzewski was appointed. After these changes in the period of time since 14th February 2007 till now, the structure of the Supervisory Board is the following:

1. Galliano DiMarco – President
2. Bogusław Leśnodorski – Vice-president
3. Jerzy Sroka - Secretary
4. Dario V. Cipriani
5. Katarzyna Galus
6. Christopher Melnyk
7. Alexander Neuber

8. Giuseppe Palma
9. Konrad Tchórzewski

c) Holders of a commercial power of attorney

In the period of time from 1st January 2006 till 31st December 2006 the following persons were the holders of a commercial power of attorney of the Company:

1. Marek Bury - Director of the Office of Finance Management and Control
2. Barbara Boś – Director of Distribution Network
3. Małgorzata Michalunio-Kepys - Main Accountant, Director of Accounting Office

5.14. Information regarding agreements concluded between the Company and the persons in charge, providing for compensation in an event of their resignation or dismissal from the held office without stating important reasons, or else, when their recalling or dismissal is caused by Company merger due to an act of seizure.

In 2006, the Company has not concluded any agreements with managing people that would provide for compensation in an event of their resignation or dismissal from the held office without stating important reasons, or else, when their recalling or dismissal is caused by Company merger by way of acquisition . Employment contracts as concluded with the Management Board are provided with 6-month compensation clause to cater for an event of a manager being recalled before relevant turn of office is over.

5.15. Remuneration of persons in charge and of those exercising surveillance over the Company, as well as other perks ensuing from, e.g. motivation schemes, for each person, individually.

The Management Board

The rules for remunerating members of the Management Board in accordance with the Articles of incorporation of the Company are determined by Supervisory Board.

The total remuneration in connection with employment contracts for the managing people of the STALEXPORT S.A. Company, i.e. the Management Board and the Attorneys, for the year 2006 amounted to PLN 2.374.133,49 inclusive of:

No.	Name, and Surname	Office held in STALEXPORT S.A.	Amount of remuneration in connection with employment contract signed with STALEXPORT S.A.	Bonuses and awards in STALEXPORT S.A.	Remuneration in connection with holding offices in Supervisory Boards of subordinate units	TOTAL
1	Emil Wąsacz	Management Board President	747.854,48	54.000	0,00	801.854,48
2	Mieczysław Skołożyński	Vice-President of the Management Board	636.277,68	43.200	44.006,58	723.484,26
3	Urszula Dzierżoń	Management Board Member	496.158,08	35.000	44.006,58	575.164,66
4	Marek Bury	Attorney	145.230,00	-	31.433,27	176.663,27
5	Małgorzata Michalunio	Attorney	166.718,35	8.900	0,00	175.618,35
6	Barbara Boś	Attorney	181.854,90	-	0,00	181.854,90
x	**TOTAL**	**X**	**2.374.133,49**	**141.100**	**119.446,43**	**2.634.679,92**

Supervisory Board

The rules for remunerating members of the Supervisory Board in accordance with the Articles of incorporation of the Company are determined by Annual General Meeting.

The total remuneration for the Supervisory Board members, in the year 2006 amounted to PLN 150.405,29 inclusive of:

No.	Name and Surname	Office held in the Supervisory Board of STALEXPORT S.A.	2006 Remuneration (in PLN)
1	Tadeusz Włudyka	Chairman (until 24.08.2006.)	20.820,26

2	Przemysław Majka	Deputy Chairman (until 27.12.2006.)	24.370,09
3	Krystyna Strzelecka	Secretary (until 24.05.2006.)	8.968,72
4	Bohdan Wyżnikiewicz	Member (from 23.06.2005. until 24.05.2006.)	8.968,72
5	Robert Bender	Member (until 29.03.2006.)	-
6	Jacek Legutko	Member (from 23.06.2005. until 13.07.2006.)	13.079,01
7	Katarzyna Galus	Secretary (from 24.05.2006. until 08.09.2006.)	13.577,25
8	Tadeusz Sadowski	Member (from 24.05.2006.)	22.445,82
9	Jerzy Zieliński	Member (from 24.05.2006. until 08.09.2006.)	6.601,77
10	Jerzy Sroka	Member (from 08.09.2006.), SB Secretary (from 15.09.2006.)	7.037,75
11	Bogusław Leśnodorski	Member (from 08.09.2006.), Deputy Chairman (from 15.09.2006.)	17.498,15
12	Dario V. Cipriani	Member (from 08.09.2006.)	7.037,75
13	Galliano Di Marco	Member (from 08.09.2006.), Chairman (from 15.09.2006.)	-
14	Christopher Melnyk	Member (from 08.09.2006.)	-
15	Giuseppe Palma	Member (from 08.09.2006.)	-
X	**TOTAL**	**x**	**150.405,29**

From the day of appointment as Supervisory Board members, Robert Bender, Galliano Di Marco, Christopher Melnyk, and Giuseppe Palma have all renounced their respective remuneration.

The Company has not granted any loans, advances, guarantees or warranties to the persons in charge.

5.16. The Company shares, as well as the shares or stakes in related parties being property of the persons in charge of the company, and of those exercising its surveillance - for each person, individually

In accordance with the submitted declarations, as at 31.12.2006., the number of STALEXPORT S.A. shares and their nominal value, being property of the company's managing and supervising people o are presented as follows:

Name and surname	Number of shares	Nominal value (in PLN)
1. Emil Wąsacz	59.000	118.000
2. Urszula Dzierżoń	23.430	46.860
3. Małgorzata Michalunio-Kępys	5.750	11.500
4. Dario V. Cipriani	10	20
5. Bogusław Leśnodorski	30.000	60.000
6. Alexander Neuber	50	100

In accordance with the submitted declarations, as at 14.05.2007., shares of STALEXPORT S.A. are a property of:

Name and surname	Number of shares	Nominal value (in PLN)
1. Emil Wąsacz	59.000	118.000
2. Urszula Dzierżoń	23.430	46.860
3. Dario V. Cipriani	10	20
4. Alexander Neuber	50	100

The people managing and supervising STALEXPORT S.A. do not hold shares or stakes in related parties.

5.17. Schedule of shareholders vested with at least 5% of the total votes at the STALEXPORT S.A. General Meeting.

According to Management Board's best knowledge, with recourse to the list of shareholders registered at the Extraordinary Shareholders Meeting (27.12.2006.), and to the announcements submitted in compliance with the law by the shareholders, the shareholders having at least 5% of the total votes (157.762.023), as at 31.12.2006. were:

Name of entity	Number of ordinary bearer shares held	Share in capital stock (%)	Votes at the Annual General Meeting	Share in the total votes at the Annual General Meeting (%)
AUTOSTRADE S.p.A. with its seat in Rome	34.159.378	21,65	34.159.378	21,65
Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej S.A. with its seat in Warsaw	18.022.835	11,42	18.022.835	11,42
PKO Bank Polski S.A. with its seat in Warsaw	8.863.385	5,62	8.863.385	5,62
Juliusz Baer Investment Management LLC*	10.323.847	6,56	10.323.847	6,56

**(inter alia: Juliusz Baer International Equity Fund being shareholder of STALEXPORT S.A. holds 10.000.000 shares, which constitutes 6,34% of the equity capital of STALEXPORT S.A. and the same number of votes at the AGM)*

On the other hand, according to Management Board's best knowledge, with recourse to the list of shareholders registered at the Extraordinary Shareholders Meeting (14th of February, 2007), and to the announcements submitted in compliance with the law by the shareholders, the shareholders having at least 5% of the total votes (157.762.023) are:

Name of entity	Number of ordinary bearer shares held	Share in capital stock (%)	Votes at the Annual General Meeting	Share in the total votes at the Annual General Meeting (%)
AUTOSTRADE S.p.A. with its seat in Rome	34.159.378	21,65	34.159.378	21,65
Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej S.A. with its seat in Warsaw	18.022.835	11,42	18.022.835	11,42
PKO Bank Polski S.A. with its seat in Warsaw	8.733.864	5,54	8.733.864	5,54
Juliusz Baer Investment Management LLC*	10.323.847	6,56	10.323.847	6,56

**(inter alia: Juliusz Baer International Equity Fund being shareholder of STALEXPORT S.A. holds 10.000.000 shares, which constitutes 6,34% of the equity capital of STALEXPORT S.A. and the same number of votes at the AGM)*

5.18. Information regarding agreements that are known to the Company, in effect of which, there might at a future date occur changes in the proportions of the shares, as held by the current shareholders.

There is no information known to the Company of any other concluded agreements, in effect of which, there might, at a future date, occur changes in the proportions of the shares, as held by the current shareholders, to the exception of the being under way procedure of capital increase by way of emission of 89,5 million of shares of the G series, at the issued price of PLN 2,2458 per share; the shares having been assigned to Autostrade S.p.A, and paid up in their entirety with an amount of approx. PLN 201 million. The current state of the process being under way has been presented in pt. 6 of this report.

5.19. Shareholders holding controlling shares, along with a descriptive account of these shares' rights.

There are no controlling shares at STALEXPORT S.A.

5.20. Information regarding the system of control over share incentive programmes.

There are no share incentive programmes at STALEXPORT S.A.

5.21. Information regarding any possible restrictions relating to the transfers of property rights of securities, as well as restrictions in the scope of exercising voting rights of the STALEXPORT S.A. shares.

STALEXPORT S.A. shares are not subject to any restrictions either in the scope of property rights transfers, or else, in relation to exercising voting rights of shares.

5.22. Date of contract conclusion with entity entitled to examine financial statements and consolidated financial statement, period for which it has been concluded, as well as the overall remuneration for individual audit and consolidated audit in a given accounting year.

The contract for auditing services with BDO Polska Sp. z o.o. company has been signed on the 8th of August, 2006, for a time period of one year, i.e. the year 2006. The contract comprises:

- semi-annual review of financial statement and of consolidated financial statement of STALEXPORT S.A.
- examination of annual financial statement and of annual consolidated financial statement of STALEXPORT S.A.

Remuneration in the year 2006 other than in connection with the examination of financial statements amounted to PLN 32 000.

The examination of financial statements of the Company, as well as consolidated financial statements of the STALEXPORT Group for the year 2007 has been entrusted by the Company's Supervisory Board, in accordance with its competence as specified in the Articles of incorporation of the Company, to the firm KPMG Polska Audyt Sp. z o.o. KPMG Polska Audyt Sp. z o.o. has its seat in Warsaw, at ul. Chłodna 51 and has been recorded as entity entitled to examine financial statements under the no. 458. The firm KPMG Polska Audyt Sp. z o.o. performed examination of financial statements of STALEXPORT SA and of the consolidated financial statements of the Group during the years 1994-2001.

6. PERSPECTIVES OF DEVELOPMENT AND DESCRIPTION OF THE BASIC RISKS AND THREATS, CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS ESSENTIAL FOR THE DEVELOPMENT OF STALEXPORT S.A.

6.1. Perspectives of development

The year 2006 and the beginning of the year 2007 were full of projects having as their objective to provide for the continuation of the current business and manifested in the long term solution bringing about earlier termination of the restructuring process, which was defined in terms of specific projects in the „STALEXPORT S.A. Strategy Realisation Program In the Years 2002-2007 Under the Reorganisation Proceedings"" as passed by Management Board resolution from the 14th of February, 2002.

As basis for the modification of this programme and for putting a definite stop to the consequences of erroneous financial policy of the past served the signing on the 28th of December, 2005, of the Letter of Intent with Italian company Autostrade S.p.A., the biggest motorway-construction company in Europe.

The Letter of Intent assumed increase in the STALEXPORT S.A. capital by 100%, i.e. by approx. 107 million shares at a nominal price of PLN 2.

Autostrade S.p.A. has made the capital increase subject to the following conditions:

- a one-off capital increase
- successful "financial closure", i.e. acquisition and first drawing of credit for the realization of investment projects in connection with the A-4 motorway (Kraków – Katowice section),
- conclusion of agreement with Consortium Banks with respect to the granted to them warranty for the financing of the construction of Walcownia Rur (Tube Mill) Jedność, where this agreement would serve to govern the issue of the debt that STALEXPORT S.A. owes to these banks,
- selling of the STALEXPORT S.A. trading division

In the first half of 2006, the Management Board has taken action making way for successful completion of these conditions. The problem of “financial closure” in connection with the project involving the construction of A4 motorway section (Katowice-Kraków) has been successfully dealt with, just like that of the indebtedness owed to the Consortia Banks in effect of converting of the indebtedness at issue onto the STALEXPORT S.A. F series of shares, in effect of which, the capital stock increased from a sum of PLN 215.524.046 to PLN 247.205.290, i.e. by an amount of PLN 31.681.244.

These events meant the completion of the two conditions as posed by Autostrade S.p.A, but at the same time, they forced an increase in the possible financial contribution of Autostrade S.p.A from a sum of PLN 214 million up to a sum of at least PLN 247.205.290.

As fundamental problem it turned out to be the fulfilment of the condition in connection with the selling of the “steel” segment of STALEXPORT S.A. (i.e. the trading segment). The time for completion of this project was assumed to be roughly one year from the time of making of the relevant decision, i.e. from the time of signing of the Investment Agreement with Autostrade S.p.A. However, the Company was faced with a threat of a risk of loosing liquidity in July of 2006, i.e. at the time, when payment of instalment in connection with reorganisation proceedings was falling due. Further still, liquidity loss was to trigger off the necessity to file for bankruptcy by the end of the 3rd Quarter of 2006, due to infeasibility of repaying yet another reorganisationproceedings instalment.

In effect of intensive negotiations with Autostrade S.p.A coming to an end - Autostrade S.p.A renounced the condition of a once-off capital increase and expressed its consent for the taking up in Stage I of 34.159.378 of F series shares, which, after the passing of the AGM and SB resolutions were remaining at the discretion of the Management Board (on the strength of the held right to raise capital as part of target capital), whereas another capital increase was to take place after the completion of the remaining conditions, i.e. after the obtainment of relevant permits of the STALEXPORT S.A. corporate bodies and after the selling of the Company’s trading segment.

The above-described increase in the capital stock of the Company by an amount of approx. PLN 68 million guaranteed STALEXPORT S.A. to stay in business during a period of one year, and in particular, to meet its obligations in connection with the reorganisation proceedings and external proceedings, alike.

In July of 2006, the selection of financial adviser marked the commencement of the process of selling of the trading segment of STALEXPORT S.A. A search for investor was realized through the sending out of invitations to some 50 companies, both at home, and abroad, which might have be potentially interested in acquiring the steel business. Having analysed five of the submitted offers, in February of 2007, the ZŁOMREX S.A. company has been granted exclusivity. Negotiations with ZŁOMREX S.A. were concluded on the 31st of May, 2007, by the signing of Investment Agreement concerning the selling of the steel business, the execution of which is hinged upon the completion of a number of conditions that have been stated in point 5.1. One of the key suspending conditions is the registering of yet another STALEXPORT S.A. capital increase (G series). As the expected term for fulfilling all of the conditions is given the 3rd Quarter of 2007.

At the beginning of October of 2006, STALEXPORT S.A. has commenced proceedings aiming at yet another capital increase by way of G series shares’ emission.
The completion of the process of increasing the capital stock met with unexpected difficulties from the NFOŚiGW (The National Fund for Environmental Protection and Water Management). In spite of that the conclusion of investment agreement with Autostrade S.p.A. proceeded in accordance with the held corporate rights, and even though the Company’s Supervisory Board (and also the NFOŚiGW representatives) was informed of the conducted negotiations, the NFOŚiGW representatives questioned the legitimacy of its conclusion. In order to clarify any doubts in connection with the conclusion of the investment agreement (on the request of NFOŚiGW and the STALEXPORT S.A. Management Board), on the 20th of October, 2006, the EGM of the Company passed a resolution regarding the appointment of so-called special-purpose auditor, whose objective was, i.a. to examine, both, the possible outcomes of either/or alternative – concluding the agreement at issue or not. On the 6th of February, the Report of the Special-purpose auditor has been released, having been drafted by the Ernst&Young Company, which detected no irregularities at either agreement negotiation or its conclusion, and it also confirmed that a lack of the agreement at issue could have resulted in liquidity loss, and thus, in a necessity to announce Company bankruptcy.

On the 14th of February, 2007, the EGM has passed a resolution regarding the increasing the STALEXPORT S.A. capital by way of emission of 89,5 million of G series shares, at the issued price of PLN 2,2458 per share. The shares have been assigned to Autostrade S.p.A., and have been paid up in their entirety with an amount of approx. PLN 201 million. The motion for the registering of the capital increase has been submitted to the court for approval.

Successfully completed operation of capital increase, i.e. through its registration, shall relieve STALEXPORT S.A. from the threat of bankruptcy. In effect of capital raising, and as a result of receiving revenue from the selling of the steel segment (i.e. the trading business) STALEXPORT S.A. shall have ample financial means for the repayment of all of its historical liabilities, as well as further involvement in the construction and operation of motorways in Poland. The fact of Autostrade S.p.A., i.e. a leading motorway construction company in Europe, becoming strategic partner, shall strengthen by a great deal the competitiveness of STALEXPORT S.A. on the motorway market. It shall also guarantee the staying in business of the STALEXPORT S.A. trading segment (without there being any need for current assets' involvement) until such time that it may me taken over by the new investor i.e. ZŁOMREX S.A.. In effect, the value of the segment shall not be reduced and thus, there shall be no need for renegotiating its price.

Due to the selling of the steel segment together with the present name (company name) of STALEXPORT S.A., there is expectancy of a change in the name (company name) of the motorway segment of the Company recorded on the Warsaw Stock Exchange to a new one, as follows: STALEXPORT AUTOSTRADY S.A. Autostrade S.p.A. does not plan for the withdrawal of the Company from public quoting.

6.2. Description of the basic risks and threats, the characteristics of external and internal factors essential for the development of the Company, and counteracting these risks.

The basic risk and threat for the economic activity of STALEXPORT S.A. is the lack of registration of yet another capital increase.

On the 14th of February, 2007, the EGM passed a resolution regarding the increase in capital stock by way of emission of 89,5 million of G series shares, at the issued price of PLN 2,2458 per share, which laid out the Company with PLN 201 million worth of funds.

On 26.03.2007, the Management Board has assigned the shares to the Autostrade S.p.A. company, and on 27.03.2007, it has filed a motion for registering the capital increase.

One of the shareholders, i.e. NFOŚiGW, after being excluded for formal reasons from participating in the EGM on 14.02.2007. has filed a suit to the Regional Court in Katowice for invalidation or annulment of AGM resolutions concerning capital increase. Moreover, the shareholder has filed a motion for suspending the registration procedure. The legal proceedings on this subject are currently under way, and until the time of sentence pronouncement and validation there may pass many months or even a year.

In effect of the above, on the 17th of May, 2007, the District Court in Katowice (Economic Division VIII) has suspended the procedure relating to the capital increase registration until the time of validation of the decision of the Regional Court on the subject matter having been presented by the NFOŚiGW. Lack of capital increase registration makes it impossible to avail of funds as attained in effect of capital raising and that are deposited on trust account. This puts at risk the meeting of obligations in connection with the reorganisation proceedings and external proceedings, alike, and thus, menaces with the commencement of bankruptcy proceedings.

Moreover, as regards the plans in connection with the trading business, lack of capital increase registration makes it impossible to effect the selling of the steel segment to ZŁOMREX S.A., and thus, it causes a gradual reduction in the working capital (for the repayment of reorganisation proceedings and external proceedings liabilities), leading to a gradual liquidation of trading activity.

In order to counter this threat, STALEXPORT S.A. has taken steps to mediate with NFOŚiGW, dispatching a number of letters to NFOŚiGW. Moreover, in the face of threat of the National Budget loosing a sum of over PLN150 million (due to the indebtedness of STALEXPORT S.A. owed to the

Treasury) STALEXPORT S.A. has also turned to the Minister of Finance with a plea to assist in resolving this problem.

If the current situation prolongs, it may bring with it a risk of reduction in the real value of the steel segment and in the negotiated selling price; the reason being, that the agreement comprises a price regulating mechanism to cater for downfalls in the value of the steel business.

It should be emphasized that any of the coexisting threats are truly of marginal importance in relation to the one mentioned above.

7. STALEXPORT S.A. on the Warsaw Stock Exchange.

The year 2006 was the twelfth year of the Company's presence on the Warsaw Stock Exchange. The first quoting of shares took place on the 26th of October, 1994. The STALEXPORT S.A. shares are quoted on the primary market in continuous trading system. Currently, the Company is quoted on mWIG40.

Acquisition of strategic investor, favourable trend on the steel market in 2006, as well as increased interest on the part of investors in STALEXPORT S.A. have all caused the share value to go up.

The shaping up process of the STALEXPORT S.A stock market rating in the period spanning 01.01.2006 – May of 2007 may be split up into the following periods:

1. The first period being a continuation of the trend pronounced at the end of 2005. Its characteristic was the transformation of a long term downtrend into horizontal trendline. There were serious fluctuations of both, the level of STALEXPORT S.A share price, as well as the magnitude of sales volume. The share prices used to shape up at the level ranging from PLN 1,53 to PLN 3, at maximum. Increase in the value of shares was probably caused by speculations regarding alleged interest in the Company on the part of a known stock exchange investor, Mr. Roman Karkosik.

2. The second period (from the 26th of June, 2006 – when STALEXPORT S.A concluded investment agreement with Autostrade S.p.A and declared its intention to provide additional financing and to develop the motorway business – the end of 2007). It was characterized by an uptrend in the value of shares from the level of approx. PLN 2 up to PLN 4.

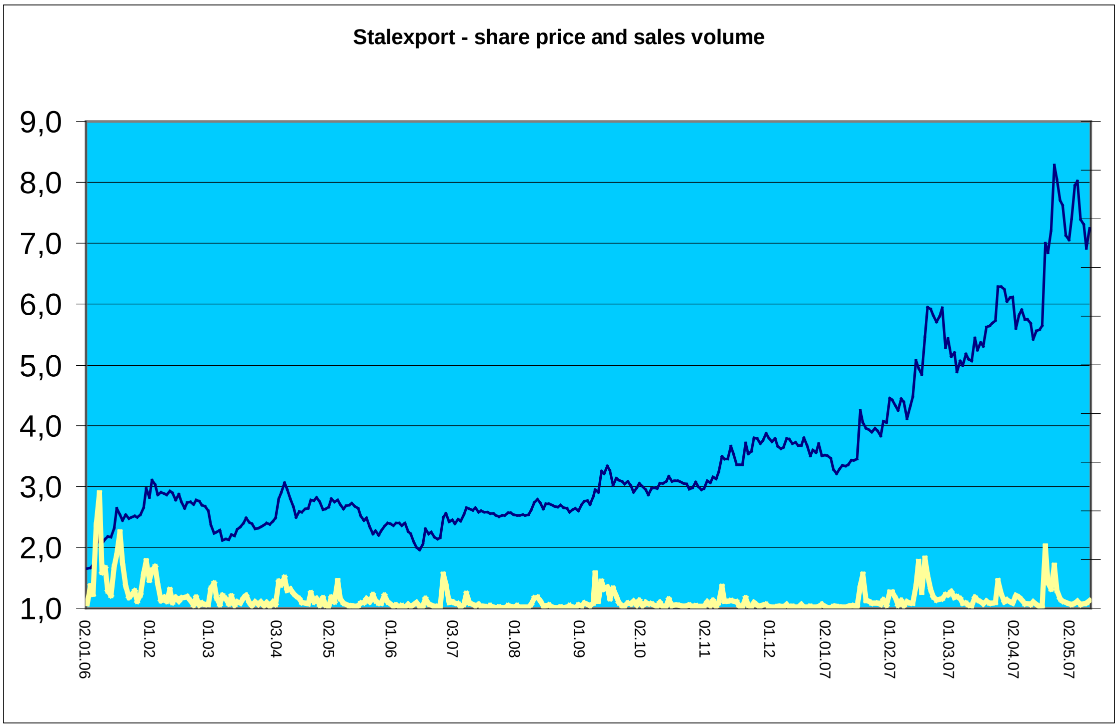
3. The third period commences from the beginning of January, 2007 and continues until the present day. It is typified by significant increase in the value of shares up to a level of over PLN 8. The share price also undergoes significant fluctuations.

It ought to be presumed that the increases in the STALEXPORT S.A share price in 2007 are caused by the information concerning the planned and realized capital increase by another PLN 201 million on the part of the strategic investor, Autostrade S.p.A. Conversely, periodical downfalls in the ratings are interconnected with the action on the part of NFOŚiGW blocking off the registration of capital increase.

When the nature of the changes in the STALEXPORT S.A stock value is compared with the nature of the changes in WIG index, it can be said that there is a great deal of resemblance between the two, to the exception that in the third period, the dynamics of share price increase is greater than the dynamics of the WIG index increase.

Below, there have been presented diagrams depicting the changes in the primary stock exchange indices of STALEXPORT S.A company, i.e.:

- changes in the STALEXPORT S.A share price in the period spanning January 2006 - May 2007, along with the accompanying changes in the sales volume,
- changes in the STALEXPORT S.A share price in relation to the WIG changes


Stalexport - share price and sales volume
9,0
8,0
7,0
6,0
5,0
4,0
3,0
2,0
1,0
02.01.06
01.02
01.03
03.04
02.05
01.06
03.07
01.08
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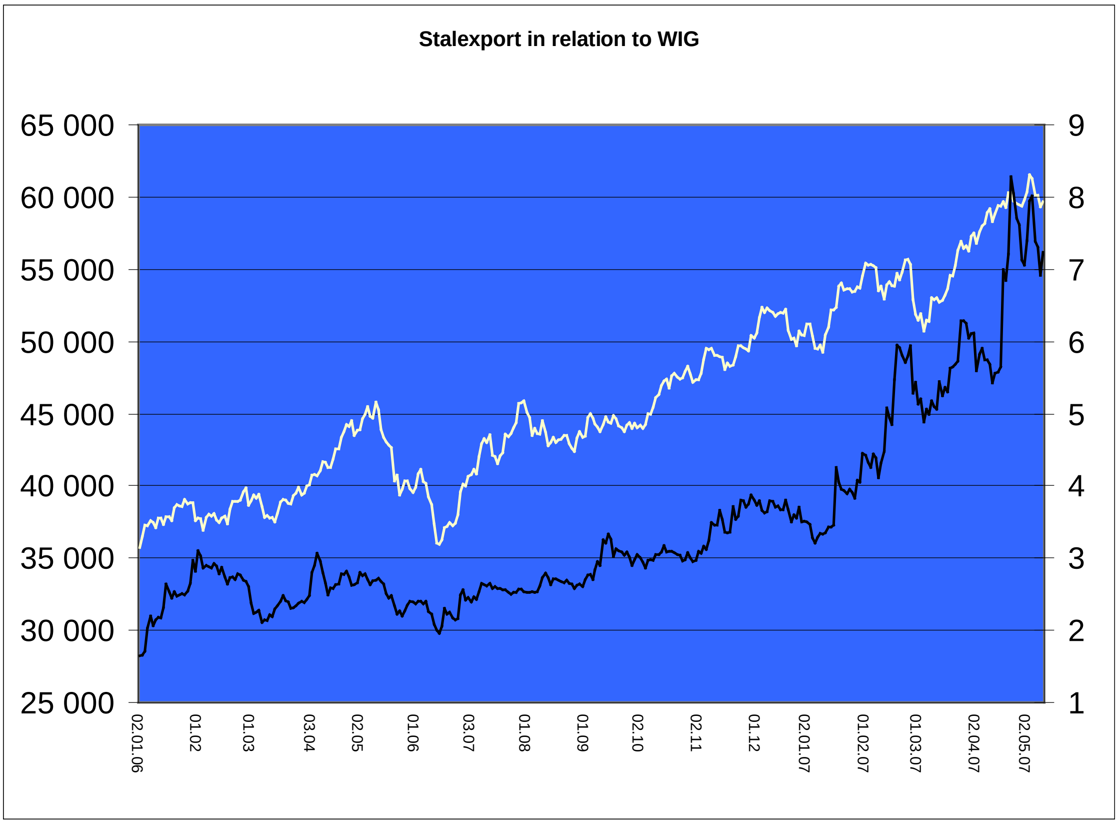
02.04.07
02.05.07


Stalexport in relation to WIG
65 000
60 000
55 000
50 000
45 000
40 000
35 000
30 000
25 000
9
8
7
6
5
4
3
2
1
02.01.06
01.02
01.03
03.04
02.05
01.06
03.07
01.08
01.09
02.10
02.11
01.12
02.01.07
01.02.07
01.03.07
02.04.07
02.05.07

8. SUMMARY

By analysing the current situation of STALEXPORT S.A. it should be said that the increase in the capital stock by way of emission of G series shares and their taking up by Autostrade S.p.A. – once the capital increase registration is validated - shall seal the up-to-date 40-year-long history of STALEXPORT company.

In effect of capital raising and the selling of the steel segment along with the planned change of name from the present name of STALEXPORT S.A. onto: STALEXPORT AUTOSTRADY S.A. – the company shall become a firm active exclusively in the motorway sector. It shall also gain very solid financial base, which not only shall guarantee the meeting of all the obligations in connection with both, reorganisation proceedings, as well as external proceedings, but that shall also provide a real potential for growth.

However, as a serious threat for the realization of this scenario should be regarded the blocking off of the process of transformation – that could materialize in the lack of capital increase registration in effect of a suit filed by NFOŚiGW to the Regional Court for invalidation or annulment of the EGM resolution from the 14th of February, 2007, concerning the increase in the capital stock of the Company.

Management Board Member	**Management Board Vice-President**	**Management Board President**
Commercial Director	**Financial Director**	**Chief Executive Officer**
/Urszula Dzierżoń/	**/Mieczysław Skołożyński/**	**/Emil Wąsacz/**

Katowice, June 2007.

9. ENCLOUSURES

In accordance with the Resolution of the Minister of Finance from the 19th of October, 2005, regarding current and periodical information conveyed by securities' emissioner, the annual report comprises:

9.1. Declaration of the Management Board, stating that to its best knowledge the annual financial statement and comparable data have been drafted in compliance with the in-force accounting principles, and that they reflect in a true, reliable, and clear manner, the financial status and financial situation of the Company, as well as its profit/loss figure, and that the directors' report constitutes a real overview of the development and of the achievements of the Company and of its situation, inclusive of a descriptive account of the basic risks.

Declaration

Herein, we declare that to our best knowledge the annual financial statement for the year 2006 and the comparable data have been drafted in compliance with the in-force accounting principles, and that they reflect in a true, reliable, and clear manner, the financial status and financial situation, as well as the profit/loss figure of STALEXPORT S.A.

Simultaneously, we declare that the annual Directors' report constitutes a real overview of the development and of the achievements of the Company and of its situation, inclusive of a descriptive account of the basic risks and threats.

Management Board Member	**Management Board Vice-President**	**Management Board President**
Commercial Director	**Financial Director**	**Chief Executive Officer**
/Urszula Dzierżoń/	**/Mieczysław Skołożyński/**	**/Emil Wąsacz/**

Katowice, June 2007.

9.2. Declaration of the Management Board stating that the entity entitled to perform annual examination of financial statement has been selected in compliance with the relevant legal provisions and that this entity, as well as expert auditors performing the examination of this statement fulfilled the conditions for expressing impartial and independent opinion with respect to the examination, in compliance with the relevant provisions of the national law.

Declaration

Herein, we declare that BDO Polska Sp. z o.o. with its seat in Warsaw, entitled to perform annual examination of financial statement for the year 2006 has been selected in compliance with the relevant legal provisions, i.e. on the basis of § 18, sect.2, pt. 11 of the Articles of Incorporation of STALEXPORT S.A. in Katowice.

Simultaneously, we declare that the above-mentioned entity, as well as expert auditors performing the examination of this statement fulfilled the conditions for expressing impartial and independent opinion with respect to the examination, in compliance with the relevant provisions of the Polish law.

Management Board Member	**Management Board Vice-President**	**Management Board President**
Commercial Director	**Financial Director**	**Chief Executive Officer**
/Urszula Dzierżoń/	**/Mieczysław Skołożyński/**	**/Emil Wąsacz/**

Katowice, June 2007.

9.3. Declaration of the Management Board regarding the application by the Company of the Corporate Governance Principles.

Declaration

Herein, we declare that in the year 2006 as well as currently, STALEXPORT S.A. applies and observes in its activity the Corporate Governance Principles, which have been assumed on 30.06.2006. by the passing of the resolution XIII of the Ordinary Annual General Meeting no. 18.

On the 8th of September, 2006, the Extraordinary General Meeting of the Company has made changes in the composition of the Supervisory Board, which caused a situation, as a result of which, at present, there is a deficit of independent members, as is required by the rule no. 20 of the Corporate Governance. With this being so, the Company ceased to fulfil one of the criteria making it qualify for recording in the PLUS segment.

In its letter from the 25th of September, 2006, STALEXPORT S.A. has informed the Management Board of the Stock Exchange in Warsaw S.A. of that very fact.

Management Board Member	**Management Board Vice-President**	**Management Board President**
Commercial Director	**Financial Director**	**Chief Executive Officer**
/Urszula Dzierżoń/	**/Mieczysław Skołożyński/**	**/Emil Wąsacz/**

Katowice, June 2007.

The only binding version is the Polish original that should be referred to in matters of interpretation.