

STALEXPORT SA

Annual report consolidated SA-RS 2006



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Katowice, 13.06.2007

SECURITIES AND STOCK EXCHANGE COMMITTEE

Consolidated annual report SA-RS 2006

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 31.12.2006

13.06.2007
(date of publishing)

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

BDO Polska Sp. z o.o.

(entity entitled to examine)

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	737 112	620 762	189 047	159 206
II. Profit (loss) on operating activity	70 969	(49 403)	18 201	(12 670)
III. Gross profit (loss)	57 993	(83 582)	14 873	(21 436)
IV. Net profit (loss) falling to shareholders of the	50 821	(102 388)	13 034	(26 259)
V. Net cash flows from operating activity	5 571	105 587	1 429	27 080
VI. Net cash flows from investment activity	15 524	(46 830)	3 981	(12 010)
VII. Net cash flows from financial activity	36 727	(54 768)	9 419	(14 046)
VIII. Net cash flows in total	57 822	3 989	15 092	1 023
IX. Assets in total	857 777	782 886	223 893	200 786
X. Long-term liabilities	473 510	637 009	123 593	163 373
XII. Short-term liabilities	193 256	112 472	50 443	28 846
XIII. Equity capital	191 011	33 405	49 857	8 567
XIV. Stock capital	315 524	215 524	82 356	55 275
XV. Number of shares	157 762 023	107 762 023	157 762 023	107 762 023
XVI. Profit (loss) per one ordinary share (in zloty/EUR)	0,32	-0,95	0,08	-0,24
XVII. Diluted profit (loss) per one ordinary share (in zloty/EUR)	0,00	0,00	0,00	0,00
XVIII. Book value per one share (in zloty/EUR)	1,21	0,31	0,32	0,08
XIX. Diluted book value per one share (in zloty/EUR)	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
the STALEXPORT S.A. Group**

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

- an introduction;
- the consolidated balance sheet prepared as at 31 December 2006, showing total assets and liabilities of **857.777.357,36 zł**;
- the consolidated profit and loss account for the period from 1 January 2006 to 31 December 2006, showing a net profit of **50.820.979,98 zł**;
- statement of changes in consolidated shareholders' equity, showing an increase in shareholders' equity of **157.605.989,58 zł**;
- the consolidated cash flow statement for the period from 1 January 2006 to 31 December 2006, showing a net cash increase of **57.821.958,38 zł**;
- notes to the consolidated financial statements.

The consolidated financial statements were prepared by acquisition accounting.

The Holding Company's Management is responsible for the preparation of these consolidated financial statements.

Our responsibility was to audit the consolidated 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,

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, examining consolidation adjustments and exclusions, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

- give a true and fair view of the Group's financial position as at 31 December 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 Statute of Stalexport S.A., to the extent to which such regulations affect the content of the consolidated 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 Holding 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 the Stalexport S.A. Group includes all information required by article 49 point 2 of the Accounting Act, and the financial data contained therein is consistent with the audited consolidated financial statements.

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 Holding 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

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

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

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- II. FINANCIAL ANALYSIS OF THE CAPITAL GROUP**
- III. DETAILED PART OF THE REPORT**

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 Autostrada 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 2006suspended 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

2. The Capital group members and information on related entities as of the balance sheet date.

List of entities covered by consolidation and basic data before excluding and consolidated adjustment.

No.	Details	Share of STX S.A. In basic capital of companies (%)	Balance sheet total in PLN thousand	Income on sales in PLN thousand	Financial result in PLN thousand
STALEXPORT S.A.					
Subsidiaries					
1	Stalexport Autoroute S.a.r.l. Luxemburg	100.00	184,499	0	2,529
2.	Stalexport Autostrada Małopolska S.A. Mysłowice	100.00	532,238	121,538	46,345
3	Stalexport Transroute Autostrada S.A. Mysłowice	55.00	15,831	26,106	6,398
4	GK Stalexport Autostrada Dolnośląska S.A. Katowice	100.00	16,272	0	-115
5	Stalexport Metalzbyt Sp. z o.o. Białystok	98.76	877	3,226	123
6	Stalexport Serwis Centrum S.A. Katowice	97.78	34,207	79,044	994
7	Stalexport Serwis Centrum S.A. Bełchatów	95.14	3,511	305	-87
8	Stalexport Centrostal S.A. Lublin	66.00	11,348	20,502	211
Total subsidiaries			798,783	250,721	56,398
Related companies					
1	Biuro Centrum Sp. z o.o. Katowice	40.63	2,024	7,591	-23
Total related companies			2,024	7,591	-23
Total			800,807	258,312	56,375

GK – Capital Group of a lower grade

Share of STX in basic capital of Companies – means direct and indirect share, in relation to which there is control

Subsidiaries were covered by full consolidation, however the valuation of shares by equity method was performed for related companies.

Entities, whose shares do not constitute significant items in consolidated financial report were not covered by consolidation.

Due to loss of control the consolidation did not cover the financial reports of the following companies: Stalexport Zaptor S.A. in bankruptcy and Stalexport Wielkopolska Sp. z o.o. in bankruptcy as well as financial reports of Petrostal S.A., and Inwest Centrostal Sp. z o.o. due to losing control over them and their slight impact on the results of the Group.

3. 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 consolidated financial report;
- Consolidated balance sheet as of 31st December 2006 which revealed under assets and liabilities the amount of PLN 857,777 thousand;
- Consolidated Profit and Loss Account for the period from 1st January 2006 to 31st December 2006 revealing net profit in the amount of PLN 50,821 thousand;
- List of changes in consolidated equity revealing the increase of equity by the amount of PLN 157,606 thousand;
- Consolidated Cash Flow Account revealing increase of net cash in the period from 1st January 2006 to 31st December 2006 by the amount of PLN 57,822 thousand;
- Additional information and explanations.

4. 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.

5. Information on consolidated 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 the opening balance.

Consolidated 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.

Consolidated 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.

6. Information on auditing financial reports of entities covered by consolidated financial report as of 31st December 2006.

1. Stalexport S.A. Katowice – audited by BDO Numerica Katowice Branch, the opinion contained the following information:

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 Holding Company did not present its value under assets designated for sale and did not estimate the result of the transaction.

2. Stalexport Centrostal S.A. Lublin – audit performed by BDO Numerica Katowice Branch, an opinion without reservations.

3. Stalexport Serwis Centrum S.A. Katowice – audit performed by BDO Numerica Katowice Branch, an opinion without reservations.

4. Stalexport Autostrada Małopolska S.A. Mysłowice – audit performed by BDO Numerica Katowice Branch, an opinion without reservations.

5. Stalexport Transroute Autostrada S.A. Mysłowice – audit performed by BDO Numerica Katowice Branch, an opinion without reservations.

6. Grupa Kapitałowa Stalexport Autostrada Dolnośląska S.A. Katowice – audit performed by Kancelaria Biegłych Rewidentów Sp. z o.o. Katowice, an opinion without reservations.

7. Stalexport Serwis Centrum S.A. Bełchatów – audited by Biuro Rachunkowe „Audytor” Regina Pawłowska in Bełchtów, the said opinion contains the following explanation:

„We would like to draw the attention to negative profitability, financial liquidity results appearing in this year and previous year audited period, as well as significant decrease of income on sale and maintained loss that all make the situation even worse and constitute a significant threat to company's further operations.”

8. Stalexport Metalzbyt Białystok Sp. z o.o. – not subject to the audit

9. Biuro Centrum Sp. z o.o. Katowice – audited by “Istech-Comp” W.Romanowska Katowice, an opinion without reservations.

10. Stalexport Autoroute S.a.r.l. Luksemburg – audited by Fiduciaire Patrick Sganzerla in Luxemburg, an opinion without reservations.

7. Other significant information arising during the reporting period

7.1. Increase of capital in a subsidiary

The Company Stalexport S.A. 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.

7.2. 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.

7.3. 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 shares 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 share of total 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 changing the opinion the above mentioned conditions were fulfilled.

8. Events after the balance sheet date

8.1. 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. All 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.

8.2. 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.

8.3. 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 CAPITAL GROUP

Chosen entries from consolidated Profit and Loss Account, Balance Sheet and basic financial ratios are presented below.

1. Balance sheet

ASSETS	(in PLN thousand)					
	31.12.06	% of balance sheet total	31.12.05	% of balance sheet total	31.12.04	% of balance sheet total
Fixed assets						
Intangible fixed assets	420	0.0	413	0.0	495	0.0
Goodwill	-	-	-	-	-	-
Tangible fixed assets	336,996	39.3	307,310	39.3	157,364	24.3
Long term receivables	-	-	509	0.1	942	0.1
Long term investment	25,036	3.0	62,780	8.0	89,891	13.7
Assets available for sale	15	0.0	4,231	0.5	130,211	19.9
Assets due to deferred income tax	8,796	1.0	6,064	0.8	9,564	1.4
Long term accruals and prepayments	208,537	24.3	213,694	27.3	-	0.0
	579,800	67.6	595,001	76.0	388,467	59.3
Current assets						
Stock	69,436	8.1	53,151	6.8	91,712	14.0
Short term receivables	108,160	12.6	97,418	12.4	150,582	23.0
Short term investment	4,546	0.5	235	0.0	19	0.0
Cash and cash equivalents	84,036	9.8	26,214	3.4	22,225	3.4
Short term prepayments and accruals	11,799	1.4	10,867	1.4	1,753	0.3
	277,977	32.4	187,885	24.0	266,291	40.0
ASSETS TOTAL	857,777	100.0	782,886	100.00	654,758	100.0
LIABILITIES						
Own equity						
Basic capital	315,524	36.8	215,524	27.5	215,524	32.9
Own shares	(71)	0.0	(73)	0.0	(44)	0.0
Reserve capital	151,821	17.7	101,675	13.0	113,153	17.3
Capital from valuation update	19,338	2.2	16,393	2.1	43,382	6.6
Other reserve capital	490	0.1	51,017	6.5	97,446	14.9
Exchange rate differences from consolidation	(46)	0.0	-	-	-	0.0
Result from previous years	(352,503)	(41.1)	(252,791)	(32.3)	(404,179)	(61.7)
Current year net result	50,821	5.9	(102,388)	(13.1)	11,513	1.8
	185,374	21.6	29,357	3.7	76,795	11.7
Minority capital	5,636	0.7	4,048	0.5	5,262	0.8
Long term liabilities						
Credits and loans	26,717	3.1	78,040	10.0	113,746	17.4
Liabilities due to financial leasing	537	0.1	6,302	0.8	5,834	0.9
Other liabilities	294,726	34.3	509,714	65.1	196,009	29.9
Provision due to deferred tax	4,092	0.5	11,209	1.4	12,289	1.9
Provision for liabilities	13,861	1.6	13,418	1.8	11,721	1.8
Long term accruals and prepayments	133,577	15.6	18,326	2.3	59,681	9.1
	473,510	55.2	637,009	81.4	399,280	61.0
Short term liabilities						
Credits and loans	44,048	5.1	5,528	0.7	10,648	1.6
Liabilities due to deliveries and services	84,488	9.9	74,126	9.5	95,568	14.6
Other liabilities	51,434	6.0	19,761	2.5	14,952	2.3
Provision for liabilities	1,791	0.2	6,282	0.8	11,835	1.8
Short term settlements	11,496	1.3	6,775	0.9	40,418	6.2
	193,257	22.5	112,472	14.4	173,421	26.5
TOTAL LIABILITIES	857,777	100.0	782,886	100.00	654,758	100.0

2. Profit and Loss Account

	Year 2006	Year 2005	Year 2004	(in PLN thousand)	
				Dynamics (%) 2006/2005	Dynamics (%) 2005/2004
Income on sales of products, goods and materials	737,113	620,762	1,004,986	118.7	61.8
Costs of sold products, goods and materials	575,345	502,931	869,211	114.4	57.9
Gross profit/loss on sales	161,768	117,831	135,775	137.	86.8
Other income	46,891	61,718	118,295	76.0	52.2
Sale costs	24,695	19,191	31,082	128.7	61.7
Overheads	79,825	54,558	44,739	146.3	121.9
Other costs	33,134	155,012	166,719	21.4	93.0
Share in net profit/loss of other subsidiaries evaluated by equity method	(35)	(191)	(514)	18.3	37.2
Profit / loss on operations	70,970	(49,403)	11,016	(143.7)	(448.5)
Financial income	28,208	135,704	197,883	20.8	68.6
Financial cost	41,185	169,883	155,476	24.	109.3
Profit/loss on sales of the whole or part of shares of subsidiaries	-	-	(32,782)	-	-
Gross profit/loss	57,993	(83,582)	20,641	(69.4)	(404.9)
Income tax from legal persons	4,203	16,976	9,678	24.8	175.4
Net profit/loss	53,790	(100,558)	10,963	(53.5)	(917.2)
Profit/loss of minority	(2,969)	(1,830)	550	162.2	(332.7)
Profit/loss for shareholders of the Company	50,821	(102,388)	11,513	(49.6)	(889.3)

3. Basic financial ratios

		<u>1.01.06 –</u> <u>31.12.06</u>	<u>1.01.05 –</u> <u>31.12.05</u>	<u>1.01.04 –</u> <u>31.12.04</u>
Return on assets	<u>Net financial result</u> Total assets	5.9%	(13.1%)	1.8%
Return on equity	<u>Net financial result</u> equity without net result)	37.8%	(77.7%)	17.6%
Net profitability on sales	<u>Net financial result</u> Income on sales of products	6.9%	(16.5%)	1.1%
Liquidity ration I	<u>Total current assets</u> Short term liabilities	1.4	1.7	1.5
Liquidity ration II	<u>Total current assets - stock</u> Short term liabilities	1.1	1.2	1.0
Receivables payment period in days	<u>Average level of receivables due to</u> <u>deliveries and services x 365 days</u> Income on sales of products	36	46	40
Liabilities payment period in days	<u>Average level of liabilities due to</u> <u>deliveries and services x 365 days</u> Own cost of sold products	50	62	45
Stock turnover ratio	<u>Average stock level x 365 days</u> Own costs of sold products	39	53	34

4. Ratios' interpretation

In the audited period the income on sales of the capital group increased by 18.7% as compared with the previous year; and the costs of sold products, goods and materials increased only by 14.4%, which allowed to obtain the profit on sales in the amount of PLN 161,768 thousand i.e. 37.3% higher than in 2005.

The gross profit on sales that was obtained was adjusted by sales costs and overhead costs as well as positive balance of other operational activity. As a result the capital group obtained operational profit in the amount of PLN 70,970 thousand which constitutes a significant improvement as compared with loss of PLN 49,403 thousand in 2005.

Profit on operations was even more adjusted by negative balance of financial activities and other burdens and as a result the whole capital group had net profit in the amount of PLN 50,821 thousand which was reflected in improvement of all profitability ratios.

Liquidity ratios were slightly lowered and are still at the levels that are considered optimal. Receivables and liabilities turnover as well as stock ratios were shortened as compared with 2005.

Balance sheet total amounted to PLN 857,777 thousand and increased by 9.6% as compared with the previous reporting period. The structure of assets changed slightly – share of fixed assets amounted to 67.6% as compared with 76.0% at the end of 2005. In fixed assets there was increase of tangible fixed assets, long term investments decreased, and in current assets there was increase of all items as compared with the previous year, and the biggest increase - over twofold- was observed in the field of cash and cash equivalents

In the structure of liabilities a significant change is caused by the increase of capital that took place in the reported period and concerned the dominant company by the total amount PLN 100,000 thousand. 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 7.3 Chapter I).

As a result of the above event there is a significant increase of equity in the structure of liabilities (**from 3.7% to 21.6%**),**decrease** of liabilities and increase of cash.

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

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 Stalexport S.A.

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.

We draw the attention to the fact that this report changes the report drawn up by us on 04.06.2007.

The change 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 functioning of Stalexport S.A.

III. DETAILED PART OF THE REPORT

1. Applied accounting principles

1.1. Consolidation principles

Consolidated financial report of Capital Group for 2006 was drawn up in accordance with International Accounting Standards and International Financial Reporting Standards.

Consolidated financial report of Capital Group Stalexport S.A. was drawn up on the basis of financial report of entities included in the Capital Group and compared in such a way as if the group constituted one entity.

Dominant entity and subsidiaries were consolidated by means of a full method. The entities whose financial data is negligible were not covered by the consolidated report. .

Relevant exclusions were made during consolidation; they concerned mutual receivables and liabilities, income and costs concerning operations performed among entities covered by consolidation, profits and loss on operations among entities covered by consolidation, included in values subject to consolidation of assets and liabilities.

Moreover, the value of possessed shares by the dominant entity in subsidiaries was also excluded.

The amount of margin included in the assets of consolidated entities was also excluded. The basic capital of the group is the basic capital of the dominant entity.

Calculation of other items of equity of the capital group was made by adding particular items of the dominant entity's equity and particular items of the subsidiaries' equity that were covered by consolidated financial report, related to the share of the dominant entity in subsidiaries as of the balance sheet date. The equity of the capital group includes only those items of subsidiaries' equity that were created from the date of taking control over the said subsidiaries by the dominant entity.

The calculation of equity of minority shareholders in subsidiaries was done on the basis of share of those shareholders in the equity of such entities as of the balance sheet date.

1.2. Detailed accounting rules of entities covered by consolidation

Detailed accounting principles applied by dominant entity were in the introduction to this financial statement..

1.3. Comparability of data

The balance sheet continuity principle was observed.

2. . Introduction to financial statement, additional information and explanations

The Company prepared additional information covering introduction to consolidated financial statement and additional information as well as explanations. Data contained in additional information was presented in a complete and correct way.

3. . List of changes in consolidated equity

List of changes in consolidated equity reveals in a correct way an increase of equity in the amount of PLN 157.606 thousand in the period ; and it was drawn up correctly and reveals correct relation with the consolidated balance sheet as well as the consolidated Profit and Loss Account.

4. Consolidated profit and Loss Account

Consolidated Profit and Loss Account was prepared by:

- Summing up relevant items of cash flows of the subsidiaries covered by consolidated financial report,
- Addition of consolidated adjustments, consisting in excluding cash flow among entities covered by consolidated financial report.

5. Management Board's report on Capital Group'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 the Management's report on the Group's activity complies with information included in annual consolidated financial statement and are complete in the understanding of Art. 49 section 2 of the Accounting Act.

6. Information on significant violation of law or companies statutes of association, companies agreements that was stated during the audit and that had impact on the financial report

There were no events causing significant violation of law or companies statutes of association, companies agreements that have impact on the financial statement.

7. Statement of the dominant entity's management

The entities' 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 Sp. 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

Acting on behalf of BDO

Halina Żur-Zuber
Certified auditor
Identification No 8450/497

Numerica Sp. z o.o
Leszek Kramarczuk
Member of the Management Board
Certified Auditor
Identification No 1920/289



BDO Numerica Sp. z o.o.
International Auditors & Consultants

al. Korfantego 2, 40-004 Katowice
Tel. +48 (32) 359 50 00
Fax +48 (32) 359 50 01
e-mail: katowice@bdo.pl
www.bdo.pl

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

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

- an introduction;
- the consolidated balance sheet prepared as at 31 December 2006, showing total assets and liabilities of **857.777.357,36 zł**;
- the consolidated profit and loss account for the period from 1 January 2006 to 31 December 2006, showing a net profit of **50.820.979,98 zł**;
- statement of changes in consolidated shareholders' equity, showing an increase in shareholders' equity of **157.605.989,58 zł**;
- the consolidated cash flow statement for the period from 1 January 2006 to 31 December 2006, showing a net cash increase of **57.821.958,38 zł**;
- notes to the consolidated financial statements.

The consolidated financial statements were prepared by acquisition accounting.

The Holding Company's Management is responsible for the preparation of these consolidated financial statements.

Our responsibility was to audit the consolidated 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,

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, examining consolidation adjustments and exclusions, as well as evaluating the overall presentation of the consolidated financial statements.

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

We draw your attention to the fact that the continuation of the Holding Company's operations is still 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.

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Biura BDO w Polsce
Warszawa
Katowice
Poznań

Zarząd:
André Helin, Kristof Zorde
Anna Bernaziuk, Leszek Kramarczuk,
Krystyna Sakson, Hanna Sztuczyńska
KRS: 0000058463, NIP: 526-021-48-64
Kapitał zakładowy: 741 950 zł



Despite undertaking activities to sell the wholesale portion of its operations, the Holding 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 Holding Company's loss of its ability to continue as a going concern.

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


- give a true and fair view of the Group's financial position as at 31 December 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 Statute of Stalexport S.A., to the extent to which such regulations affect the content of the consolidated financial statements.


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

Katowice, 4 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

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

**An opinion and report concerning the audit of consolidated
financial statement drawn up in accordance with International
Accounting Standards for the period from 1st January to 31st
December 2006**

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

**A report completing an opinion concerning the audit of
consolidated 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**
- II. FINANCIAL ANALYSIS OF THE CAPITAL GROUP**
- III. DETAILED PART OF THE REPORT**

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 Autostrada 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

2. The Capital group members and information on related entities as of the balance sheet date.

List of entities covered by consolidation and basic data before excluding and consolidated adjustment.

No.	Details	Share of STX S.A. In basic capital of companies (%)	Balance sheet total in PLN thousand	Income on sales in PLN thousand	Financial result in PLN thousand
STALEXPORT S.A.					
Subsidiaries					
1	Stalexport Autoroute S.a.r.l. Luxemburg	100.00	184,499	0	2,529
2.	Stalexport Autostrada Małopolska S.A. Mysłowice	100.00	532,238	121,538	46,345
3	Stalexport Transroute Autostrada S.A. Mysłowice	55.00	15,831	26,106	6,398
4	GK Stalexport Autostrada Dolnośląska S.A. Katowice	100.00	16,272	0	-115
5	Stalexport Metalzbyt Sp. z o.o. Białystok	98.76	877	3,226	123
6	Stalexport Serwis Centrum S.A. Katowice	97.78	34,207	79,044	994
7	Stalexport Serwis Centrum S.A. Bełchatów	95.14	3,511	305	-87
8	Stalexport Centrostal S.A. Lublin	66.00	11,348	20,502	211
Total subsidiaries			798,783	250,721	56,398
Related companies					
1	Biuro Centrum Sp. z o.o. Katowice	40.63	2,024	7,591	-23
Total related companies			2,024	7,591	-23
Total			800,807	258,312	56,375

GK – Capital Group of a lower grade

Share of STX in basic capital of Companies – means direct and indirect share, in relation to which there is control

Subsidiaries were covered by full consolidation , however the valuation of shares by equity method was performed for related companies.

Entities, whose shares do not constitute significant items in consolidated financial report were not covered by consolidation.

Due to lost of control the consolidation did not cover the financial reports of the following companies: Stalexport Zaptor S.A. in bankruptcy and Stalexport Wielkopolska Sp. z o.o. in bankruptcy as well as financial reports of Petrostal S.A., and Inwest Centrostal Sp. z o.o. due to losing control over them and their slight impact on the results of the Group.

3. 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 consolidated financial report;
- Consolidated balance sheet as of 31st December 2006 which revealed under assets and liabilities the amount of PLN 857,777 thousand;
- Consolidated Profit and Loss Account for the period from 1st January 2006 to 31st December 2006 revealing net profit in the amount of PLN 50,821 thousand;
- List of changes in consolidated equity revealing the increase of equity by the amount of PLN 157,606 thousand;
- Consolidated Cash Flow Account revealing increase of net cash in the period from 1st January 2006 to 31st December 2006 by the amount of PLN 57,822 thousand;
- Additional information and explanations.

4. 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.

5. Information on consolidated 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 the opening balance.

Consolidated 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.

Consolidated 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.

6. Information on auditing financial reports of entities covered by consolidated financial report as of 31st December 2006.

1. Stalexport S.A. Katowice – audited by BDO Numerica Katowice Branch, the opinion contained the following information:

„We draw the attention to the fact that still the continuation of Company’s activity depends on the performance of the provisions of agreement with creditors as well as timely payments of instalments and interest which will be possible in case of generating a proper amount of financial means.

Actions undertaken in order to obtain financial means by :

- Winning an investor and their direct cash involvement was for the time being stopped until the moment of court decisions as to validity of important resolutions concerning the increase of capital and its taking over by an investor; therefore the moment of increased capital registration and the moment of drawing the paid by blocked means for its coverage, was also postponed,
- performance of the agreement concerning the sale of trade part, which also depends on the registration of increased capital – it also postpones the moment of obtaining cash, so far have not generated expected income.

The Company, despite actions undertaken in the scope of trade part’s sale did not reveal its value in assets for sale and did not establish the estimated result of this transaction.

We underline that the payments of liabilities at the expense of limits of operating capital may even have further negative consequences and speed up the moment when the Company may not be able to operate any longer.

2. Stalexport Centrostal S.A. Lublin – audit performed by BDO Numerica Katowice Branch, an opinion without reservations.

3. Stalexport Serwis Centrum S.A. Katowice – audit performed by BDO Numerica Katowice Branch, an opinion without reservations.

4. Stalexport Autostrada Małopolska S.A. Mysłowice – audit performed by BDO Numerica Katowice Branch, an opinion without reservations.

5. Stalexport Transroute Autostrada S.A. Mysłowice – audit performed by BDO Numerica Katowice Branch, an opinion without reservations.

6. Grupa Kapitałowa Stalexport Autostrada Dolnośląska S.A. Katowice – audit performed by Kancelaria Biegłych Rewidentów Sp. z o.o. Katowice, an opinion without reservations.

7. Stalexport Serwis Centrum S.A. Bełchatów – audited by Biuro Rachunkowe „Audytor” Regina Pawłowska in Bełchtów, the said opinion contains the following explanation:

„We would like to draw the attention to negative profitability, financial liquidity results appearing in this year and previous year audited period , as well as significant decrease of income on sale and maintained loss that all make the situation even worse and constitute a significant threat to company’s further operations.”

8. Stalexport Metalzbyt Białystok Sp. z o.o. – not subject to the audit
9. Biuro Centrum Sp. z o.o. Katowice – audited by “Istech-Comp” W.Romanowska Katowice, an opinion without reservations .
10. Stalexport Autoroute S.a.r.l. Luksemburg – audited by Fiduciaire Patrick Sganzerla in Luxemburg, an opinion without reservations.

7. Other significant information arising during the reporting period

7.1. Increase of capital in a subsidiary

The Company Stalexport S.A. 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.

7.2. 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.

7.3. 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 shares 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 share of total 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.

8. Events after the balance sheet date

8.1. 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. All 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.

8.2. 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.

8.3. 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 CAPITAL GROUP

Chosen entries from consolidated Profit and Loss Account, Balance Sheet and basic financial ratios are presented below.

1. Balance sheet

ASSETS	(in PLN thousand)					
	31.12.06	% of balance sheet total	31.12.05	% of balance sheet total	31.12.04	% of balance sheet total
Fixed assets						
Intangible fixed assets	420	0.0	413	0.0	495	0.0
Goodwill	-	-	-	-	-	-
Tangible fixed assets	336,996	39.3	307,310	39.3	157,364	24.2
Long term receivables	-	-	509	0.1	942	0.1
Long term investment	25,036	3.0	62,780	8.0	89,891	13.7
Assets available for sale	15	0.0	4,231	0.5	130,211	19.8
Assets due to deferred income tax	8,796	1.0	6,064	0.8	9,564	1.4
Long term accruals and prepayments	208,537	24.3	213,694	27.3	-	0.0
	579,800	67.6	595,001	76.0	388,467	59.2
Current assets						
Stock	69,436	8.1	53,151	6.8	91,712	14.0
Short term receivables	108,160	12.6	97,418	12.4	150,582	23.0
Short term investment	4,546	0.5	235	0.0	19	0.0
Cash and cash equivalents	84,036	9.8	26,214	3.4	22,225	3.4
Short term prepayments and accruals	11,799	1.4	10,867	1.4	1,753	0.3
	277,977	32.4	187,885	24.0	266,291	40.3
ASSETS TOTAL	857,777	100.0	782,886	100.00	654,758	100.0
LIABILITIES						
Own equity						
Basic capital	315,524	36.8	215,524	27.5	215,524	32.9
Own shares	(71)	0.0	(73)	0.0	(44)	0.0
Reserve capital	151,821	17.7	101,675	13.0	113,153	17.3
Capital from valuation update	19,338	2.2	16,393	2.1	43,382	6.6
Other reserve capital	490	0.1	51,017	6.5	97,446	14.9
Exchange rate differences from consolidation	(46)	0.0	-	-	-	0.0
Result from previous years	(352,503)	(41.1)	(252,791)	(32.3)	(404,179)	(61.7)
Current year net result	50,821	5.9	(102,388)	(13.1)	11,513	1.8
	185,374	21.6	29,357	3.7	76,795	11.7
Minority capital	5,636	0.7	4,048	0.5	5,262	0.8
Long term liabilities						
Credits and loans	26,717	3.1	78,040	10.0	113,746	17.4
Liabilities due to financial leasing	537	0.1	6,302	0.8	5,834	0.9
Other liabilities	294,726	34.3	509,714	65.1	196,009	29.9
Provision due to deferred tax	4,092	0.5	11,209	1.4	12,289	1.9
Provision for liabilities	13,861	1.6	13,418	1.8	11,721	1.8
Long term accruals and prepayments	133,577	15.6	18,326	2.3	59,681	9.1
	473,510	55.2	637,009	81.4	399,280	61.0
Short term liabilities						
Credits and loans	44,048	5.1	5,528	0.7	10,648	1.6
Liabilities due to deliveries and services	84,488	9.9	74,126	9.5	95,568	14.6
Other liabilities	51,434	6.0	19,761	2.5	14,952	2.3
Provision for liabilities	1,791	0.2	6,282	0.8	11,835	1.8
Short term settlements	11,496	1.3	6,775	0.9	40,418	6.2
	193,257	22.5	112,472	14.4	173,421	26.5
TOTAL LIABILITIES	857,777	100.0	782,886	100.00	654,758	100.0

2. Profit and Loss Account

	Year 2006	Year 2005	Year 2004	(in PLN thousand)	
				Dynamics (%) 2006/2005	Dynamics (%) 2005/2004
Income on sales of products, goods and materials	737,113	620,762	1,004,986	118.7	61.8
Costs of sold products, goods and materials	575,345	502,931	869,211	114.4	57.9
Gross profit/loss on sales	161,768	117,831	135,775	137.	86.8
Other income	46,891	61,718	118,295	76.0	52.2
Sale costs	24,695	19,191	31,082	128.7	61.7
Overheads	79,825	54,558	44,739	146.3	121.9
Other costs	33,134	155,012	166,719	21.4	93.0
Share in net profit/loss of other subsidiaries evaluated by equity method	(35)	(191)	(514)	18.3	37.2
Profit / loss on operations	70,970	(49,403)	11,016	(143.7)	(448.5)
Financial income	28,208	135,704	197,883	20.8	68.6
Financial cost	41,185	169,883	155,476	24.	109.3
Profit/loss on sales of the whole or part of shares of subsidiaries	-	-	(32,782)	-	-
Gross profit/loss	57,993	(83,582)	20,641	(69.4)	(404.9)
Income tax from legal persons	4,203	16,976	9,678	24.8	175.4
Net profit/loss	53,790	(100,558)	10,963	(53.5)	(917.2)
Profit/loss of minority	(2,969)	(1,830)	550	162.2	(332.7)
Profit/loss for shareholders of the Company	50,821	(102,388)	11,513	(49.6)	(889.3)

3. Basic financial ratios

		<u>1.01.06 –</u> <u>31.12.06</u>	<u>1.01.05 –</u> <u>31.12.05</u>	<u>1.01.04 –</u> <u>31.12.04</u>
Return on assets	<u>Net financial result</u> Total assets	5.9%	(13.1%)	1.8%
Return on equity	<u>Net financial result</u> equity without net result)	37.8%	(77.7%)	17.6%
Net profitability on sales	<u>Net financial result</u> Income on sales of products	6.9%	(16.5%)	1.1%
Liquidity ration I	<u>Total current assets</u> Short term liabilities	1.4	1.7	1.5
Liquidity ration II	<u>Total current assets - stock</u> Short term liabilities	1.1	1.2	1.0
Receivables payment period in days	<u>Average level of receivables due to</u> <u>deliveries and services x 365 days</u> Income on sales of products	36	46	40
Liabilities payment period in days	<u>Average level of liabilities due to</u> <u>deliveries and services x 365 days</u> Own cost of sold products	50	62	45
Stock turnover ratio	<u>Average stock level x 365 days</u> Own costs of sold products	39	53	34

4. Ratios' interpretation

In the audited period the income on sales of the capital group increased by 18.7% as compared with the previous year; and the costs of sold products, goods and materials increased only by 14.4%, which allowed to obtain the profit on sales in the amount of PLN 161,768 thousand i.e. 37.3% higher than in 2005.

The gross profit on sales that was obtained was adjusted by sales costs and overhead costs as well as positive balance of other operational activity. As a result the capital group obtained operational profit in the amount of PLN 70,970 thousand which constitutes a significant improvement as compared with loss of PLN 49,403 thousand in 2005.

Profit on operations was even more adjusted by negative balance of financial activities and other burdens and as a result the whole capital group had net profit in the amount of PLN 50,821 thousand which was reflected in improvement of all profitability ratios.

Liquidity ratios were slightly lowered and are still at the levels that are considered optimal. Receivables and liabilities turnover as well as stock ratios were shortened as compared with 2005.

Balance sheet total amounted to PLN 857,777 thousand and increased by 9.6% as compared with the previous reporting period. The structure of assets changed slightly – share of fixed assets amounted to 67.6% as compared with 76.0% at the end of 2005. In fixed assets there was increase of tangible fixed assets, long term investments decreased, and in current assets there was increase of all items as compared with the previous year, and the biggest increase - over twofold- was observed in the field of cash and cash equivalents

In the structure of liabilities a significant change is caused by the increase of capital that took place in the reported period and concerned the dominant company by the total amount PLN 100,000 thousand. 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 7.3 Chapter I).

As a result of the above event there is a significant increase of equity in the structure of liabilities (**from 3.7% to 21.6%**),**decrease** of liabilities and increase of cash.

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

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 dominant Company.

III. DETAILED PART OF THE REPORT

1. Applied accounting principles

1.1. Consolidation principles

Consolidated financial report of Capital Group for 2006 was drawn up in accordance with International Accounting Standards and International Financial Reporting Standards.

Consolidated financial report of Capital Group Stalexport S.A. was drawn up on the basis of financial report of entities included in the Capital Group and compared in such a way as if the group constituted one entity.

Dominant entity and subsidiaries were consolidated by means of a full method. The entities whose financial data is negligible were not covered by the consolidated report. .

Relevant exclusions were made during consolidation; they concerned mutual receivables and liabilities, income and costs concerning operations performed among entities covered by consolidation, profits and loss on operations among entities covered by consolidation, included in values subject to consolidation of assets and liabilities.

Moreover, the value of possessed shares by the dominant entity in subsidiaries was also excluded.

The amount of margin included in the assets of consolidated entities was also excluded. The basic capital of the group is the basic capital of the dominant entity.

Calculation of other items of equity of the capital group was made by adding particular items of the dominant entity's equity and particular items of the subsidiaries' equity that were covered by consolidated financial report, related to the share of the dominant entity in subsidiaries as of the balance sheet date. The equity of the capital group includes only those items of subsidiaries' equity that were created from the date of taking control over the said subsidiaries by the dominant entity.

The calculation of equity of minority shareholders in subsidiaries was done on the basis of share of those shareholders in the equity of such entities as of the balance sheet date.

1.2. Detailed accounting rules of entities covered by consolidation

Detailed accounting principles applied by dominant entity were in the introduction to this financial statement..

1.3. Comparability of data

The balance sheet continuity principle was observed.

2. . Introduction to financial statement, additional information and explanations

The Company prepared additional information covering introduction to consolidated financial statement and additional information as well as explanations. Data contained in additional information was presented in a complete and correct way.

3. . List of changes in consolidated equity

List of changes in consolidated equity reveals in a correct way an increase of equity in the amount of PLN 157.606 thousand in the period ; and it was drawn up correctly and reveals correct relation with the consolidated balance sheet as well as the consolidated Profit and Loss Account.

4. Consolidated profit and Loss Account

Consolidated Profit and Loss Account was prepared by:

- Summing up relevant items of cash flows of the subsidiaries covered by consolidated financial report,
- Addition of consolidated adjustments, consisting in excluding cash flow among entities covered by consolidated financial report.

5. Management Board's report on Capital Group'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 the Management's report on the Group's activity complies with information included in annual consolidated financial statement and are complete in the understanding of Art. 49 section 2 of the Accounting Act.

6. Information on significant violation of law or companies statutes of association, companies agreements that was stated during the audit and that had impact on the financial report

There were no events causing significant violation of law or companies statutes of association, companies agreements that have impact on the financial statement.

7. Statement of the dominant entity's management

The entities' 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, 4 June 2007

**BDO Numerica Sp. 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

Acting on behalf of BDO

Halina Żur-Zuber
Certified auditor
Identification No 8450/497

Numerica Sp. z o.o
Leszek Kramarczuk
Member of the Management Board
Certified Auditor
Identification No 1920/289

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.

Therefore, 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 (Rolling 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 (Rolling 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 tranches 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 principles in
consolidated financial report of
STALEXPORT S.A.
as of 31st December 2006.**

1. The presented consolidated financial report covers data from 01.01.2006 to 31.12.2006.

Consolidated financial report for 2006 was drawn up in accordance with International Accounting Standards and International Financial Reporting Standards binding as of 31st December 2006, and in the cases not regulated by the above mentioned standards in accordance with the Accounting Act of 29th September 1994 (Journal of Laws - Dz. U. of 2002 No. 76, item 694 as amended).

All financial data is in PLN thousand, if it was not market otherwise.

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

The following entities were covered by the full consolidation (in brackets the share of Stalexport S.A. in basic capital as of 31st December 2006):

- Grupa Kapitałowa Stalexport Autoroute S.a.r.l. Luxemburg	(100.00%)
w tym:	
- Stalexport Autostrada Małopolska S.A. Mysłówice	(100.00%)
- Stalexport Transroute Autostrada S.A. Mysłówice	(55.00%)
- Stalexport Autostrada Dolnośląska S.A. Katowice	(100.00%)
- Stalexport Metalzbyt Sp. z o.o. Białystok	(98.76%)
- Stalexport Serwis Centrum S.A. Katowice	(97.78%)
- Stalexport Serwis Centrum Bełchatów S.A. Rogowiec	(95.14%)
- Stalexport Centrostal S.A. Lublin	(66.00%)

The entities whose shares do not constitute significant items, were not covered by this consolidated financial report.

The valuation of shares was applied for related entities in accordance with equity method:

- Biuro Centrum Sp. z o.o. Katowice	(40,63%)
- Stalexport Autostrada Śląska S.A. Katowice	(37,50%)

3. Consolidated financial report for 2006 was made with the assumption of on going commercial operation of the Stalexport S.A.Capital Group.
4. Financial report and comparable data were prepared in such a way that ensures their comparability with the application of unified accounting principles.

5. 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 group

Consolidation rules

Consolidated financial statement covers the report of the dominant entity Stalexport S.A. and reports of subsidiaries controlled by the dominant entity. The possibility of managing the operational and financial policy by the dominant entity in order to obtain benefits is understood as control.

Subsidiaries

Subsidiaries are included in consolidated financial report as of the date of taking control over them by the dominant entity. As of the date of purchasing the subsidiary (taking over control) assets, liabilities and conditioned liabilities of the subsidiary are valued in accordance with the fair value. The surplus of the purchase price over assumed fair value of acquired net assets constitutes the goodwill of the company. The surplus of taken over net value of assets expressed in fair values, is revealed in Profit and Loss account in a business year in which the purchase took place.

The shares of minority shareholders are revealed in accordance with the fair value of assets related to them.

All financial operations among the entities within the capital group are excluded from the consolidated financial statement. All profit and loss concerning business operations in progress as of the date of consolidation report are also subject to the said elimination. Part of equity of Stalexport S.A. capital group related to minority capital is revealed in a separate item of equity.

Affiliated entities

Affiliated entities are those entities on which the group has significant impact understood as influence on decision making in the scope of shaping financial and operational policy.

Shares in affiliated entities are revealed in the financial statements in accordance with equity method valuation, except for situations when the shares are classified as available for sale.

Purchase price of share in affiliated entity is subject to adjustment concerning all effects of change of fair value regarding net assets related to the value of possessed shares from the purchase date to the date of the financial report and the results of approved loss of value. All profit and loss on transactions conducted among entities in the group and affiliated entities are excluded to the level of possessed share.

Long term assets

Tangible fixed assets

Assets in accordance with their net purchase value are included in fixed assets (excluding VAT) and whose use period is not longer than 1 year and the perpetual usufruct right to land, cooperative right to residential premises, land subject to perpetual usufruct.

Tangible fixed assets are depreciated by means of a straight line method in the period of their economic usage. Fixed assets are depreciated from the moment of taking a fixed asset to exploitation. Land is not subject to depreciation. Renovation costs and modernization costs do not increase the original value of a given used fixed assets' item, they charge the costs of the period related to their incurring.

Fixed assets that are subject to financial leasing are revealed in the balance sheet as well as other fixed assets and are subject to depreciation in the same way.

Intangible assets

Intangible assets acquired from a commercial entity as a separate transaction are activated on the basis of their purchase price. 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.

Intangible assets are depreciated by straight line method with taking into account the period of their usage period. .

Intangible assets with specified usage term are subject to depreciation by means of line method within the period of their economic usage.

Goodwill of subsidiaries

Revealed as item of assets as of the purchase date, the goodwill is a surplus of purchase price over the fair value of purchased assets, liabilities and conditioned liabilities of a subsidiary, affiliated entity or co-dependent entity. The said value is subject to annual test for loss of value. The loss of value established during the tests is immediately revealed in the Profit and Loss Account and is not subject to further adjustment.

Long term receivables

Long term receivables are valued at the amount due with taking into account caution valuation principle i.e. decreased by a write down.

Long term investment

Items of long term financial assets are evaluated at the purchase price with taking into account adjustments for permanent loss of value.

Investment property is kept in order to obtain income on rent or increase of their value, they are evaluated as of the moment of purchase in accordance with the purchase price (manufacture cost), as of the balance sheet date in accordance with their fair value. Income and cost related to leading their value to fair value is related to Profit and Loss Account in the period when they were created.

Assets available for sale

Assets available for sale is a group of assets as to which the management of the group is looking for a buyer and the probability of selling such assets within one year or its availability for sale is immediate.

Assets due to deferred income tax

Balance sheet value of the assets item due to deferred income tax is verified as of each balance sheet date and is subject to write down in case when there is doubt of using by the group economic benefits related to the usage of tax assets.

Short term assets

Stock

Stock of materials and goods are valued as of the balance sheet date in accordance with purchase price. Ready products and production in progress are valued in accordance with technical costs of manufacturing (established as direct cost charge of indirect costs established with the assumption of normal use of production capacity). Technical cost of manufacturing does not contain active costs of external financing.

Stock dispatch method is as follows FIFO "*first in – first out*".

If the purchase price or technical cost of manufacturing of stock higher than predicted sale price, the Company makes a write down that adjust own cost of sale.

Write down is also made in case of stock that does not reveal turnover 360 days.

Short term receivables

Short term receivables are revealed in the amounts due with taking into account cautious evaluation, i.e. decreased by write down as result from the analysis of such receivables and decisions made by the Management Board of Companies.

Amount of created update revaluation shall be related to other costs of operations.

Short term investments

Short term investments cover:

- securities that are revealed at purchase prices in accordance with the "first-in first-out" rule. Possessed shares of publicly quoted companies are subject to update as of the balance sheet date in accordance with the average stock exchange rate as of 29th December 2006 provided by Warsaw Stock Exchange,
- short term loans revealed in the amounts due.

Cash and cash equivalents

Cash covers cash in the bank and on hand. It is revealed in nominal value, and in foreign currencies in accordance with the average exchange rate of the National Bank of Poland as of 29th December 2006.

Positive exchange rates increase financial income and negative ones increase financial costs.

Liabilities

Long term liabilities

Liabilities cover:

- payments due to credits and loans – they are revealed in accordance with purchase price reflecting the fair price of received cash,
- composition liabilities – they were listed in relation to composition agreement of Stalexport S. A. with creditors after taking into account 40 % write off resulting from the concluded composition agreement,
- leasing liabilities – are activated as of the date of leasing start in accordance with the lower of the two values: fair value of the leasing subject or current value of minimal leasing payments
- liabilities in relation to State Treasury revealed in the amount due in accordance with the concluded agreement,
- provision due to deferred income tax – created to post interest on receivables, for the evaluation of land subject to perpetual; usufruct and other valuations of assets,
- provisions for other liabilities – they are created if there is a legal obligation concerning the Company and resulting from past events and when it is probable that fulfilment of such an obligation shall cause outflow of means and that it is possible to make a reliable calculation of such an obligation's amount,
- long term settlements (long term payments and accruals) cover settlement of income due to rents for passenger service places and renting light pipes to Stalexport Autostrada Małopolska S.A. Mysłowice. Settlement period to the year 2027.
- long term liabilities in Stalexport Autostrada Małopolska S.A. Mysłowice in relation to State Road Fund (Krajowy Fundusz Drogowy due to EBOR credit drawn by State Treasury for construction of the following section of A-4 motorway Katowice – Kraków were discounted as of 1st January and 31st December 2006.

Short term liabilities

Liabilities are revealed in the amount due.

Negative exchange rate differences are accounted for as financial costs, and positive exchange rate differences are accounted for as financial income.

Short term liabilities cover :

- credits and loans that were granted for one year,
- liabilities due to deliveries, works and services – these are liabilities whose due date is up to one year,
- other liabilities - these are liabilities due to customs, taxes and other bonuses, received advance payments insurances, bill of exchange obligations, due to investments, received due payment on the account of increasing basic capital, and others,
- provisions for liabilities and short term settlements – concern the same items as the titles mentioned in long term liabilities, but with the due date up to one year.

Consolidated balance sheet

	note	2006	2005
ASSETS			
I. Long-term assets		579 799	595 001
1. Fixed assets	1	336 996	307 310
1. Intangible assets, including:	2	420	413
- goodwill		-	-
3. Goodwill of subordinated entities	3	-	-
4. Long-term receivables	4	-	509
5. Long-term investments	5	25 036	62 780
5.1 Real estates		10 000	56 946
5.2 Intangible assets		-	-
5.3 Long-term financial assets		5 036	5 834
a) in related entities, including:		3 796	3 631
- stocks or shares in subsidiary entities evaluated via the method of ownership rights		3 349	3 451
shares in subsidiary and correlated entities not covered by consolidation		447	180
b) in other entities		1 240	2 203
5.4 Other long-term investments		10 000	-
6. Assets available for sale	6	15	4 231
7. Assets by virtue of the deferred income tax	7	8 795	6 064
8. Long-term interperiod settlements	8	208 537	213 694
II. Short-term assets		277 978	187 885
1. Inventories	9	69 436	53 151
2. Short-term receivables	10	108 160	97 418
3. Short-term investments	11	4 546	235
4. Cash and its equivalent	12	84 036	26 214
5. Short-term interperiod settlements	13	11 800	10 867
Assets in total		857 777	782 886

	note	2006	2005
LIABILITIES			
I. Equity capital		191 011	33 405
I.1 Equity capital per shareholder(s) of the Company		185 374	29 357
1. Share capital	14	315 524	215 524
2. Not paid-up share capital (negative value)		-	-
3. Own shares in treasury (negative value)	15	(71)	(73)
4. Inventory capital	16	151 821	101 675
5. Revaluation capital	17	19 338	16 393
6. Other reserve capitals	18	490	51 017
7. Differences in rates from re-counting of the subordinated entities		(46)	-
a) positive differences in rates		-	-
b) negative differences in rates		46	-
8. Prior years' profit (loss)		(352 503)	(252 791)
9. Net profit (loss) falling to the shareholders of the company		50 821	(102 388)
10. Deductions from net profit during the financial year (negative value)	19	-	-
I.2.Minority capitals	20	5 637	4 048
II. Long-term liabilities	21	473 510	637 009
1. Credits and loans		26 717	78 040
2. Liabilities by virtue of financial leasing		4 489	6 302
3. Trade creditors		-	-
4. Other liabilities		290 774	509 714
5. Reserve by virtue of the deferred income tax	22	4 092	11 209
6. Reserves for other liabilities	23	13 861	13 418
7. Long-term interperiod settlements	24	133 577	18 326
IV. Short-term liabilities	25	193 256	112 472
1. Credits and loans		44 048	5 528
2. Liabilities by virtue of financial leasing		-	-
3. Trade creditors		84 486	74 126
4. Other liabilities		51 435	19 761
5. Reserves for liabilities	26	1 791	6 282
6. Short-term interperiod settlements	27	11 496	6 775
Liabilities in total		857 777	782 886

Book value		191 011	33 405
Number of shares		157 762 023	107 762 023
Book value per share (in zlotys)	28	1,21	0,31
Diluted number of shares			
Book value per share (in zlotys) - diluted			

Consolidated profit and loss account

	note	2006	2005
I. Net incomes from the sale of products, goods and materials, including:		737 112	620 762
1. Net incomes from the sale of products	30	190 034	139 728
2. Net incomes from the sale of goods and materials	31	547 078	481 034
II. Costs of sold goods, products and materials, including:		575 346	502 931
1. Cost of manufacturing sold products	32	80 102	59 922
2. Value of sold goods and materials		495 244	443 009
III. Gross profit (loss) on sales (I - II)		161 766	117 831
IV. Other operating incomes	33	46 892	61 718
V. Sales costs		24 695	19 191
VI. Costs of general management		79 825	54 558
VII. Other costs	34	33 134	155 012
VIII. Share in profits (losses) in subordinated entities evaluated by property right method		(35)	(191)
IX. Profit (loss) from operating activity (III + IV - V- VI - VII +/- VIII)		70 969	(49 403)
X. Financial incomes	35	28 208	135 704
XI. Financial costs	36	41 184	169 883
XII. Profit (loss) on sales of total or part of shares in subordinated entites	37	-	-
XIII. Gross profit (loss) (IX + X - XI +/- XII)		57 993	(83 582)
XIV. Income tax	38	4 203	16 976
a) current part		15 109	14 556
b) deferred part		(10 906)	2 420
XV. Net profit (loss) (XIII - XIV) including:		53 790	(100 558)
- Profits (losses) of minority		2 969	1 830
- Profit (loss) falling to the shareholders of the company	39	50 821	(102 388)
Net profit (loss)		50 821	(102 388)
Average weighted number of ordinary shares	40	157 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)		0,32	(0,95)
Average weighted diluted number of ordinary shares	40		
Diluted profit (loss) per one ordinary share (in zloty)			

Changes in consolidated equity capital

	2006	2005
I. Equity capital at the beginning of period (opening balance)	33 405	82 057
a) changes in accepted accounting principles (policy)		
b) corrections of material faults		
Ia. Equity capital at the beginning of period (opening balance), after restatement to comparative data	33 405	82 057
1. Share capital at the beginning of period	215 524	215 524
1.1. Changes in share capital	100 000	-
a) additions, of which:	100 000	-
- issuance of shares	100 000	
- increase in basic capital		
b) reductions, of which:	-	-
- retirement of shares		
- decrease in basic capital		
1.2. Share capital at the end of period	315 524	215 524
2. Not paid-up share capital at the beginning of period	-	-
2.1. Changes in not paid-up share capital	-	-
a) additions, of which:	-	-
consolidation adjustments		
		-
b) reductions, of which:	-	-
- settlement of due payments		
consolidation adjustments		
2.2. Not paid-up share capital at the end of period	-	-
3. Own shares in treasury at the beginning of period	(73)	(44)
3.1. Changes in own shares in treasury	2	(29)
a) additions, of which:	-	(576)
- issue for minority shareholders		(576)
consolidation adjustments		-
b) reductions, of which:	(2)	(547)
- issue for minority shareholders	(2)	(547)
consolidation adjustments		-
3.2. Own shares in treasury at the end of period	(71)	(73)
4. Reserve capital at the beginning of period	101 675	113 153
4.1. Changes in reserve capital	50 146	(11 478)
a) additions, of which:	50 191	31 832
- shares issue above nominal value	2 887	-
- distribution of profit	47 218	30 888
- distribution of profit (in excess of value required by law)	-	347
- exclusions re the minority shareholders	-	-
- other	57	562
- sale, disposal of fixed assets	29	35
b) reductions, of which:	45	43 310
- loss coverage	9	42 894
- exclusion of surcharges to capital	-	-
- exclusions re the minority shareholders	36	416
4.2. Reserve capital at the end of period	151 821	101 675
5. Revaluation capital at the beginning of period	16 393	43 382
5.1. Changes in revaluation capital	2 945	(26 989)
a) additions, of which:	4 506	7 904
- re-evaluation of fixed assets	4 506	7 903
consolidation adjustments	-	1
b) reductions, of which:	1 561	34 893
- sale, liquidation of fixed assets	29	35
- transferred for capital of the minority shareholders	1 532	34 683
- other	-	175
5.2. Revaluation capital at the end of period	19 338	16 393

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	2006	2005
6. Other reserve capital at the beginning of period	51 017	97 446
6.1. Changes in other reserve capital	(50 527)	(46 429)
a) additions, of which:	892	51 215
profit distribution	892	-
- execution of the arerangement liabilities - repayment of instalments	-	51 017
- exclusion of the company Centrostal Warszawa from the capital group	-	198
b) reductions, of which:	51 419	97 644
- loss coverage	51 017	95 979
- other	402	-
- consolidated adjustments	-	1 665
6.2. Other reserve capitals at the end of the period	490	51 017
7. Rates differences from re-calculation of subordinated entities	(46)	-
8. Prior years' profit (loss) at the beginning of period	(252 791)	(404 179)
8.1. Prior years' profit at the beginning of period	2 652	10 288
a) changes in accepted accounting principles (policies)	-	-
b) corrections of material faults	-	-
8.2 Prior years' profit at the beginning of period, after restatement to comparative data	2 652	10 288
a) additions, of which:	56 712	19 728
prior years' profit distribution	52 216	19 469
- other	1 915	-
- elimination re the minority shareholders	2 581	259
b) reductions, of which:	57 473	27 364
- transition to reserve capital	47 107	13 246
- dividend payment	4 763	1 965
- other	1 317	783
-consolidated adjustments regarding the excluding of dissolved updating write-offs from previous years	517	3 628
- consolidated adjustments	3 769	7 742
8.3 Prior years' profit at the end of period	1 891	2 652
8.4 Prior years' loss at the beginning of period	255 443	414 467
a) changes in accepted accounting principles (policies)	-	(95)
b) corrections of material faults	-	-
8.5 Prior years' loss at the beginning of the period after restatement to comparative data	255 443	414 372
a) additions, of which:	150 472	3 389
transition of prior years' loss to be covered	1 248	834
-consolidated adjustments regarding the excluding of dissolved updating write-offs from previous years	149 224	-
- elimination re the minority shareholders	-	2 555
b) reductions, of which:	51 521	162 318
- loss coverage by profit	51 442	154 398
-consolidated adjustments regarding the excluding of dissolved updating write-offs from previous years	79	7 920
8.6. Prior years' loss at the end of period	354 394	255 443
8.7. Prior years' profit (loss) at the end of period	(352 503)	(252 791)
9. Net profit (loss) falling to the shareholders of the company	50 821	(102 388)
a) net profit falling to the shareholders of the company	50 821	-
b) net loss falling to the shareholders of the company	-	102 388
10. Odpisy z zysku netto w ciągu roku obrotowego (wielkość ujemna)	-	-
10.1. Minority capital at the beginning of period	4 048	5 262
a) increases	4 505	2 618
b) decreases	2 916	3 832
10.2 Minority capital at the end of period	5 637	4 048
II. Equity capital at the end of period (closing balance)	191 011	33 405
III. Equity capital adjusted by the proposed distribution of profit (coverage of loss)	191 011	33 405

Consolidated cash flow account (indirect method)

	2006	2005
A. Cash flows from operating activities - indirect method		
I. Net profit (loss) falling to the shareholders of the Company	50 821	(102 388)
II. Total adjustments	(45 250)	207 975
1. Profits (losses) of minority	2 969	1 830
2. Share in net (profits) losses of subordinated companies valued under the equity method	35	191
3. Depreciation of which	19 682	8 980
4. (Gain) loss on foreign exchange differences	(13)	-
5. Interests and shares in profits (dividends)	1 017	2 713
6. (Gain) loss on investing activities	(195)	5 994
7. Change in provisions	(4 983)	(1 027)
8. Change in inventories	(16 424)	19 608
9. Change in receivables	6 484	91 973
10. Change in current liabilities (excluding loans and bank credits)	(162 290)	297 945
11. Change in deferred and accrued expenses	114 786	(302 174)
12. Other adjustments	(6 318)	81 942
III. Net cash flows from operating activities (I+II)	5 571	105 587

	2006	2005
B. Net cash flows from investing activities		
I. Inflows	81 828	101 962
1. Disposal of intangible assets and tangible fixed assets	10 559	3 818
2. Disposal of investments in real-estate and intangible assets	55 041	13 200
3. Disposal of financial assets, of which:	16 228	7 582
a) in related companies	5 609	2 284
- disposal of financial assets	-	-
- dividends and shares in profits	5 025	2 221
- payment of long-term loans granted	532	-
- interest	52	63
- other income from financial assets	-	-
b) in other companies	10 619	5 298
- disposal of financial assets	187	555
- dividends and shares in profits	9	1
- payment of long-term loans granted	211	159
- interests	3 712	4 334
- other income from financial assets	6 500	249
4. Other investing income	-	77 362
II. Expenditure	66 304	148 792
1. Purchases of intangible assets and tangible fixed assets	50 357	148 009
2. Investments in real-estate and intangible assets	-	-
3. For financial assets, of which:	13 884	783
a) in related companies	319	390
- acquisition of financial assets	-	190
- long-term loans granted	319	200
b) in other entities	13 565	393
- acquisition of financial assets	13 565	393
- long-term loans granted	-	-
4. Dividends and other shares in profits paid to minority	-	-
5. Other investing expenses	2 063	-
III. Net cash flows from investing activities (I-II)	15 524	(46 830)

	2006	2005
C. Cash flows from financing activities		
I. Inflows	79 163	1 536
1. Inflows from shares issuing and other capital instruments and surcharges to capital	69 070	992
2. Credits and loans	10 001	301
3. Issuance of debt securities	-	-
4. Other financial income	92	243
II. Expenses	42 436	56 304
1. Acquisition of own shares	-	23
2. Dividends and other payments to shareholders	7 211	4 008
3. Other than payments in favour of owners, expenses by virtue of profit distribution	-	-
4. Payments of credits and loans	22 583	39 043
5. Redemption of debt securities	-	-
6. Payments of other financial liabilities	-	-
7. Finance lease commitments paid	1 732	1 699
8. Interests	10 490	10 038
9. Other financial expenses	420	1 493
III. Net cash flows from financing activities (I-II)	36 727	(54 768)
D. Total net cash flows (A.III+B.III+C.III)	57 822	3 989
E. Change in balance-sheet cash and cash equivalents	57 822	3 989
F. Cash and cash equivalents - beginning of period	26 214	22 225
G. Cash and cash equivalents - end of period (D+F)	84 036	26 214
- of which those with restricted availability		

Explanatory notes to consolidated balance sheet

Note 1A

TANGIBLE FIXED ASSETS	2006	2005
a) tangible assets, of which:	286 492	292 471
- land (including the right of perpetual usufruct of land)	20 991	17 760
- buildings, premises and land and water engineering structures	239 535	248 041
- machinery and technical equipment	19 914	19 397
- transportation vehicles	3 766	4 494
- other tangible assets	2 286	2 779
b) tangible assets in progress	50 468	14 839
c) prepaid tangible assets in progress	36	-
Total tangible fixed assets	336 996	307 310

Note 1B

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

Note 1C

BALANCE SHEET TANGIBLE FIXED ASSETS (BY OWNERSHIP)	2006	2005
a) owned	279 972	289 137
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:	6 520	3 334
- passenger's car leasing	173	223
- other	6 347	3 111
Total balance sheet tangible fixed assets	286 492	292 471

Note 1D

TANGIBLE FIXED ASSETS SHOWN in OFF-BALANCE 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		-
- by virtue of operating leasing agreement	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 perpetual usufruct of land)	- buildings, premises and land and water engineering	-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	18 137	262 974	50 901	11 672	8 350	352 034
b) additions of which)	3 482	14 333	3 260	616	155	21 846
- purchase	-	303	3 155	609	155	4 222
- accepted from investment	76	11 892	103	-	-	12 071
- donations	-	-	-	-	-	-
- widening of the Capital Group	-	-	-	-	-	-
- other	3 406	2 138	2	7	-	5 553
c. Reductions, of which :	324	7 153	1 364	438	79	9 358
- sale	324	7 153	204	426	36	8 143
- liquidation	-	-	1 160	-	43	1 203
- donations	-	-	-	-	-	-
- other	-	-	-	12	-	12
d. Gross value of tangible fixed assets at the end of period	21 295	270 154	52 797	11 850	8 426	364 522
e. Accumulated depreciation (amortisation) at the beginning of period	377	14 933	31 504	7 178	5 571	59 563
f. Depreciation for the period of which)	(73)	15 686	1 379	906	569	18 467
- current amortisation	121	15 059	2 300	1 292	638	19 410
- other	(117)	850	-	-	-	733
- disposal, liquidation and donations of tangible fixed assets and other deductions	(77)	(223)	(921)	(386)	(69)	(1 676)
g. Accumulated depreciation (amortisation) at the end of period	304	30 619	32 883	8 084	6 140	78 030
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	20 991	239 535	19 914	3 766	2 286	286 492

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:	228	410
- computer software	218	394
d) other intangible assets	192	3
e) prepaid intangible assets	-	-
Total intangible assets	420	413

Note 2B

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

Note 2C

INTANGIBLE ASSETS - by ownership	2006	2005
a) owned	420	413
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:		
-		
Total intangible assets	420	413

CHANGES IN INTANGIBLE ASSETS - by category							
	a	b	c		d	e	
	costs of finished research and development work	goodwill	concessions, patents, licences and similar assets purchased, of which:		other intangible assets	prepaid intangible assets	Total intangible assets
				computer software			
a). Gross value of intangible assets at the beginning of period			3 151	2 404	979	-	4 130
b) additions, of which:	-	-	58	38	191	-	249
- purchase	-	-	58	38	-	-	58
- accepted from investment	-	-	-	-	-	-	-
- widening of the Capital Group	-	-	-	-	-	-	-
- other	-	-	-	-	191	-	191
c. Reductions, of which :	-	-	419	419	-	-	419
- sale	-	-	3	3	-	-	3
- liquidation	-	-	95	95	-	-	95
- Capital Group decrease	-	-	-	-	-	-	-
- other	-	-	321	321	-	-	321
d. Gross value of intangible fixed assets at the end of period	-	-	2 790	2 023	1 170	-	3 960
e. Accumulated depreciation (amortisation) at the beginning of period			2 741	2 010	976	-	3 717
f. Depreciation for the period of which)	-	-	(179)	(205)	2	-	(177)
- current amortisation	-	-	223	197	2	-	225
- other	-	-	(398)	(398)	-	-	(398)
- disposal of intangible fixed assets	-	-	(4)	(4)	-	-	(4)
g. Accumulated depreciation (amortisation) at the end of period	-	-	2 562	1 805	978	-	3 540
h. Write-downs due to permanent loss of value at the beginning of period	-	-	-	-	-	-	-
- additions							-
- reductions							-
i. Write-downs due to permanent loss of value at the end of period	-	-	-	-	-	-	-
j. Net value of intangible fixed assets at the end of period	-	-	228	218	192	-	420

Note 3A

GOODWILL OF SUBORDINATED ENTITIES	2006	2005
a. Goodwill - subsidiary entities	-	-
b. Goodwill - affiliated entities	-	-
Goodwill of subordinated entities in total	-	-

Note 3B

CHANGE IN GOODWILL - SUBSIDIARY ENTITIES	2006	2005
a. Gross goodwill at the beginning of the period	1 291	1 879
b. Increase (by virtue of)	-	-
- purchase	-	-
- calculation corrections	-	-
c. decrease (by virtue of)	-	588
- capital group decreasing	-	588
d. gross goodwill at the end of the period	1 291	1 291
e. deduction of the goodwill at the beginning of the period	1 291	1 879
f. deduction of the goodwill for the period (by virtue of)	-	(588)
- depreciation	-	-
- capital group decreasing	-	(588)
g. Deduction of the goodwill at the end of the period	1 291	1 291
h. net goodwill at the end of the period	-	-

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

Note 3C

CHANGE OF THE GOODWILL - AFFILIATED COMPANIES	2006	2005
a. gross goodwill at the beginning of the period	-	-
b. increase (by virtue of)	-	-
- purchase		-
- calculation correction		-
c. decrease (by virtue of)	-	-
- sale		-
d. gross goodwill at the end of the period	-	-
e. deduction of the goodwill at the beginning of the	-	-
f. deduction of the goodwill for the period (by virtue of)	-	-
- depreciation		-
- consolidation correction		-
g. deduction of the goodwill at the end of the period	-	-
h. Net goodwill at the end of the period	-	-

Entity	Mode of determining goodwill	gross Goodwill	Hitherto deduction
TOTAL:		-	-

Note 4A

LONG-TERM RECEIVABLES	2006	2005
a) from related entities, of which:	-	-
- from subsidiary entities (by virtue of)	-	-
- supplies and services		
- other		
- from associated entities (by virtue of)	-	-
- supplies and services		
- other		
- from dominant entity (by virtue of)	-	-
- supplies and services		
- other		
b) from other entities (by virtue of)	-	509
- supplies and services		
- deposits		509
Net long-term receivables	-	509
c) write-off updating receivables		
Gross long-term receivables	-	509

Note 4B

CHANGES IN LONG-TERM RECEIVABLES (by genre)	2006	2005
a. Balance at the beginning of period	509	942
b. Additions (in virtue of)	-	-
- widening of the capital group		-
- reclassification		-
- other		-
c. Reductions (in virtue of)	509	433
- capital group reduction		-
- reclassification		-
- other	509	433
Long-term receivables at the end of period	-	509

Note 4C

CHANGES IN ALLOWANCES FOR LONG-TERM RECEIVABLES	2006	2005
a. Balance at the beginning of period	-	2 021
b. Additions (in virtue of)	-	-
- trade accounts receivable		-
- widening of the capital group		-
- rate differences		-
- other		-
c. Exercised (in virtue of)	-	2 021
- trade accounts receivable		1 354
- capital group reduction		-
- rate differences		-
- other		667
d. Dissolution (in virtue of)	-	-
- trade accounts receivable		-
- other		-
Allowances for long-term receivables at the end of period	-	-

Note 4D

v	2006	2005
a) in Polish currency		-
b) in foreign currencies (acc.to currencies and after calculating into zloty)	-	509
b1. unit/currency in USD		156
in zloty		509
b2. unit/currency in EUR		-
in zloty		-
b3. unit/currency: GBP		-
in zloty		-
b4. other currencies in zloty		-
Long-term receivables in total	-	509

Note 5A

CHANGES IN REAL ESTATE (BY CATEGORY)	2006	2005
a. balance at the beginning of period including:	56 946	83 604
b. Additions (in virtue of)	-	-
- widening of the Capital Group	-	-
- reclassification	-	-
- purchase	-	-
- other	-	-
c. Reduction (in virtue of)	46 946	26 658
- capital group decrease	-	-
- reclassification	-	-
purchase price of the sold right of perpetual usufruct of land in warsaw at Obrzeźna Street	46 946	26 658
Balance at the end of period	10 000	56 946

Note 5B

CHANGES IN INTANGIBLE ASSETS (BY CATEGORY)	2006	2005
a. balance at the beginning of period	-	-
b. Addition (in virtue of)	-	-
- widening of the Capital Group	-	-
- reclassification	-	-
	-	-
	-	-
	-	-
- other	-	-
c. Reduction (in virtue of)	-	-
- capital group decrease	-	-
- reclassification	-	-
	-	-
	-	-
	-	-
- other	-	-
Balance at the end of period	-	-

Note 5C

LONG-TERM FINANCIAL ASSETS	2006	2005
a. in subsidiary and interrelated entities which are not subject to consolidation	447	180
- shares or stocks	447	180
- debt securities		-
- other securities (by type)		-
		-
		-
- loans granted		-
- other long-term financial assets (by type)		-
		-
		-
b. in subsidiary, interrelated and affiliated entities evaluated via the method of ownership rights	3 349	3 451
- shares or stocks	3 349	3 451
- debt securities		-
- other securities (by type)		-
		-
		-
- loans granted		-
- other long-term financial assets (by type)		-
		-
		-
c. in other entities	1 240	2 203
- shares or stocks	1 240	2 203
- debt securities		-
- other securities (by type)		-
		-
		-
- loans granted		-
- other long-term financial assets (by type)		-
		-
		-
Long-term financial assets in total	5 036	5 834

Note 5D

CHANGE IN THE STATE OF LONG-TERM FINANCIAL ASSETS (ACC. TO GENRE GROUPS)	2006	2005
a. state at the beginning of the period	5 834	6 287
b. increase (by virtue of)	-	2 177
- widening of the capital group		-
- shares and stocks	-	2 177
- other		-
c. decrease (by virtue of)	798	2 630
- dividend payment for in associated company	-	-
- shares and stocks	386	2 225
- other long-term financial assets	-	-
- updating write offs	253	-
- consolidation adjustments	26	405
- other	133	-
State at the end of the period	5 036	5 834

Note 5E

SHARES OR+A11 STOCKS IN SUBORDINATED ENTITIES												
Item no.	a	b	c	d	e	f	g	h	i	j	k	l
	name of the entity with the indication of legal form	seat	core business of the enterprise	interrelated nature (subsidiary, interdependent, affiliated entity with the specification of direct and indirect links)	the applied consolidation method /evaluation via the ownership rights method or indication that the entity is not subject to consolidation	date of taking over control/co-control/gaining a significant influence	value of shares/stocks acc.to purchase price	corrections updating the value (in total)	balance sheet value of shares/stocks	per cent of the possessed stock capital	share in the total number of votes at the general meeting	indicating the basis of control/co-control significant influence other than that defined under letter j) or k).
1.	Stalexport Autostrada Małopolska S.A.	Mysłowice	construction and exploitation of the A-4 motorway on Kraków-Katowice stretch	subsidiary	full	1998 r.	163 750	-	163 750	100,00%	100,00%	
2.	Stalexport Autostrada Dolnośląska S.A.	Katowice	construction and exploitation of the A-4 motorway on Wrocław-Katowice stretch	subsidiary	full	1997 r.	28 075	(7 548)	20 527	100,00%	100,00%	
3.	Stalexport Autoroute S.A.r.l.	Luksemburg	servicing the motorway projects	subsidiary	full	2005 r.	182 231	-	182 231	100,00%	100,00%	
4.	Petrostal S.A. In liquidation	Warszawa	building products and materials trading	subsidiary	not consolidated	2005 r.	1 727	(1 727)	-	100,00%	100,00%	
5.	Stalexport Metalzbyt Sp. z o.o.	Białystok	Steel products trading	subsidiary	full	2005 r.	1 287	(1 287)	-	98,76%	98,76%	
6.	Stalexport Zaptor S.A. w likwidacji	Olsztyn	Steel products trading	subsidiary	not consolidated	2002 r.	173	(173)	-	98,69%	98,69%	
7.	Stalexport Wielkopolska Sp. z o.o. w upadłości	Komorniki	Steel products trading	subsidiary	not consolidated	1990 r.	12 072	(12 072)	-	97,96%	97,96%	
8.	Stalexport Serwis Centrum S.A. Katowice	Katowice	Steel products trading	subsidiary	full	1992 r.	22 214	(600)	21 614	97,78%	97,78%	
9.	Stalexport Serwis Centrum S.A. Bełchatów	Rogowiec	Steel products trading	subsidiary	full	2005 r.	4 723	(3 223)	1 500	95,14%	95,14%	

SA-RS 2006

10.	Stalexport Centrostal S.A.Lublin	Lublin	Steel products trading	subsidiary	full	1992 r.	500	-	500	66,00%	66,00%	
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C.d. Note 5E

SHARES OR STOCKS IN SUBORDINATED ENTITIES												
Item no.	a	b	c	d	e	f	g	h	i	j	k	l
	name of the entity with the indication of legal form	seat	core business of the enterprise	interrelated nature (subsidiary, interdependent, affiliated entity with the specification of direct and indirect links)	the applied consolidation method /evaluation via the ownership rights method or indication that the entity is not subject to consolidation	date of taking over control/co-control/gaining a significant influence	value of shares/stocks acc.to purchase price	corrections updating the value (in total)	balance sheet value of shares/stocks	per cent of the possessed stock capital	share in the total number of votes at the general meeting	indicating the basis of control/co-control significant influence other than that defined under letter j) or k).
11.	Stalexport Transroute Autostrada S.A.	Mysłowice	Activity connected with operating A4 motorway section Kraków-Katowice	subsidiary	full	1998 r.	19 730	-	19 730	55,00%	55,00%	
12.	Invest Centrostal Sp. z o.o.	Warszawa	General building industry	associated	not consolidated	2005 r.	297	(297)	-	42,00%	42,00%	
13.	Biuro Centrum Sp. z o.o.	Katowice	Administration of the building at 29 Mickiewicza Street	associated	ownership right	1994 r.	32	-	32	40,63%	40,63%	
14.	Stalexport Autostrada Śląska S.A.	Katowice	construction +exploitation of the Katowice-Wrocław motorway	associated	ownership right	01.09.2001 r.	16 500	(13 335)	3 165	37,50%	37,50%	
15.	In-Bud Sp. z o.o.	Ostrołęka	production of steel construction and trade	subsidiary	not consolidated	17.05.2001 r.	451	(4)	447	99,00%	99,00%	
									-			
	TOTAL:						453 762	(40 266)	413 496			

Note 5F

SHARES IN SUBORDINATED COMPANIES																		
Item No.	a name of the entity with the indication of the legal form	m equity capital of the entity including:							n liabilities and reserves for liabilities of the entity, including:			o receivables of the entity, including:		p assets of the entity in total	r incomes from sales	s value of shares/stocks not paid by the issuer	t received or due dividends/shares in profits for the last turnover year	
		share capital	due payments for capital (negative value)	reserve capital	other equity capital, including:			long-term liabilities	short-term liabilities	long-term receivables	short-term receivables	in total	in total	in total	in total	in total	in total	
					profit (loss) from previous years	net profit (loss)	profit (loss) from previous years											net profit (loss)
1.	Stalexport Autostrada Małopolska S.A.	218 090	29 553	-	142 192	46 345	-	46 345	314 148	284 011	30 137	4 387	-	4 387	532 238	121 538	-	-
2.	Stalexport Autostrada Dolnośląska S.A.	15 899	40 100	(4 134)	438	(20 505)	(20 390)	(115)	373	333	40	861	-	861	16 272	-	4 134	-
3.	Stalexport Autoroute S.A.r.l.	184 491	182 231	-	1 882	378	-	378	8	-	8	-	-	-	184 499	-	-	2 805
4.	Petrostal S.A. In liquidation	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d
5.	Stalexport Metalzbyt Sp. z o.o.	(1 237)	2 980	-	111	(4 328)	(4 451)	123	2 114	-	2 114	188	-	188	877	3 226	-	-
6.	Stalexport Zaptor S.A. w likwidacji	b.d.	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d
7.	Stalexport Wielkopolska Sp. z o.o. w upadłości	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d	b.d
8.	Stalexport Serwis Centrum S.A. Katowice	29 376	22 719	-	4 686	1 971	(6 944)	994	4 831	111	4 720	9 442	212	9 230	34 207	79 044	-	-
9.	Stalexport Serwis Centrum S.A. Belchatów	2 790	3 335	-	-	(545)	(458)	(87)	721	-	721	63	-	63	3 511	305	-	-
10.	Stalexport Centrostal S.A.Lublin	6 144	500	-	2 194	3 450	(1 579)	211	5 204	1 079	4 125	3 304	-	3 304	11 348	20 502	-	-

Ctd Note 5F

SHARES IN SUBORDINATED COMPANIES																		
Item No.	a name of the entity with the indication of the legal form	m equity capital of the entity including:							n liabilities and reserves for liabilities of the entity, including:			o receivables of the entity, including:			p assets of the entity in total	r incomes from sales	s value of shares/stocks not paid by the issuer	t received or due dividends/shares in profits for the last turnover year
		share capital	due payments for capital (negative value)	reserve capital	other equity capital, including:			long-term liabilities	short-term liabilities	long-term receivables	short-term receivables	in total	in total	from sales	by the issuer	for the last turnover year		
					profit (loss) from previous years	net profit (loss)	profit (loss) from previous years										net profit (loss)	
11.	Stalexport Transroute Autostrada S.A.	6 283	500	-	167	5 616	-	6 398	9 548	4 435	5 113	5 452	-	5 452	15 831	26 106	-	-
12.	Invest Centrostal Sp. z o.o.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.
13.	Biuro Centrum Sp. z o.o.	453	80	-	396	(23)	-	(23)	1 571	159	1 412	1 359	99	1 260	2 024	7 591	-	-
14.	Stalexport Autostrada Śląska S.A.	8 441	44 000	(33 000)	361	(2 920)	(2 851)	(69)	109	72	37	506	-	506	8 550	-	(33 000)	-
15.	In-Bud Sp. z o.o.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.	b.d.
16.		-							-			-						
	TOTAL:	470 730	325 998	(37 134)	152 427	29 439	(36 673)	54 155	338 627	290 200	48 427	25 562	311	25 251	809 357	258 312	(28 866)	2 805

Note 5G

SHARES IN OTHER COMPANIES										
No.	a	b	c	d	e		f	g	h	i
	Name of company and legal status	location	Profile of company	balance sheet value of shares owned	equity capital. Including:		percentahe of owned share capital	share in general number of votes at the general meeting	shares not paid-up by the company	dividends received or receivable for the last year
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 Śląskie	Production of steel pipes	-			7,26%	7,26%		
3.	Beskidzki Dom Maklerski S.A.	Bielsko-Biała	turnover of the securities	1 171			5,10%	5,10%		
4.	other			69						
5.										
	Total			1 240	-	-				

Note 5H

SECURITIES, SHARES AND OTHER LONG-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)	2006	2005
a) in Polish currency	5 036	5 140
b) in foreign currencies (acc. to currencies and after calculating into zloty)	-	694
b1. unit/currency in USD		117
in zloty		383
b2. unit/currency in EUR		81
in zloty		311
b3. unit/currency/GBP		-
in zloty		-
b4. other currencies in zloty		-
Securities, shares and other long-term financial assets in total	5 036	5 834

Note 5I

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 USD		-
in zloty		-
b2. unit/currency in EUR		-
in zloty		-
b3. unit/currency/GBP		-
in zloty		-
b4. other currencies in zloty		-
Securities, shares and other long-term financial assets in total		-

Note 5J

OTHER LONG-TERM INVESTMENTS (ACCORDING TO GENRE)	2006	2005
- long-term deposit in SAM S.A.	10 000	-
		-
		-
		-
Other long-term investments	10 000	-

Note 5K

CHANGE IN THE STATE OF OTHER LONG-TERM INVESTMENTS (ACCORDING TO GENRE GROUPS)	2006	2005
a. state at the beginning of the period	-	-
b. increase (by virtue of)	10 000	-
- long-term deposit in SAM S.A.	10 000	-
- other		-
c. Decrease (by virtue of)	-	-
- other		-
d. state at the end of the period	10 000	-

Note 5L

OTHER LONG-TERM INVESTMENTS (CURRENCY STRUCTURE)	2006	2005
a) in Polish currency	10 000	-
b) in foreign currencies (acc.to currencies and after calculating into zloty)	-	-
b1. unit/currency in USD		-
in zloty		-
b2. unit/currency in EUR		-
in zloty		-
b3. unit/currency:GBP		-
in zloty		-
b4. Other currencies in zloty		-
Other long-term investments in total	10 000	-

Note 6

CHANGE IN ASSETS AVAILABLE FOR SALE	2006	2005
a. state at the beginning of the period	4 231	130 211
b. increase (by virtue of)	15	2 047
- shares of Centrostal S.A. Gdańsk in the company S.C. Lublin	15	2 032
- other	-	15
c. Decrease (by virtue of)	4 231	128 027
- sale of real estate in Wrocław and Katowice	4 231	128 027
- other	-	-
d. state at the end of the period	15	4 231

Note 7

CHANGES IN ASSETS BY VIRTUE OF DEFERRED INCOME TAX	2006	2005
1. Balance of deferred income tax at the beginning of period, of which:	6 064	9 564
a) assigned to financial results	5 913	6 648
b) assigned to equity capital	151	2 916
c) assigned to goodwill	-	-
2. Additions	4 249	2 086
a) assigned to financial results for the period due to negative timing differences:	3 999	1 929
- remuneration by virtue of task work contract not paid on the balance sheet date	14	133
- penal interests not paid on balance sheet date	-	-
-other	3 985	1 796
b) assigned to financial results for the period due to taxation loss:	250	157
- settlement of the tax loss from the priors' years.	239	-
- updating allowance of receivables n.k.u.p.	-	-
-other	11	157
c) assigned to equity capital for the period due to negative timing differences:	-	-
- liabilities by virtue of capital (financial leasing)	-	-
	-	-
	-	-
d) assigned to equity capital for the period due to taxation loss:	-	-
	-	-
	-	-
	-	-
e) assigned to goodwill due to negative timing differences:	-	-
	-	-
	-	-
- other	-	-
3. Reductions	1 518	5 586
a) assigned to financial results for the period due to negative timing differences:	1 272	2 821
- interests payment	-	2 362
- other	1 092	178
- receivables updating	180	281
b) assigned to financial results for the period due to taxation loss:	234	-
	234	-
	-	-
	-	-
c) assigned to equity capital for the period due to negative timing differences:	12	2 765
	12	2 765
	-	-
	-	-
d) assigned to equity capital for the period due to taxation loss:	-	-
	-	-
	-	-
	-	-
e) assigned to goodwill due to negative timing differences:	-	-
	-	-
	-	-
	-	-
4. Total assets by virtue of deferred income tax at the end of period, of which:	8 795	6 064
a) assigned to financial results	8 656	5 913
b) assigned to equity capital	139	151
c) assigned to goodwill	-	-

Note 8

LONG-TERM DEFERRED EXPENSES	2006	2005
a. deferred expenses of which:	208 537	213 694
- costs of the credit of EBRD	203 518	213 694
- commission on preparing the credit	5 019	-
		-
b) other deferred expenses, of which:	-	-
		-
		-
- other		-
Total long-term deferred expenses	208 537	213 694

Note 9

INVENTORIES	2006	2005
a. Materials	10 412	4 419
b. Semi-products and products in progress	-	-
c. Finished products	281	1 139
d. Merchandise	55 186	45 924
e) prepaid supplies	3 557	1 669
Total inventories	69 436	53 151

Note 10A

CURRENT RECEIVABLES	2006	2005
a) from related companies	609	1 098
- trade accounts receivable, with maturity of:	-	336
- less than 12 months	-	336
- over 12 months	-	-
- other	609	762
- receivables in litigation		-
b) from subsidiary and associated companies	107 551	96 320
- trade accounts receivable, with maturity of:	76 454	66 433
- less than 12 months	72 850	62 117
- over 12 months	3 604	4 316
- by virtue of taxes, subsidies, tariffs, social and health security, or other benefits receivable	26 412	19 461
- other	4 685	10 407
- receivables in litigation	-	19
Total net current receivables	108 160	97 418
c. Receivables updating allowances	323 936	334 590
Total gross current receivables	432 096	432 008

Note 10B

CHANGES IN ALLOWANCES FOR CURENT RECEIVABLES	2006	2005
a. Balance at the beginning of period of which:	334 590	225 654
b. Additions of which:	24 355	168 741
- by virtue of trade account receivable	17 866	35 061
- interests receivables	3 374	1 719
- other (interests adjudged, law costs)	3 115	131 961
c. Reduction of which:	35 009	59 805
- utilisation	35 009	25 696
- changes in capital group	-	33 405
- other	-	704
d. Balance of allowances for receivables at the end of period	323 936	334 590

Note 10C

GROSS CURRENT RECEIVABLES - by currency	2006	2005
a) in Polish currency (zlotys)	402 269	418 388
b) in foreign currencies (and as restated in zlotys)	29 827	13 620
b1. Unit / currency in USD	7 523	2 570
in zlotys	22 023	8 334
b2. Unit / currency in EUR	2 037	1 370
in zlotys	7 804	5 286
b3. Unit /currency in GBP	-	-
in zlotys	-	-
b4. Other currencies in zlotys	-	-
Total current receivables	432 096	432 008

Note 10D

LONG-TERM AND SHORT-TERM CONTESTED AND OVERDUE DEBTS	2006	2005
a. Contested and overdue debts by virtue of:	117 610	133 364
- trade accounts receivable	98 081	105 652
- other	19 529	27 712
Long-term and short-term contested and overdue debts in total, including:	117 610	133 364
- from which updated write offs were not executed	20 679	19 120
- not indicated as" receivables in litigation"	70 812	68 079

Note 11A

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 11B

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (BY CURRENCY)	2006	2005
a) in Polish currency (zlotys)	4 522,00	-
b) in foreign currencies (and as restated in zlotys)	-	-
b1. Unit / currency in USD in zlotys		
b2. Unit / currency in EUR in zlotys		
b3. Unit /currency in GBP in zlotys		
b4. Other currencies in zlotys		
Total securities, shares and other short-term financial assets	4 522,00	

Note 11C

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 USD in zlotys		
b2. Unit / currency in EUR in zlotys		
b3. Unit /currency in GBP in zlotys		
b4. Other currencies in zlotys		
Total granted short-term loans	24	235

Note 11D

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

Note 11E

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 USD in zlotys		
b2. Unit / currency in EUR in zlotys		
b3. Unit /currency in GBP in zlotys		
b4. Other currencies in zlotys		
Total other short-term investments	-	-

Note 12A

CASH AND CASH EQUIVALENTS	2006	2005
- cash at bank and on hand	83 326	23 941
- cash equivalents	710	2 273
Total cash and cash equivalents	84 036	26 214

Note 12B

CASH AND CASH EQUIVALENTS (BY CURRENCY)	2006	2005
a) in Polish currency (zlotys)	76 450	24 100
b) in foreign currencies (and as restated in zlotys)	7 586	2 114
b1. Unit / currency in USD	226	218
in zlotys	658	711
b2. Unit / currency in thousand EUR	1 808	364
in zlotys	6 928	1 403
b3. Unit /currency in GBP	-	-
in zlotys	-	-
b4. Other currencies in zlotys	-	-
Total cash and cash equivalents	84 036	26 214

Note 13

SHORT-TERM INTERPERIOD SETTLEMENTS	2006	2005
a. deferred expenses of which:	11 010	10 803
- taxes and securities	615	90
- VAT to be settled next months	21	334
- the Institutional Social Benefit Fund deduction	-	22
- other	10 374	10 357
b) other interperiod settlements, of which:	790	64
- employees' compensations	-	44
- general overhauls	1	1
- costs of company's organisation	134	8
- other	655	11
Total short-term interperiod settlements	11 800	10 867

Note 14

EQUITY CAPITAL (STRUCTURE)								
Series/issue	Type of shares	Type of shares preference	Type of shares restriction	Number of shares	Value of series/ issue according to the nominal value	Terms of acquisition	Date of registration	Right to the dividend (since)
				8 341 030	16 682		05.11.93	05.11.93
				492 796	986		29.08.94	29.08.94
				4 000 000	8 000		10.04.98	01.01.97
				94 928 197	189 856		12.08.03	01.01.03
				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 15A

OWN SHARES IN TREASURY				
Number	Value at purchase price	Balance sheet value	Purchase purpose	Destination
10 461		21	21	przekazanie akcjonariuszom mniejszościowym Stalexport Centrostal Warszawa S.A.
25 000		50	50	w posiadaniu SSC Bełchatów S.A.
35 461		71	71	-

Note 15B

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

Note 16

INVENTORY CAPITAL	2006	2005
a. sale of shares above the nominal value	2 888	-
b) capital established by law	4 365	4 810
c) capital established due to statutory/contractual provisions, in excess of the (minimum) value required by law	140 213	92 519
d. From surcharges of the shareholders	4 263	4 263
e. Other	92	83
Total inventory capital	151 821	101 675

Note 17

REVALUATION CAPITAL	2006	2005
a. Revaluation of tangible assets	12 967	8 771
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)	6 371	7 622
- revaluation of financial assets	6 371	7 622
- other	-	-
Total revaluation capital	19 338	16 393

Note 18

OTHER RESERVE CAPITAL (BY APPROPRIATION)	2006	2005
a. Investments	490	-
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	-	51 017
f. Other	-	-
Total other reserve capital	490	51 017

Note 19

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

Note 20

CHANGE IN MINORITY CAPITALS	2006	2005
State at the beginning of the period	4 048	5 262
a. Increase (by virtue of)	4 489	2 438
- change in funds and share in the financial result	4 489	2 438
- capital group increase	-	-
- consolidation correction	-	-
-	-	-
b. decrease (by virtue of)	2 900	3 652
- change in funds and share in the financial result	2 900	3 652
- capital group decrease	-	-
- consolidation adjustment	-	-
Minority capitals at the end of the period	5 637	4 048

Note 21A

LONG-TERM RECEIVABLES	2006	2005
a. Towards subsidiaries	-	-
- credits and loans		
- issue of debt securities		
- other financial liabilities, of which:	-	-
- financial lease agreements		
- other (by type)	-	-
- by virtue of trade account receivable		
- other		
b. Towards associated entities	-	-
- credits and loans		
- issue of debt securities		
- other financial liabilities, of which:	-	-
- financial lease agreements		
- other (by type)	-	-
- other		
c. Towards dominant entity	-	-
- credits and loans		
- issue of debt securities		
- other financial liabilities, of which:	-	-
- financial lease agreements		
- other (by type)	-	-
- by virtue of trade account receivable		
- other		
d. Towards other entities	321 980	594 056
- credits and loans	26 717	78 040
- issue of debt securities	-	-
- other financial liabilities, of which:	-	-
- interests	-	-
- other	-	-
- financial lease agreements	4 489	6 302
- other (by type)	290 774	509 714
- arrangement liabilities	23 473	88 681
- other	267 301	421 033
Total long-term liabilities	321 980	594 056

Note 21B

LONG-TERM LIABILITIES (BY CURRENCY)	2006	2005
a) in Polish currency (zlotys)	320 692	594 056
b) in foreign currencies (and as restated in zlotys)	1 288	
b1. Unit / currency in USD		
in zlotys		
b2. Unit / currency in EUR	336	
in zlotys	1 288	
b3. Unit /currency in GBP		
in zlotys		
b4. Other currencies in zlotys		
Total long-term liabilities	321 980	594 056

Note 21C

LONG-TERM LIABILITIES BY VIRTUE OF CREDITS AND LOANS									
Name (firma) of the entity, legal status	Seat	Amount of credit/loan acc to the agreement		Amount of credit /loan to be repaid		Interest conditions	Date of redemption	Security	Other
		zloty	currency	zloty	currency				
Bank Handlowy S.A.	Katowice	3 315	PLN	3 315	PLN	WIBOR+margin	according to the restructuring agreement	cash inflows on to account, credit in current account, mortgage	
Baak Handlowy S.A.	Katowice	8 663	PLN	8 663	PLN	WIBOR+margin	according to the restructuring agreement	credit on foreign currency account, mortgage	
Bank Handlowy S.A.	Katowice	8 598	PLN	8 598	PLN	WIBOR+margin	according to the restructuring agreement	mortgage	
BRE Bank S.A.	Katowice	3 291	PLN	3 291	PLN	WIBOR+margin	according to the restructuring agreement	cash inflows on account, mortgage, credit on current account	
ING Bank Śląski	Katowice	400	PLN	400	PLN	WIBOR+margin	according to the restructuring agreement	cash inflows on credit accounts, sole blank bill, pledge on shares, credit in current account	
PKO BP S.A.	Katowice	14 364	PLN	14 364	PLN	WIBOR+margin	according to the restructuring agreement	mortgage revolving credit, pledge on shares, sole blank bill	
BPH PBK S.A.	Sosnowiec	2 338	PLN	2 338	PLN	WIBOR+margin	according to the restructuring agreement	sole blank bill, operating credit in crediting line,pledge on shares, mortgage	
Bank syndicate		380 000	PLN	10 000	PLN	WIBOR+ bank's margin	30.09.2010		
TOTAL:		420 969		50 969					

The amount of long-term credits differs from the amount disclosed in note 20A by 24 252 thousand zloty because of disclosing a part of credits as short-term ones in the payment period.

Note 21D

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

Note 22

CHANGES IN RESERVE FOR DEFERRED INCOME TAX	2006	2005
1. Reserve for deferred income tax at the beginning of period, of which:	11 209	12 289
a) assigned to financial result	11 026	1 734
b) assigned to equity capital	183	10 555
c) assigned to goodwill	-	-
2. Additions	5 050	11 921
a) assigned to financial results for the period due to positive timing differences:	4 176	11 921
- interests included in income	246	514
- interests on loans included in income	70	88
- other	3 860	11 319
b) assigned to equity capital for the period due to positive timing differences:	874	-
- fixed assets (financial leasing)	629	-
- other	245	-
c) assigned to goodwill due to positive timing differences:	-	-
	-	-
	-	-
3. Reductions:	12 167	13 001
a) assigned to financial result for the period due to positive timing differences (of which)	12 167	2 629
- interests included in income (paid, cancelled)	134	1 945
- change in tax rate	-	-
- other	12 033	684
b) assigned to equity capital due to positive timing differences (of which)	-	10 372
	-	10 372
	-	-
	-	-
c) assigned to goodwill due to positive timing differences (of which)	-	-
	-	-
	-	-
	-	-
4. Reserve for deferred income tax at the end of period, of which:	4 092	11 209
a) assigned to financial result	3 035	11 026
b) assigned to equity capital due to positive timing differences (of which)	1 057	183
c) assigned to goodwill or negative goodwill	-	-

Note 23

CHANGES IN OTHER LONG-TERM PROVISIONS - specifically	2006	2005
a. Balance at the beginning of period of which:	13 418	11 721
b. Additions (in virtue of)	4 519	6 899
- holiday leaves	-	-
- termination pays, jubilee bonuses	405	2 086
- interests on bill liabilities of State Treasury	-	-
- contingent liabilities	-	-
- interests on credits	-	4 813
- other	4 114	-
c. Exercised of which	321	2 636
- holiday leaves	-	-
- termination pays, jubilee bonuses	321	527
- severance pays for dismissed employees	-	-
- contingent liabilities	-	2 100
- interests on credits	-	-
- other	-	9
d) reversals, of which:	3 755	2 566
		1 984
- interests on credits	3 755	-
- contingent liabilities		582
e. Balance at the end of period	13 861	13 418

Note 24

LONG-TERM INTERPERIOD SETTLEMENTS	2006	2005
a) accrued expenses, of which:	-	-
- other		
b) deferred income, of which:	133 577	18 326
- settlement of incomes	132 832	16 841
- land amortisation		
- redeemed arrangement liabilities		
- evaluation of shares	741	741
- other	4	744
Total long-term deferred expenses	133 577	18 326

Nore 25A

SHORT-TERM RECEIVABLES	2006	2005
a. Towards subsidiary companies	-	-
- credits and loans		-
- issue of debt securities		-
- dividends		-
- other financial receivables :	-	-
- interests on lonas 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)	-	-
- arrangement liabilities		-
-other		-
b. Towards associated entities	4 264	4 589
- credits and loans	3 340	3 340
- issue of debt securities		
- dividends		
- other financial receivables :	222	258
- interests on loans and prepayments	222	258
- prepayments for capital increase		
- trade accounts payable, with maturity of:	407	991
- less 12 months	407	991
- over 12 months		
- trade prepayments received		
- promissory notes payable		
- other (by type)	295	-
- penal intersts and other		
-other	295	
e. Towards the dominant entity	-	-
- credits and loans of which:		
- issue of debt securities		
- dividends		
- other financial receivables :	-	-
- interests on loans and prepayments		
- prepayments for capital increase		
- trade accounts payable, with maturity of:	-	-
- less 12 months		
- over 12 months		
- trade prepayments received		
- promissory notes payable		
- other (by type)	-	-
- penalty intersts and other		
- other		
f. towards other entities	175 705	94 826
- credits and loans of which:	40 708	2 188
- issue of issuing debt securities	-	-
- dividends	-	-
- other financial receivables :	57	-
- interests on loans and prepayments	-	-
- guarantees	57	-
- trade accounts payable, with maturity of:	84 079	73 135
- less 12 months	84 079	73 135
- over 12 months	-	-
- trade prepayments received	62	15
- promissory notes payable	874	350
- other (by type)	49 925	19 138
- penalty intersts and other	-	942
- by virtue of arrangement proceedings	31 370	149
- other	18 555	18 047
Total short-term receivables	179 969	99 415

Note 25B

SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE)	2006	2005
a) in Polish currency (zlotys)	177 388	96 949
b) in foreign currencies (and as restated in zlotys)	2 581	2 466
b1. Unit / currency in USD	534	376
in zlotys	1 555	1 227
b2. Unit / currency in EUR	267	304
in zlotys	1 026	1 172
b3. Unit /currency in GBP	-	9
in zlotys	-	50
b4. Other currencies in zlotys	-	17
Total short-term receivables	179 969	99 415

Note 25D

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

Note 26

CHANGES IN OTHER SHORT-TERM PROVISIONS - specifically	2006	2005
a. Balance at the beginning of period	6 282	11 835
b. Additions (in virtue of)	1 108	3 398
- holiday leaves	770	716
- termination pays, jubilee bonuses	76	395
- severance pays for dismissed employees	-	9
- contingent liabilities	-	581
- interests on credits	221	-
- other	41	1 697
c) applications, of which:	4 918	5 896
- holiday leaves	36	25
- termination pays, jubilee bonuses	68	-
- severance pays for dismissed employees	9	-
- contingent liabilities	1 782	-
- interests on credits	644	5 746
- other	2 379	125
d) reversals, of which:	681	3 055
- holiday leaves	681	384
- interests on credits	-	2 671
- capital group diminishing	-	-
e. Balance at the end of period	1 791	6 282

Note 27

SHORT-TERM INTERPERIOD SETTLEMENTS	2006	2005
a) accrued expenses, of which:	7 867	910
- agreements on maintaining the A4 motorway	832	832
-	-	-
- other re SAM S.A.	7 035	78
b) deferred income, of which:	3 629	5 865
- settlements of incomes	3 602	5 776
- redeemed arrangement liabilities	-	-
- advanced payments for goods and services	18	-
- other	9	89
Total short-term interperiod settlements	11 496	6 775

Note 28

CALCULATION OF THE BOOK VALUE PER ONE ORDINARY SHARE AND DILUTED BOOK VALUE PER 1 SHARE	2006	2005
Book value	191 011	33 405
Number of shares	157 762 023	107 762 023
Book value per share (in zlotys)	1,21	0,31
Diluted number of shares	-	-
Book value per share (in zlotys) - diluted	-	-

Note 29**Off-balance sheet items**

	2006	2005
1. Contingent liabilities	4 067	500
1.1. From related entities (by virtue of)	500	500
- received warranties and guarantees	500	500
1.2. From other entities (by virtue of)	3 567	-
- received warranties and guarantees	-	-
- other	3 567	-
2. Contingent liabilities	46 027	48 180
2.1. In favour of related entities (by virtue of)	22 576	1 959
- granted warranties and guarantees	12 576	84
- customs warranties	-	-
- other	10 000	1 875
2.2. In favour of other entities (by virtue of)	11 797	8 540
- granted warranties and guarantees	11 623	4 640
- opening of the letter of credit	174	-
- customs warranties	-	3 900
3. Other (by virtue of)	11 654	37 681
- mortgage	-	12 000
- third party goods	-	5 200
- other	11 654	20 481
Total off-balance sheet liabilities	50 094	48 680

Explanatory notes to profit and loss account

Note 30A

NET REVENUES FROM SALE OF GOODS (by class of business)	2006	2005
a. Maintenance and Construction of motorways	122 003	89 812
- of which: from related companies		-
b. Reinforcement production for building industry	61 323	42 712
- of which: from related companies		-
c. Sale of services	6 708	7 204
- of which: from related companies		459
Total net revenues from sale of goods	190 034	139 728
- of which: from related companies	-	459

Note 30B

NET REVENUES FROM SALE OF GOODS (by geographic area)	2006	2005
a. Domestic sales	190 034	139 645
- of which: from related companies		459
b. Export sales		83
- of which: from related companies		-
Total net revenues from sale of goods	190 034	139 728
- of which: from related companies	-	459

Note 31A

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	24 352	20 873
- of which: from related companies		146
d. Sale of goods purchased in Poland	209 663	248 640
- of which: from related companies		819
j. Sale of goods	680	380
- of which: from related companies		-
Total net revenues from sale of goods and merchandise	547 078	481 034
- of which: from related companies	-	965

Note 31B

NET REVENUES FROM SALE OF GOODS AND RAW MATERIALS (by geographic area)	2006	2005
a. Domestic sales	230 097	267 844
- of which: from related companies		965
b. Export sales	316 981	213 190
- of which: from related companies		-
Total net revenues from sale of goods and raw materials	547 078	481 034
- of which: from related companies	-	965

Note 32

EXPENSES BY TYPE	2006	2005
a. Depreciation	19 682	8 980
b) raw materials and energy used	57 210	16 955
c) third party work	53 114	64 825
d) taxes and charges	5 582	6 282
e) salaries and wages	27 341	26 792
f) social security and other employee benefits	5 673	5 409
g) other expenses:	15 606	3 673
Total expenses by type	184 208	132 916
- Changes in inventories, products and deferred expenses	415	755
- Cost of work and services for own needs (negative value)	(1)	-
- Distribution expenses (negative value)	(24 695)	(19 191)
- General administrative expenses (negative value)	(79 825)	(54 558)
Costs of products sold	80 102	59 922

Note 33

OTHER INCOMES	2006	2005
a. Profit from disposal of non-financial fixed assets	341	2 646
a) provisions and allowances cancelled, of which:	29 845	17 404
- dissolved allowances updating receivables	17 916	13 527
- dissolved other updating allowances	9 116	897
- dissolution of reserve for contingent liabilities	1 782	2 100
- dissolution of other reserves	1 031	880
c. Other income of which:	16 706	41 668
- settlement of payment by virtue of contingent liabilities	1 285	28 136
- interests on receivables by virtue of supplies, works and services	5 790	1 808
- other	9 631	11 724
Total other operating income	46 892	61 718

Note 34

OTHER EXPENSES	2006	2005
a. loss on sale of non-financial fixed assets	4 017	9
b. Revaluation of non financial assets, of which:	20 050	139 233
- established receivables updating allowances	17 627	135 013
- established other updating allowances	1 279	1 126
- established allowances for contingent liabilities	-	-
- established other provisions	1 144	3 094
c. other, of which:	9 067	15 770
- judicial fees	356	656
- exchange rate differences	130	
- donations	26	31
- costs of non-effective investments	526	915
- interests on liabilities by virtue of supplies, works and services	1 581	3 257
- prior years' costs and receivables in arrears	659	5 268
- other	5 789	5 643
Total other expenses	33 134	155 012

Note 35

FINANCIAL INCOMES	2006	2005
a. Dividends and shares in profits, including:	123	17
- from related entities	82	-
b. Interests, including:	10 813	8 197
b.1. From bank accounts and investments	2 473	730
b.2. By virtue of granted loans, out of which:	20	12
- from related entities	-	-
b.3. other interests: out of which:	8 320	7 455
- from related entities	161	171
c. Profit on sale of investment	3 811	-
d. Re-valuation of the investment	2 717	7 511
e. other income, including:	10 744	119 979
e.1. Balance of positive difference in rates, of which:	446	110
- realized	276	19
- unrealized	170	91
e.2. Dissolved updating write-off (by virtue of)	123	581
- calculated interests	123	501
- other		80
e.3. Other, of which:	10 175	119 288
- bills discount	-	-
- mortised interests	3 755	
- discount of liabilities in SAM S.A.	6 119	119 208
- other	301	80
Total financial incomes	28 208	135 704

Note 36

FINANCIAL EXPENSES	2006	2005
a. Interests, including:	17 531	25 579
a.1. On credits and loans, of which:	9 137	8 780
- for related entities	217	404
a.2. Other interests, of which:	8 394	16 799
- for related entities	-	-
b. Loss on sale of investment	-	14 624
c. Revaluation of investments	9 296	6 251
d. Other financial costs, including:	14 357	123 429
d.1. Balance of the negative differences in rates of which:	-	906
- executed	-	606
- not executed	-	300
d.2. Created other updating allowance (by virtue of)	3 508	2 218
- for calculated interests	3 508	2 207
	-	11
	-	-
- other	-	-
d.3.. Other, of which:	10 849	120 305
- repayment of contingent guarantees	-	-
- costs of the redemption of bonds	-	-
- discount of liabilities in SAM S.A.	6 119	119 208
- other	4 730	1 097
Total financial costs	41 184	169 883

Note 37

PROFIT (LOSS) ON SALE OF ALL OR PART OF SHARES IN SUBORDINATED ENTITIES	2006	2005
a. Profit on sale of shares and stocks	-	-
-in subsidiary entities	-	-
- in associated entities	-	-
- in correlated entities	-	-
a. Loss on sale of shares and stocks	-	-
-in subsidiary entities	-	-
- in associated entities	-	-
- in correlated entities	-	-
Profit (loss) on sale of all or part of shares in subordinated entities	-	-

Note 38A

CURRENT CORPORATE INCOME TAX	2006	2005
1. Gross profit (loss) consolidated	57 993	(83 582)
2. Consolidation adjustments	(7 172)	(18 806)
3. Differences between gross profit (loss) and the income tax basis (by type)	10 887	127 548
- permanent differences adjusting expenses	22 591	137 452
- transient differences adjusting expenses	53 325	162 547
- permanent differences adjusting incomes	(20 713)	(162 689)
- transient differences adjusting incomes	(31 067)	(9 664)
- other	(13 249)	(98)
4. Income tax basis	61 708	25 160
5. Corporate income tax at 19 % rate	14 822	14 556
6. Increases, reliefs, exemptions, allowances, and reductions of corporate income tax		-
7. Current corporate income tax as stated in the taxation statement for the period, of which:	15 109	14 556
- disclosed in the profit and loss account	15 109	14 556
- referring to items that decreased or increased the shareholders' equity		-
- referring to items that decreased or increased the goodwill or negative goodwill		-

Note 38B

DEFERRED CORPORATE INCOME TAX IN PROFIT AND LOSS ACCOUNT	2006	2005
- decrease (increase) due to occurrence or reversal of timing differences	(10 833)	(1 798)
- decrease (increase) due to change of taxation rates		-
- decrease (increase) due to formerly not recognized losses, tax reliefs, or timing differences of prior periods	157	-
- 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	76	4 054
- other components of deferred income tax, of which:	(306)	164
- calculated due interests included in result	152	141
- interests paid	(49)	(346)
- write-off updating receivables not being the costs of obtaining the revenues	(387)	376
- reserves for holiday leaves	(22)	(7)
Total deferred income tax	(10 906)	2 420

Note 38C

TOTAL AMOUNT OF DEFERRED INCOME TAX	2006	2005
- included in equity capital	(9 111)	3 640
- included in goodwill		-

Note 39

NET PROFIT (LOSS)	2006	2005
a. net profit (loss) of the dominant entity	1 860	(146 849)
b. net profits (losses) of subsidiary entities	56 424	51 752
c. net profits (losses) of interrelated entities	-	-
d. net profits (losses) of affiliated entities	(68)	(1 039)
e. Profits (losses) of minority	(2 969)	(1 830)
e. consolidation corrections	(4 426)	(4 422)
Net profit (loss) per shareholders of the Company	50 821	(102 388)

Financial result according to sectors of activity

	2006	2005
Wholesale of metallurgical products	(3 308)	(146 850)
Motorway activity	55 115	51 364
Prefabrication of reinforcement for building industry	(5 175)	
Other services	11 584	(650)
consolidation adjustments	(7 395)	(6 252)
Total:	50 821	(102 388)

Note 40

CALCULATION OF PROFIT (LOSS) PER ONE ORDINARY SHARE AND PER DILUTED SHARE	2006	2005
Net profit (loss)	50 821	(102 388)
Average weighted number of ordinary shares	157 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)	0,32	(0,95)
Average weighted diluted number of ordinary shares		
Diluted profit (loss) per one ordinary share (in zloty)		

**Additional information to consolidated financial report of STALEXPORT
S.A.
as of 31st December 2006**

1. . Reason for changing particular assets and liabilities in consolidated balance sheet as well as consolidated 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 Obrzeźnej 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 in a dominant entity
- f. dissolving provision for deferred tax
- g. discounting of a long term liability in Stalexport Autostrada Małopolska S.A. in relation to Krajowy Fundusz Drogowy due to the credit drawn by the State Treasury for the construction of A-4 section Katowice-Kraków Motorway ,
- h. significant increase of other income in Stalexport Autostrada Małopolska S.A.,
- i. provision for optional renovation of the surface of A-4 motorway in Stalexport Autostrada Małopolska S.A.

Ad. a.

During 2006 the Company carried out payments of liabilities related to concluded composition, and the value of paid instalments amounted to PLN 34,885 thousand. The amount of the liabilities due 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 Autostar 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. Obrzeźna 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.

The dominant 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. Obrzeźna.

Ad. g.

Ad. g)

Long term liability of Stalexport Autostrada Małopolska S.A. in relation to Krajowy Fundusz Drogowy due to EBOR credit, drawn by the State Treasury for the construction of A-4 Katowice-Kraków Motorway in the amount of PLN 223,870 thousand was discounted as of 1st January 2006 in accordance with the discount rate 6.35%. Amount after discount as of 1st January 2006 amounted to PLN 96,364 thousand. The difference between the nominal value and the fair value in the amount of PLN 127,506 thousand was transferred to future periods income and shall be settled within the payment term of the above mentioned liability in accordance with the financial model for December 2005 to December 2020 r. In the reporting period the other financial income in the amount of PLN 6,119 thousand was settled, and as a result of discounting of the liability as of 31st December 2006 the financial cost in the same amount was created. The fair value related to EBOR as of the balance sheet date amounted to PLN 102,483 thousand.

Ad. h)

In Stalexport Autostrada Małopolska S.A. in the reporting period there was significant increase of other income related to the performance of due performance guarantee concerning the agreement with PRINŻ-HOLDING S.A. in the amount of PLN 2,903 thousand and agreement with Miejskie Przedsiębiorstwo Robót Drogowych S.A. with its seat in Warsaw in the amount of PLN 2,159 thousand.

In October 2006 the Company ended works related to the liquidation of mining damage in the area of KWK Myslowice and in accordance with a court settlement charged the coal mine with the amount of PLN 2,200 thousand. This income will be settled within the period of 10 years i.e. within the period used for settlement of costs with damage liquidation. Income settled in 2006 amounted to PLN 37 thousand.

In 2006 SAM S.A. received return of tax on civil and legal activities related to the Agreement concerning the Return of Outlay from December 2005 I the amount of PLN 2,586 thousand. The said refund was added to other operational income as its payment was covered by other costs in 2005.

Ad. i)

As of the balance sheet date the provision was created for optional renovation of surface before the end of Licence Agreement (so called Contingency for strengthening overlay) in the amount of PLN 4,113,636.36. the estimated value of the renovation in accordance with the financial model as of December 2005 in the nominal value amounted to PLN 90.5 million.

2. Financial instruments

Companies covered by consolidated financial statement for 2006 did not reveal financial instruments, excluding the dominant entity which 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. Fixed assets revealed off balance sheet

The value of not amortised and not depreciated fixed assets used subject to leasing agreements as of 31st December 2006 amounts to PLN 2,448 thousand and relates to the lease of computers and personal cars.

4. Data concerning liabilities in relation to the state or entities of local self-government due to obtaining property right to buildings and constructions in the capital group.

Stalexport S.A. and capital related companies, covered by consolidation as of 31st December 2006 do not reveal any liabilities in relation to the state entities of local self-government due to obtaining property right to buildings and constructions, apart from Stalexport Autostrada Małopolska S.A., that as of the balance sheet date in accordance with received licence has the right to buildings and constructions and in relation to the above is obliged to pay tax on property to the commune of Kraków Zabierzów and the city of Myslowice.

5. Information on basic capital

Detailed description of the ownership of basic capital as well as numbers and nominal values of subscribed shares, including privileged ones are included in the explanatory note no. 14 of consolidated balance sheet.

Basic capital as of 31st December 2006:

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

Main shareholders as of 31st December 2006 (after taking into account the increase of capital of the Company as of 6th July 2006 from the amount of PLN 215,524,046 to the amount of PLN 247,205,290 to the amount of PLN 315,524,046), are:

	Number of shares	Percent
- Autostrade S.p.A. with its seat in Rome	34,159,378	21.65%
- Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej	18,022,835	11.42%
- Julius Baer Investment Management LLC*	10,323,847	6.56%
- Powszechna Kasa Oszczędności Bank Polski SA	8,733,864	5.54%

*(including Julius Baer International Equity Fund as a shareholder of Stalexport S.A. has 10,000,000 of shares which constitutes 6.34% of share capital of Stalexport S.A. and the same proportion of votes at the General Meeting of Shareholders)

6. Other relevant data concerning conditional liabilities

Conditional liabilities of Stalexport S.A. capital group as of 31st December 2006 amount to PLN 46,027 thousand, including:

- Due to granted guarantees and sureties, including:
 - due to related entities 12,576 PLN thousand
 - other entities 11,623 PLN thousand
- due to other liabilities, including in favour of
 - related entities 10,000 PLN thousand
 - other entities 11,828 PLN thousand

Dominant entity **Stalexport S.A.** has conditional liabilities for the total amount of PLN 24,123 thousand, due to:

- Granted guarantees and sureties in favour of :
 - affiliated entities 12,326 PLN thousand
 - other entities 11,623 PLN thousand
- § due to other liabilities in favour of:
 - other entities 174 PLN thousand

The amount of sureties granted by Stalexport S.A. as compared with 2005 was increased by PLN 19,475 thousand. As the result of increase of liabilities there is a surety in the amount of PLN 12,293 thousand to a related entity – Stalexport Transroute Autostrada S.A. (dependant in 55%) from Stalexport Autoroute S.a.r.L. with its seat in Luxemburg (dependant in 100%) from Stalexport S.A.

Stalexport Autostrada Małopolska S.A. as of the balance sheet date is a party in the proceedings that were accounted for in the conditional liabilities.

As of 31st December 2006 the Company was a party of Arbitration Proceedings with the following company Kapsch TrafficCom AG. The claim amount was, the basic amount EUR: 4,123,979.84, interest EUR 923,197.13 .

As of 10th January 2007 the arbitration court issued a partial decision and in accordance with the said decision the main claim of Kapsch TrafficCom AG against Stalexport Autostrada Małopolska S.A. in the amount of EUR 4,123,979.84 plus interest was rejected as a whole. Therefore the Court did not recognize addressed in the court sue joint responsibility of Stalexport S.A. and Stalexport Autostrada Małopolska S.A. for the payment of equipment delivered to Stalexport S.A. In relation to the above mentioned liability was posted out of conditional liabilities. In the further part of the proceedings the Court shall consider side mutual claims of parties made during the proceedings (Stalexport Autostrada Małopolska S.A. in relation to Kapsch TrafficCom AG about EUR 1.56 mln EUR i.e. PLN 4.26 mln - conditional amount due) and Kapsch TrafficCom AG in relation to Stalexport Autostrada Małopolska S.A. about EUR 1.1 mln i.e. PLN 3,57million - conditional amount due), which was accounted for in the books of SAM S.A.

7. Abandoned activity

Subsidiaries covered by consolidated financial statement for 2006 did not abandon any activity and do not plan to do so in the future periods.

8. Investment outlays

Incurred investment outlays of the dominant entity Stalexport S.A. were discussed in the "Report of the Management Board".

9. Numerical data concerning the related companies of the capital group

Stalexport
S.A.

Name of the company	Amount due (in PLN thousand)	Liabilities (in PLN thousand)	Income (in PLN thousand)	Costs (in PLN thousand)
Stalexport S.A. Katowice	35 202	15 416	10 479	4 710

Stalexport Autostrada Małopolska S.A.	Mysłowice	156	37 720	1 105	25 983
Stalexport Autostrada Dolnośląska SA	Katowice	13 896	-	462	22
Stalexport Autoroute S.a.r.L	Luxemburg	-	-	-	-
Stalexport Serwis Centrum S.A.	Katowice	514	8	2 883	6 773
Stalexport Serwis Centrum S.A.	Bełchatów	3	474	32	24
Stalexport Metalzbyt Sp. z o.o.	Białystok	1	1 658	32	54
Stalexport Centrostal S.A.	Lublin	1	156	2 025	2 266
Stalexport Transroute Autostrada .S.A.	Mysłowice	6 044	385	25 671	2 857
Razem		55 817	55 817	42 689	42 689

10. Common ventures.

In 2006 the Capital Group did not perform any common ventures that were subject to consolidation by means of full or equity method.

11. Average employment

Total employment (people) 663

Including:

- white collar workers 304
- blue collar workers 359

12. Information on remuneration

Total remuneration paid to the Members of the Management Board, Proxies and Supervisory board for 2006 in the dominant company Stalexport SA was presented in the Management Board's Report, and total amount of remuneration paid to the Managing People and supervisory Boards of the companies of Stalexport S.A. capital group is as follows:

- Management Boards - 2,495 PLN thousand
- Supervisory Boards - 913 PLN thousand

13. Information on the amounts of advance payments, credits, loans and guarantees given to the managing and supervising people.

In Stalexport S.A. or in its subsidiaries and affiliated companies in 2006 there were no advance payments, credits, loans and guarantees given to the managing and supervising people or other people personally related to the above mentioned.

14. Events after balance sheet date.

They were described in detail in the Management report.

15. The explanation of the difference between the financial result as presented in quarterly report SAQ 4/2006 in annual report SAR/2006.

In quarterly report SAQ-4/2006 the presented consolidated net profit amounted to PLN 48,057 thousand and in the audited annual report SA-RS/2006 consolidated net profit amounted to in the amount of PLN 50,821 thousand. The difference of the net financial result in the amount of PLN 2,764 thousand results from implementing by certified auditors adjustments in companies subject to consolidation during the audit for 2006.

**MANAGEMENT BOARD
REPORT ON STALEXPORT
CAPITAL GROUP
ACTIVITY
for the year 2006**

Katowice, May 2007

**MANAGEMENT BOARD REPORT
ON STALEXPORT CAPITAL GROUP ACTIVITY
for the year 2006
(SA - RS 2006)**

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INTRODUCTION

Management Board Report on the activity of STALEXPORT Group 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.

AUTOSTRADA 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:

- 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) PLN 132 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. and STALEXPORT Group**
- 3. Financial section,** including discussing financial results, the description of the abnormal factors influencing activity result, description of STALEXPORT Group assets and financial standing,
- 4. Commercial part,** encompassing basic information about market and sale,
- 5. Other information** about STALEXPORT Group,
- 6. The description of development perspectives and the basic risks and threats to STALEXPORT Group,** as well as Management Board activities undertaken in order to define the conditions for further 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. AND STALEXPORT GROUP

<i>Name:</i>	STALEXPORT S.A.
<i>Business activity:</i>	Export, import of metals and ores, PKD 51 52 Z
<i>Legal form of the enterprise:</i>	Joint Stock Company
<i>Registering body:</i>	District Court in Katowice, Economic Division of the National Court Register
<i>Company's office:</i>	40-085 Katowice, ul. Mickiewicza 29
<i>KRS:</i>	0000016854 registered in the District Court VIII Division KRS in Katowice, ul. Lompy 14
<i>Regon:</i>	271936361
<i>NIP:</i>	634-013-42-11
<i>NKP:</i>	38-10454
<i>Equity capital:</i>	315.524.046 zł
<i>Account:</i>	FORTIS BANK POLSKA S.A. O/Katowice Nr 78 1600 1055 0002 3211 5570 2001
<i>www:</i>	http://www.stalexport.com.pl
<i>e-mail:</i>	stalex@stalexport.com.pl
<i>tel. exchange:</i>	(032) 251 22 11, 251 32 21, 207 30 90
<i>fax:</i>	(032) 251 12 64
<i>ZUS (Social Security) appropriate for the Company:</i>	ZUS Chorzów Branch ul. Dąbrowskiego 45, 41-500 Chorzów
<i>Urząd Skarbowy (Inland Revenue) appropriate for the Company:</i>	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.

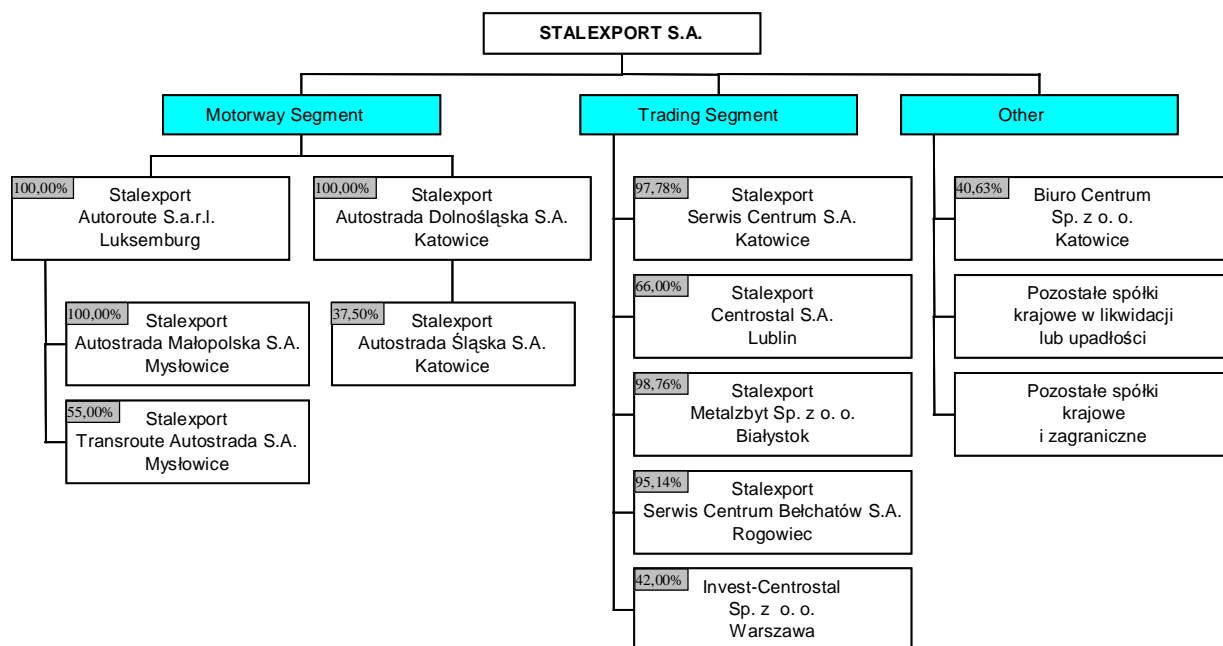
Simultaneously – pursuant to the records of the investment contract – there is undergoing sale process of Company's steel part, planned for commencement by the end of III quarter of 2007.

2.1. THE STRUCTURE OF STALEXPORT GROUP

Stalexport S.A. together with the subordinate companies forms the Group, the activity of which is focused on two main Stalexport S.A. segments:

- **Motorway Segment** comprising, inter alia, adaptation to the requirements posed paid motorway regulations, as well as operation of Katowice-Kraków section of the A4 motorway .
- **Trading Segment** comprising export, import, domestic trade in steel products, metallurgical raw materials, and steel products' processing, inclusive of production and assembly of prefabricated reinforcements,

Organizational scheme of STALEXPORT Group (as at 31.12.2006)



In the Motorway Segment, there are active the following Stalexport S.A. subordinate companies:

- Stalexport Autoroute S.a.r.l., Luxemburg, which is shareholder in the below companies:
 - Stalexport Autostrada Małopolska S.A., Mysłowice (having concession for operating Katowice-Kraków section of the A 4 motorway),
 - Stalexport Transroute Autostrada S.A., Mysłowice,
- Stalexport Autostrada Dolnośląska S.A., Katowice, which is shareholder in Stalexport Autostrada Śląska S.A., Katowice.

Trading activity and service provision within the Trading Segment is realized by the following entities forming part of the Group:

- STALEXPORT S.A., Katowice (holding company),
- Stalexport Serwis Centrum S.A., Katowice,
- Stalexport Centrostal S.A., Lublin,
- Stalexport - Metalzbyt Sp. z o.o., Białystok,
- Stalexport Serwis Centrum Bełchatów S.A., Rogowiec,
- Invest Centrostal Sp. z o.o. Warszawa.

The Group is a significant distributor of steel products in Poland. Trading activity is realized through distribution network, as presented in pt. 4 of this report.

2.2. Motorway Companies of the STALEXPORT Capital Group – economic-financial situation

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

ITEM	SAM S.A.		STA S.A.	
	2006 r.	2005 r.	2006 r.	2005 r.
Long-term assets	478 846	453 416	4 821	4 521
Short-term assets	53 392	28 401	11 010	11 445
Equity capital	218 090	171 745	6 283	6 321
Short-term liabilities	30 137	36 480	5 113	3 677
Incomes from sales	121 538	89325	26 106	23 772
General administrative costs	42 345	16 838	3 442	3 251
Profit (loss) on operating activity	60 452	58 423	8 495	6 690
Net profit (loss)	46 345	46 923	6 398	4 763

Gross sale profitability	79,2%	74,5%	45,7%	41,9%
Acid-test ratio	1,77	0,77	1,7	3,1
Return on equity ROE	21,2%	27,3%	101,8%	75,3%

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

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

** **Acid-test ratio** calculated as:

SHORT-TERM ASSETS/SHORT-TERM LIABILITIES

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

2.2.1. Stalexport Autoroute S.a.r.l.

Stalexport Autoroute S.a.r.l. with the seat in Luxembourg was registered on 30th December 2005. Setting up this company was one of the conditions for obtaining the Financial Closing, ie. an effective conclusion of a long-term credit agreement with the Consortium of Banks for the value up to 380 m PLN. This Company does not conduct any other activity, apart from holding shares in the companies Stalexport Autostrada Małopolska S.A. and Stalexport Transroute Autostrada S.A. in order to properly implement the package of securities (pledge on shares) to the above mentioned credit agreement.

The initial capital of the company amounts to 47 565 000 EUR. The Company is 100% dependent upon STALEXPORT S.A.

The Company is the shareholder of the below mentioned companies:

- Stalexport Autostrada Małopolska S.A., Mysłowice (100%),
- Stalexport Transroute Autostrada S.A., Mysłowice (55%).

2.2.2. Stalexport Autostrada Małopolska S.A. (SAM)

Stalexport Autostrada Małopolska S.A. with the seat in Mysłowice was set up on the basis of a notarial deed of 19th December 1997. The statutory activity of the company is motorway activity in the range of managing motorway projects and the entirety of tasks resulting from the binding Concession Agreement (which was originally granted to Stalexport S.A. Katowice and which by the decision of the Minister of Infrastructure was transferred to Stalexport Autostrada Małopolska S.A. on 28th July 2004) encompassing the construction management, adapting to the requirements of a toll motorway and the operation of a motorway fragment on the Katowice-Kraków section.

The initial capital amounts to 29 553 thousand PLN. The Company is 100% dependent upon Stalexport Autoroute S.a.r.L

On the strength of the Concession Agreement the company was authorized to collect toll and rental rates. Among the duties of the company are the current maintenance of the motorway and the continuation of investment tasks. On 21st March 2005 appendix No.5 to the Concession Agreement was signed. After signing all appendices on 17th October 2005, the agreement came into force, what made the financial closing possible in the form of a long-term credit appropriated for further financing of investment works and settlements resulting from transferring the Concession by Stalexport S.A. Katowice to Stalexport Autostrada Małopolska S.A.

The value of net incomes from sale in the year 2006 amounted to 121 538 thousand PLN, in 2005 it was 89 325 thousand PLN. A ca. 36% increase of incomes was mainly caused by a general increase of the traffic volume in Poland, also on the motorway and introduction of toll stickers.

The incomes also increased due to the conducted marketing activity, including the introduction of price reductions, discount tickets, special offers whose aim was to improve the corporate image.

2.2.3. Stalexport Transroute Autostrada S.A. (STA)

Stalexport Transroute Autostrada S.A. with the seat in Myslowice was set up on 14th May 1998 on the basis of a notarial deed. The core business of the Company is activity connected with the operation of the A-4 toll (Katowice-Kraków) motorway section. Stalexport Transroute Autostrada S.A. renders its services for only one user – Stalexport Autostrada Małopolska S.A.

The initial capital of the company amounts to 500 000 PLN. The Company is 55% dependent upon Stalexport Autoroute S.a.r.l. The remaining 45% belongs to Transroute International S.A., France.

In the period from 1st January 2006 to 31st December 2006 incomes from sales amounted to 26 106 thousand PLN. The Company noted a net profit in the amount of 6 398 thousand PLN. In comparison with the equity capital value (without a net profit in the current year) of 1 559 thousand PLN, the return on equity (ROE) amounts to 410%.

At the end of 2006 the acid-test ratio amounts to 1,7 what is the evidence of a stable financial situation of the company, enabling to settle its liabilities towards the state budget, as well as, towards suppliers of goods and services.

2.2.4. Stalexport Autostrada Dolnośląska S.A. (SAD)

The Company Stalexport Autostrada Dolnośląska S.A. with the seat in Katowice was set up on the basis of a notarial deed of 2nd July 1997. The core business of the company is activity in the range of managing motorway projects.

Stalexport Autostrada Dolnośląska S.A. has 37,50% of votes at the General Meeting of Shareholders of Stalexport Autostrada Śląska S.A. set up in order to obtain the concession for the operation of the A-4 Wrocław-Katowice motorway section.

The initial capital of the company amounts to 40 100 000 PLN. STALEXPORT SA has 100% of shares in Stalexport Autostrada Dolnośląska S.A.

The Company STALEXPORT Autostrada Dolnośląska S.A. via its subsidiary company STALEXPORT Autostrada Śląska (the other shareholders of the company are STRABAG and Egis Project) made attempts to sign the agreement on management and maintenance of the A-4 motorway on the Katowice-Wrocław section, what was discontinued by annulling the tender proceedings by the government party.

The company SAD S.A. set up consortia with the Italian company Autostrade SpA (the biggest licensee in Europe) which submitted at the end of 2005 offers in prequalification tenders announced by the General Management of Domestic Roads and Motorways for the construction and operation of the A1 Stryków-Pyrzowice motorway section (180 km), A-2 Stryków-Konotopa motorway section (95 km) and the operation of the A2 Konin-Stryków motorway section (103 km), whereas the latter of the mentioned tenders was cancelled.

2.2.5. Stalexport Autostrada Śląska S.A. (SAŚ)

The Company Stalexport Autostrada Śląska S.A. with the seat in Katowice was set up on the basis of a notarial deed of 24th August 2000. The core business of the company is activity in the range of managing motorway projects.

Stalexport Autostrada Śląska S.A. made endeavors to obtain the concession for the operation of the A-4 on the Wrocław–Katowice motorway section, however, the tender was revoked on 27th February 2006 by the Minister of Infrastructure.

The initial capital of the company amounts to 44 000,00PLN. The shareholders of the company are Stalexport Autostrada Dolnośląska S.A. (37.5% of shares), Egis Project SA (37.5%) and Strabag AG (25%).

2.3. Significant distribution companies of the STALEXPORT Capital Group – economic-financial situation

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

ITEM	STALEXPORT S.A.		SSC S.A. KATOWICE		SC S.A. LUBLIN	
	2006	2005	2006	2005	2006	2005
Long-term assets	326 589	338 653	15 441	17 981	6 640	1 859
Short-term assets	193 127	179 926	18 766	18 259	4 707	3 856
Equity capital	105 090	1 399	29 375	28 381	6 144	1 426
Short-term liabilities	166 153	93 909	4 720	7 403	4 125	3 563
Incomes form sales	528 041	441 964	79 044	69 044	20 502	21654
General administrative costs	30 628	31 3691	1 579	1 541	563	599
Profit (loss) on operating activity	1 469	- 108 355	991	515	248	-299
Net profit (loss)	1 860	- 145 089	994	462	211	-396
Sale profitability*	8,2%	7,5%	9,9%	8,1%	10,0%	7,7%
Acid-test ratio**	1,2	1,9	3,8	2,5	1,1	1,1
Return on Equity ROE***	1,8-	-	3,4%	1,6%	3,4%	-

Explanations - vide table No. 1

2.3.1. STALEXPORT S.A.

Incomes from sale in the year 2006 amounted to 528 041 thousand PLN and were by 19% higher than in the year 2005.

Export sale which amounted to 312 383 thousand PLN, what constitutes nearly 60% of the entire incomes from sale, had a crucial impact upon the increase of incomes from sale. The distribution network sale carried out by the commercial warehouses and companies situated in Poland amounted to 101 521 thousand PLN and its shares in the total sales amounted to 19.2%, however, incomes from the sale of prefabricated reinforcements constitute about a 11.9% share in sale. The remaining domestic sale with import constituted about 9.0%. Thus, in comparison with the previous years, there was a further increase of export sale in the total incomes from sale of the company.

The gross profit from sales in 2006 amounted to 43 774 thousand PLN, ie. by 10% higher than in 2005.

There was a significant increase of the sale costs to the value of 18 705 thousand PLN what was directly connected, first of all, with the increase of the export sale increase, with a simultaneous increase of costs of transportation services.

The general administrative costs for the year 2006 reached the level of 30 628 thousand PLN, whereas, in the year 2005 they amounted to 31 369 thousand PLN, what constitutes a drop of 4.3%.

Within the other income which amounted to 34 512 thousand PLN, the biggest item is the release of the write downs of receivables in the amount of 29 554 thousand PLN, out of which the main items are: 11 995 thousand PLN concerning the release of provisions for receivables from Centrozap S.A. in connection with the conversion of liabilities into the shares of the company, 5 447 thousand PLN concerning the release of provisions for receivables from Jedność Mill S.A., 2 000 thousand PLN concerning a partial release of provisions for receivables from Kościuszko Mill and 1 500 thousand PLN concerning the release of reserves for the receivables from Rurstal Sp. z o.o. in connection with its settlement.

The other costs amounted to 27 484 thousand PLN and cover, first of all, costs by virtue of setting up write downs on non-financial assets in the total amount of 19 374 thousand PLN, out of which 17 221 thousand PLN concern write downs for commercial receivables.

For the entire year 2006 the profit from operating activity of the company STALEXPORT SA amounted to 1 469 thousand PLN.

The main cause for a low profit from operating activity is, first of all, the necessity to set up write downs for commercial receivables.

The balance on the financial activity in the year 2006 is negative and amounts to – 8 665 thousand PLN. The financial income amounted to 22 427 thousand PLN which consisted, first of all, of the profit from the sale of the real estate in Warsaw in the amount of 6 758 thousand PLN and income from interests in the total amount of 9 049 thousand PLN. On the side of income, a positive balance of foreign exchange rate differences in the amount of 143 thousand PLN was also chalked up.

The financial costs which amounted to 31 092 thousand PLN consisted, first of all, of the cost of interests for a total value of 16 688 thousand PLN, out of which 8 980 thousand PLN were interests from credits and 3 505 thousand PLN interests from arrangement liabilities. Other financial costs are connected with setting up write downs for interests in the amount of 3 610 thousand PLN and costs of taxes and fees from the emission of the F series shares in the amount of 500 thousand PLN.

The Company at the level of the gross result incurred a loss in the amount of 7 196 thousand PLN. Despite it, the company completed the year 2006, after taking into consideration the deferred income tax in the amount of 9 056 thousand PLN, with a net profit of 1 860 thousand PLN.

The assets of the company, according to the state as on 31st December 2006, reached the level of 519 716 thousand PLN. The long-term assets, which amounted to 326 589 thousand PLN, consisted mainly of long-term investments in the amount of 237 777 thousand PLN and tangible fixed assets in the amount of 56 037 thousand PLN.

Short-term assets amounted to 193 127 thousand PLN and they, first of all, consisted of :

- Short-term receivables in the amount of 91 118 thousand PLN,
- Cash in the amount of 39 269 thousand PLN,
- Reserves in the amount of 57 579 thousand PLN,

On the side of liabilities, the equity capital, for the first time for a long time achieved a significant positive value and amounted to 105 090 thousand PLN, mainly due to raising the initial capital of the company within the emission of two tranches of the F series shares covered by the consortium banks in the course of restructuring the liability from the guarantee granted to the Jedność Tube Rolling Section in the amount of 31 681 thousand PLN and by the strategic investor of the company, Autostrade S.p.A. in the amount of 68 319 thousand PLN.

Long-term liabilities of the company at the end of 2006 reached the level of 248 473 thousand PLN. These liabilities consist of fixed items such as restructured credits, whose value decreased to 17 137 thousand PLN and other long-term liabilities in the amount of

191 134 thousand PLN which encompass, first of all, arrangement liabilities in the amount of 26 315 thousand PLN repaid in accordance with the schedule, liabilities by virtue of guarantees concerning the Jedność Tube Rolling Section in the amount of 85 732 thousand PLN and liabilities by virtue of guarantees concerning Ostrowiec Mill S.A. in the amount of 77 955 thousand PLN.

Short-term liabilities in the amount of 166 153 thousand PLN consist, first of all, of trade payables in the amount of 67 771 thousand PLN and credits and loans in the amount of 51 800 thousand PLN and a part of arrangement liabilities to be repaid within 12 months in the amount of 33 155 thousand PLN.

2.3.2. Stalexport Serwis Centrum S.A. – Katowice (SSC S.A. KATOWICE)

Positive signals coming in from the domestic steel market and, first of all, the pace growth of the construction –assembly production which occurred in 2006 – was reflected in the commercial results of the company.

Incomes from sale in 2006 amounted to 79 044 thousand PLN and were by 8.7% higher than in 2005.

The balance sheet shows an equilibrium between the level of fixed assets and current assets (current assets constitute 54.9% of the sum of assets in total). The company improved the effectiveness, raising the gross return of sale to the level of 9.9%.

The achieved net profit in the amount of 944 thousand PLN, which is by 46% higher than one year earlier.

The balance sheet sum decreased by 2 033 thousand PLN at the end of 2006 to the level of 34 207 thousand PLN. There was an increase of 2 148 thousand PLN in the reserves and in cash (by 1 499 thousand PLN), however, there was a decrease in the level of short-term receivables by 2 905 thousand PLN. In 2006 the state of reserves in the company systematically increased and at the end of the year it amounted to 7.7 m PLN. However, this increase was proportional to the sale increase and adequate to the changing situation on the market. The rotation of reserves in 2006 amounted to 39 days in comparison with 41 days in 2005. The Company settled its liabilities towards suppliers, the budget and banks on time. The financial liquidity of the company amounted at the end of 2006 (analysing the acid-test ratio) to 3.8, whereas the quick ratio amounted to 2.34. Both ratios indicate an overliquidity of current assets of the company.

2.3.3. Stalexport Centrostal S.A. – Lublin (SC S.A. LUBLIN)

The core business of the company is the trade with metallurgical products and the purchase, processing and sale of scrap. The Company also renders services in the range of „cutting to size” long products and sheets and transport. In the year 2006 the company executed net incomes from sales at the level of 20 502 thousand PLN. It is a slight drop by 5.3% in comparison with the year 2005.

In the analysed period the gross profit from sale reached the level of 2 055 thousand PLN, what constitutes 122% of the value obtained in the previous year.

The company further reduced general administrative costs in comparison with the year 2005. However, the sale costs increased, what was mainly due to an increase of transport costs.

A positive balance on the operating activity, achieved mainly due to releasing the existing provisions for gross receivables had an impact upon the positive result from the operating activity of the company for the year 2006 (248 thousand PLN).

In order to maintain financial liquidity, the company makes use of the bank credit in the current account, whose utilization according to the state as on 31st December 2006 amounted to 1 413 thousand PLN. The improvement of the financial liquidity of the company is also the result of an effective credit policy and a competent vindication of receivables.

3. FINANCIAL ANALYSIS OF THE STALEXPORT CAPITAL GROUP

3.1. Review of financial results

The below table presents consolidated financial results for the year 2006:

in thousand PLN	2006	2005	Value deviat.	Rate of growth 2006 / 2005	Structure 2006	Structure 2005
I. Net sales revenue on products, goods and materials, including:	737 113	620 762	116 351	19%	100%	100%
1. Net income from the sale of products	190 035	139 728	50 307	36%	23%	23%
2. Net sales revenue on goods and materials	547 078	481 034	66 044	14%	74%	77%
II. Costs of goods, products and materials sold, including:	575 345	502 931	72 414	14%	78%	81%
1. Cost of goods sold	80 102	59 922	20 180	34%	11%	10%
2. Value of sold goods and materials	495 243	443 009	52 234	12%	67%	71%
III. Gross profit (loss) on sale (I - II)	161 768	117 831	43 937	37%	22%	19%
IV. Other incomes	46 892	61 718	-14 826	-24%	6%	10%
V. Sales costs	24 695	19 191	5 504	29%	3%	3%
VI. General administrative costs	79 826	54 558	25 268	46%	11%	9%
VII. Other costs	33 134	155 012	-121 878	-79%	4%	25%
VIII. Share in net profits (losses) of subordinated entities evaluated by the equity method	-35	-191	156	-	-	-
IX. Profit (loss) from operating activity (III+IV-V-VI-VII+/-VIII)	70 970	-49 403	120 373	-	10%	-
X. Financial incomes	28 208	135 704	-107 496	-79%	4%	22%
XI. Financial costs	41 185	169 883	-128 698	-76%	6%	27%
XII. Profit (loss) on the sale of all or a part of shares of the subordinated entities	0	0	0	-	-	0%
XIII. Gross profit (loss) (IX + X - XI +/- XII)	57 993	-83 582	141 575	-	8%	-13%
XIV. Income tax	4 203	16 976	-12 773	-75%	1%	3%
XV. Net profit (loss) (XIII - XIV)	53 790	-100 558	154 348	-	7%	-16%
XVI. Profits (losses) of the minority	2 969	1 830	1 139	-	-	-
XVII. Net profit (loss) to which the shareholders of the Company are entitled (XIV +/- XVI)	50 821	-102 388	153 209	-	7%	-16%

3.1.1. Income and costs of the basic operating activity (sale, purchase and sales costs, general administrative costs).

3.1.1.1. Incomes from the sale of goods and products

In 2006 incomes from the sale of goods and products of the Stalexport S.A. Capital Group amounted to 737 113 thousand PLN and were by 116 351 thousand PLN higher (by 19%) in comparison with the year 2005. The main factors which contributed to the increase of incomes from sale were the increase in export sale and the product sale (reinforcement elements).

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

- domestic turnovers 420 132 thousand PLN

- sale export 316 981 thousand PLN

The domestic turnovers in 2006 were by 14 595 thousand PLN (by 4%) higher in comparison with the sale which the Stalexport Capital Group executed on this market in the year 2005. In the analysed period export sale increased by 103 708 thousand PLN (by 49%).

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

- income from the sale of goods and materials 547 078 thousand PLN
- income from the sale of products 190 035 thousand PLN
 - including:
 - income from motorway activity 122 003 thousand PLN
 - production of reinforcements for the construction industry 61 323 thousand PLN
 - sale of services 6.709 thousand PLN

3.1.1.2. Costs of sold goods and products

The costs of sold goods and products for the year 2006 amounted to 575 345 thousand PLN, including:

- value of sold goods at the purchase price 495 243 thousand PLN
- costs of products sold 80.102 thousand PLN

The achieved gross profit on sale amounted to 161 768 thousand PLN and was by 43 937 thousand PLN (by 37%) higher in comparison with the analogous period of the previous year.

3.1.1.3. Sales costs and general administrative costs

Sales costs amounted to 24 695 thousand PLN and were by 5 504 thousand PLN (by 29%) higher in comparison with the year 2005. The increase of these costs is justified, first of all, in the 49% rate of growth of sale increase of metallurgical products for export.

The general administrative costs in the Capital Group amounted to 79 826 thousand PLN and were by 25 268 thousand PLN (by 46%) higher in comparison with the year 2005. The increase of the general administrative costs concerns the entire company Stalexport Autostrada Małopolska S.A. and was caused by various single payments (commission and fees from the long-term credit, financial, legal and technical advising) connected with obtaining the long-term credit for the so called "financial closing" of the motorway. The general administrative costs incurred in other subsidiary companies in 2006 slightly dropped or remained at the same level in comparison with the year 2005.

3.1.2. Other (operating) income and costs

Other income was achieved in the amount of 46 892 thousand PLN, however, other operating costs amounted to 33 134 thousand PLN. The profit on other operating activity amounted to 13 758 thousand PLN.

The main items of other income are:

- released write downs and provisions 29 845 thousand PLN
 - including:
 - a) released write downs of receivables 17 916 thousand PLN
 - b) other released write downs 9 116 thousand PLN
 - c) released provision for the contingent liability 1 782 thousand PLN
 - d) other released provisions 1 031 thousand PLN

(the values of released write downs and provisions mainly concern the dominant entity and were described in the Stalexport S.A. unit

report)	
- compensation received by the company SAM S.A. from insurance companies - a guarantee of a good performance of construction contracts	5 077 thousand PLN
- incomes of SAM S.A. from the lease of Travellers' Service Points and optical fibres	2 895 thousand PLN
- incomes of SAM S.A. by virtue of the tax refund from civil law transactions	2 586 thousand PLN
- due interests by virtue of supplies and services	3 203 thousand PLN

The main items of other operating costs are the following:

- set up write downs and reserves	20 051 thousand PLN
including: - write downs set up for receivables in the dominant entity	17 627 thousand PLN
- loss from the sale of the real estate in Katowice and Warsaw	4 017 thousand PLN
- interests from commercial liabilities	1 581 thousand PLN

3.1.3. Financial income and costs

The achieved financial income amounted to 28 208 thousand PLN, however, the incurred financial costs amounted to 41 184 thousand PLN. The loss on financial activity amounted to 12 976 thousand PLN.

The main items of financial incomes are:

- gained interests	10 813 thousand PLN
- incomes by virtue of discounting long-term liabilities in SAM S.A.	6 119 thousand PLN
- profit from the sale of the perpetual usufruct right of the land at Obrzeźna Street in Warsaw	3 811 thousand PLN
- investment revaluation	2 717 thousand PLN
- interests written off from credits	3 755 thousand PLN

Main items of financial costs are:

- interests to be paid	17 532 thousand PLN
including, among others.:	
a) from credits	9 137 thousand PLN
b) from arrangement liabilities	4 904 thousand PLN
- investment revaluation (write off for the shares of Centrozap S.A.)	9 296 thousand PLN
- costs by virtue of discounting long-term liabilities in SAM S.A.	6 119 thousand PLN
- costs of bank commission in SAM S.A.	3 218 thousand PLN
- transfers for interests receivables	3 508 thousand PLN

3.1.4. Financial results - summary

The consolidated gross profit of the Stalexport S.A. Capital Group for the year 2006 amounts to 57 993 thousand PLN in relation to the gross loss of 83 582 thousand PLN incurred in the year 2005.

Income tax in the Stalexport S.A. Capital Group amounts to 4 203 thousand PLN, including – current part of the income tax in the amount of 15 109 thousand PLN and a negative value of the deferred part of the income tax in the amount of 10 906 thousand PLN.

The consolidated net profit for the year 2006 amounts to 53 790 thousand PLN.

Minority profits taken over by the minority shareholders amount to 2 969 thousand PLN.

The consolidated net profit to which the shareholders of the Company are entitled for the year 2006 amounts to 50 821 thousand PLN, whereas in the year 2005 the Capital Group incurred a consolidated net loss in the amount of 102 388 thousand PLN.

The following factors had an impact upon the net profit which the Stalexport SA Capital Group achieved in 2006:

- financial results of commercial companies covered by the consolidation	1 241 thousand PLN
- financial results of motorway companies covered by the consolidation	55 157 thousand PLN
- financial result of the dominant entity Stalexport S.A.	1 860 thousand PLN
- consolidation corrections per saldo	-7.437 thousand PLN

3.2. Assessment of factors and abnormal events having an impact upon the result of economic activity, taking into consideration the events after the balance sheet date.

Among the most essential abnormal events having an impact upon the consolidated financial report of the Stalexport S.A. Capital Group in 2006 are:

- a) a further execution of the repayment of arrangement liabilities in the dominant entity
- b) share capital increase by issuing the F series shares,
- c) sale of the right of perpetual usufruct of lands in Warsaw together with the buildings at Obrzeżna Street in the dominant entity – transfer of the Commercial Branch seat to the Ursus premises,
- d) opening the plant for processing and prefabricating reinforcements in Krzyż Wielkopolski and the purchase of new machines for plants in Katowice – Panewniki,
- e) setting up the write down for commercial assets in the dominant entity,
- f) release of the provision for the deferred tax,
- g) discounting the long-term liability in Stalexport Autostrada Małopolska S.A. towards the Domestic Road Fund by virtue of the EBRD credit contracted by the State Treasury for the construction of the A-4 Katowice-Kraków motorway section,
- h) a considerable increase of other incomes in Stalexport Autostrada Małopolska S.A.,
- i) the reserve for the optional repair of the A-4 motorway pavement in Stalexport Autostrada Małopolska S.A.

Ad. a)

Over the span of 2006 the dominant Company executed the planned repayments of liabilities by virtue of the concluded arrangement and the value of the repaid instalments amounted to 34 885 thousand PLN. The state of liabilities by virtue of the concluded arrangement as on the last day of the year amounted to 59 471 thousand PLN.

Ad. b)

Stalexport S.A., according to the provisions of the Management Board Resolution No. 63 of 5th June 2006 amended by Resolution No. 71/2006 of 9th June 2006, conducted a private subscription to the consortium banks (the Jedność Tube Rolling Section lenders). Within the emission of the first tranche of the “F” series shares the Consortium Banks took over 15 840 622 shares at an emission price of 2.2458 PLN, ie. for the general value of 35 574 thousand PLN. This operation had an impact upon the drop of long-term liabilities of Stalexport SA by virtue of the guarantee which was granted to the Jedność Tube Rolling Section and the state of which amounted to 85 577 thousand PLN at the end of the year. This liability constitutes a reguarantee granted by Stalexport SA in favor of the State Treasury which is the guarantor of the Jedność Tube Rolling Section credits ganted by the consortium of banks.

In accordance with the Resolution of the Management Board of Stalexport SA No. 82/2006 of 26th June 2006 in regard to the initial capital increase within the emission of the second tranche of the “F” series shares Stalexport issued 34 159 378 shares. This emission was taken over by the strategic investor Autostrade S.p.A.

Both emissions were registered by the Provincial Court in Katowice, Economic Department of the National Court Register on 6th July and 27th July 2006. Thus, the initial capital value increased by 100 000 thousand PLN.

Ad. c)

Stalexport S.A. in the course of executing the programme of lowering the activity costs took up the decision to sell the premises in Warsaw at Obrzeźna Street and to transfer the commercial activity it had performed there to cheaper premises located on the Ursus premises. As a result of the conducted sale operation a drop of tangible fixed assets occurred by the value of 7 109 thousand PLN and a drop of long-term investments in item "real estates" by the value of 46 945 thousand PLN.

In the profit and loss account this transaction had a positive influence upon the financial incomes of 6 758 thousand PLN (sale of the right of perpetual usufruct of lands), simultaneously burdening other operating costs in the amount of 168 thousand PLN (sale of buildings and structures). The operation influenced the positive result per saldo 6 589 thousand PLN.

Ad. d)

Opening a new plant of processing and prefabricating reinforcements in Krzyż Wielkopolski, adding a new machine to the plants in Katowice-Panewniki and the modernization of the newly taken over warehouse on the Ursus premises contributed to the increase of the tangible fixed assets.

Ad. e)

The dominant entity in the reporting period carried out significant write downs on commercial liabilities in the amount of 18 240 thousand PLN, which had a direct impact upon lowering the result on operating activity.

Ad. f)

The dominant entity in the discussed period released the deferred tax provision in the amount of 8 957 thousand PLN what had a positive impact upon the net result. The release of the deferred tax provision was connected with the transaction of selling the real estate with the buildings in Warsaw at Obrzeźna Street.

Ad. g)

Long-term liabilities of Stalexport Autostrada Małopolska S.A. towards the Domestic Road Fund by virtue of the EBRD credit contracted by the State Treasury for the construction of the A-4 Katowice-Kraków motorway in the amount of 223 870 thousand PLN was discounted as on 1st January 2006 according to the discount rate of 6.35%. The value after the discount as on 1st January 2006 amounted to 96 364 thousand PLN. The difference between the nominal value and the fair value in the amount of 127 506 thousand PLN was transferred to deferred revenue and will be settled in the course of repaying the above mentioned liability, ie. according to the financial model as on December 2005 until December 2020. In the reporting period the value of 6 119 thousand PLN was settled by transferring it to the other financial income, however, as a result of discounting the liability as on 31st December 2006 a financial cost of the same value occurred. The fair value of the of EBRD liability as on the balance sheet day amounts to 102 483 thousand PLN.

Ad. h)

There was a considerable increase of other income in the reporting period in Stalexport Autostrada Małopolska S.A. caused by executing the guarantee of a good contract performance with PRINŻ-HOLDING S.A. with the seat in Warsaw in the amount of 2 903 thousand PLN and the contract with the Municipal Road Repairs Enterprise S.A. with the seat in Warsaw in the amount of 2 159 thousand PLN.

In October 2006 the Company completed works connected with the liquidation of the mining damage in the area of the Hard Coal Mine Myslowice and in accordance with the compromise in court burdened the coal mine with the value of 2 200 thousand PLN. This income will be settled in the period of 10 years, ie. in the period of settling costs connected with the liquidation of the damage. The income settled in the year 2006 amounted to 37 thousand PLN.

In 2006 SAM S.A. received a tax refund from civil-law transactions connected with the Agreement on the Refund of Outlays of December 2005 in the amount of 2 586 thousand PLN. This refund was settled into other operating income, as its payment was included in other costs for the year 2005.

Ad. i)

A reserve for an optional repair of the pavement was set up as on the balance sheet day before the termination of the Concession Agreement (so called Contingency for strengthening overlay) in the amount of 4 114 thousand PLN. The projected repair value according to the financial model as on December 2005 in nominal values amounted to 90.5 m PLN.

3.3. The assets and financial situation with the description of the sources of financing, the policy concerning indebtedness and also the risk management policy

3.3.1. Assets of the Capital Group

The assets of the Capital Group in total as on 31st December 2006 in comparison with the state as at the end of the year 2005 increased by 74 891 thousand PLN. In the structure of the assets there was a drop in long-term assets by 15 201 thousand PLN (by 3%), however, short-term assets increased by 90 092 thousand PLN (by 48%).

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

ASSETS (in thousand PLN)	State as on 31.12. 2006	State as on 31.12. 2005	Value deviat.	Rate of growth 2006/ 2005	Struc- ture 31.12. 2006	Struc- ture 31.12. 2005
I. Long-term assets	579 799	595 001	-15 202	-3%	68%	76%
1. Tangible fixed assets	336 996	307 310	29 686	10%	39%	39%
2. Intangible fixed assets	420	413	7	2%	0%	0%
3. Goodwill of subordinated entities	0	0	0			
4. Long-term receivables	0	509	-509	-100%	0%	0%
5. Long-term investments	25 036	62 780	-37 744	-60%	3%	8%
6. Assets available for sale	15	4 231	-4 216	-100%	0%	1%
7. Deferred tax assets	8 795	6 064	2 731	45%	1%	1%
8. Long-term accrued liabilities	208 537	213 694	-5 157	-2%	24%	27%
II. Short-term assets	277 978	187 885	90 093	48%	32%	24%
1. Inventories	69 436	53 151	16 285	31%	8%	7%
2. Short-term receivables	108 160	97 418	10 742	11%	13%	12%
3. Short-term investments	4 546	235	4 311		1%	0%
4. Cash and its equivalent	84 036	26 214	57 822	221%	10%	3%
5. Short-term accrued liabilities	11 800	10 867	933	9%	1%	1%
Assets in total	857 777	782 886	74 891	10%	100%	100%

3.3.1.1. Long-term assets

The increase of tangible fixed assets at the end of 2006 per sado by 26 687 thousand PLN (by 1%) in comparison with the state at the end of 2005 was the result of the following factors:

- an increase of fixed assets by 4 223 thousand PLN due to the purchase of ready investment goods, including: buildings and structures – 303 thousand PLN, technical equipment and machines for the production of reinforcement elements for the construction industry – 3 155 thousand PLN and means of transportation - 609 thousand PLN,

- an increase of fixed assets received from the investment by 12 072 thousand PLN, including: 10 982 thousand PLN in Stalexport Autostrada Małopolska received from the investment of modernized bridge constructions,
- an increase of construction – in process (continued investments) by the value of 35 629 thousand PLN, including 21 937 thousand PLN of continued investments in Stalexport Autostrada Małopolska S.A. consisting in the modernization of bridge constructions, pavement and emergency lanes and 12 937 thousand PLN in Stalexport SA concerning construction-assembly works in the new seat of the branch in Warsaw,
- a drop in fixed assets connected with their sale and liquidation in the amount of 9 346 thousand PLN, including: sale of buildings and structures at Obrzeźna Street in Warsaw in Stalexport S.A. for the value of 7 109 thousand PLN,
- the drop in the value of fixed assets connected with the annual amortization in the amount of 18 467 thousand PLN.

The drop in long-term investments by 37 744 thousand PLN was influenced by: the increase of long-term investments in the company Stalexport Autostrada Małopolska S.A. by 10 000 thousand PLN and a drop in the state of real estates by the value of 46 946 thousand PLN in the dominant entity- Stalexport S.A. An increase of long-term financial assets in the company Stalexport Autostrada Małopolska S.A. by 10 000 thousand PLN concerns opening the fixed investments constituting a frozen amount for the security of liabilities by virtue of long-term credits.

The decrease of real estates by the value of 46 946 thousand PLN in the dominant entity Stalexport S.A. concerns the purchase price of the perpetual usufruct right to lands in Warsaw at Obrzeźna Street which was sold in the first half of 2006. The value of the investment real estates at the end of 2006 in the amount of 10 thousand PLN constitutes the value of the Kościuszko Mill real estate possessed by the dominant entity.

In the assets available for sale the drop per saldo by 4 216 thousand PLN concerns the sale of the perpetual usufruct right to lands in Wrocław in Stalexport Serwis Centrum S.A. Katowice of the value of 2 032 thousand PLN and the sale of land in Katowice at Mickiewicza Street of a value of 2 199 thousand PLN by the dominant entity, however, an increase in the amount of 15 thousand PLN concerns the shares of Centrostal S.A. in Gdańsk possessed by Stalexport Centrostal S.A. Lublin evaluated at the fair value.

Deferred fixed assets increased by 2 731 thousand PLN. The following companies indicate deferred fixed assets in a total value of 8 795 thousand PLN

- Stalexport Autostrada Małopolska S.A. Mysłówice	7 548 thousand PLN
- Stalexport Transroute Autostrada S.A. Mysłówice	921 thousand PLN
- Stalexport Serwis Centrum S.A. Katowice	214 thousand PLN
- Stalexport Centrostal S.A. Lublin	112 thousand PLN

The dominant entity Stalexport S.A. does not activate the income tax due to a high tax loss.

The value of long-term accrued liabilities at the end of 2006 in the amount of 208 537 thousand PLN entirely concerns the company Stalexport Autostrada Małopolska S.A. Mysłówice.

This value covers:

- long-term settlements by virtue of the liability towards the Domestic Road Fund by virtue of the EBRD credit contracted by the State Treasury for the construction of the A-4 Katowice-Kraków motorway section in the amount of 203 518 thousand PLN. The above events are a consequence of signing appendix No. 5 to the concession agreement by SAM S.A. with the Minister of Infrastructure and concluding a credit agreement with the consortium of banks for the value up to 380 m PLN for obtaining the so-called financial closing
- long-term settlement of the commission from the contracted credit for the construction and repair of the A-4 Katowice-Kraków motorway section in the amount of 5 019 thousand PLN.

3.3.1.2. Short-term assets

Inventories in the Capital Group increased by 16 285 thousand PLN. The increased volume of commercial turnovers, as well as, a high rate of growth of the production activity of reinforcement elements for the construction industry had an impact upon the increase of inventories..

At the end of 2006, short-term receivables also increased by 10 742 thousand PLN (by 11%). This increase mainly concerns the dominant entity Stalexport S.A. in which the increase of commercial receivables is partly connected with the increase of income from sale, however, the increase of budget receivables concerns the uncleared VAT refund at the end of the period.

The increase of short-term investments by 4 311 thousand PLN concerns the take-over of the shares of the company Centrozap S.A. by the dominant entity Stalexport S.A. (within the arrangement proceedings) in exchange for the receivables due from this company.

The value of cash as on 31st December 2006 in comparison with the end of 2005 increased by 57 822 thousand PLN – it was largely due to the value of 68 319 thousand PLN contributed by the Italian company Autostrada S.p.A. by virtue of the new emission of shares of Stalexport S.A within the initial capital increase for financing the payments of arrangement and off arrangement liabilities.

The drop in the short-term accrued liabilities by 932 thousand PLN concerns mainly the drop in accrued liabilities of incomes from rents for the Travellers' Service Centers and the lease of the optical fibres in the company Stalexport Autostrada Małopolska S.A.

3.3.2. Liabilities of the Capital Group

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

LIABILITIES (in thousand PLN)	State as on 31.12. 2006	State as on 31.12. 2005	Value deviat.	Rate of growth 2006/ 2005	Rate of growth 31.12. 2006	Rate of growth 31.12. 2005
I. Equity capital	191 011	33 405	157 606	472%	22%	4%
I.1. Equity capital to which the shareholders of the Company are entitled	185 374	29 357	156 017	531%	22%	4%
1. Initial capital	315 524	215 524	100 000	46%	37%	28%
2. Payments due for the initial capital (negative value)	-	-	-	-	-	-
3. Own shares (stocks) (negative value)	-71	-73	2	-	-	-
4. Inventory capital	151 821	101 675	50 146	49%	18%	13%
5. Revaluation capital	19 338	16 393	2 945	18%	2%	2%
6. Other reserve capitals	490	51 017	-50 527	-99%	0%	7%
7. Foreign exchange rate differences from recalculating subordinated entities	-46	0	-46	-	-	-
8. Profit (loss) from previous years	-352 503	-252 791	-99 712	39%	-41%	-32%
9. Net profit (loss) to which the shareholders of the Company are entitled	50 821	-102 388	153 209	-150%	6%	-13%
I.2. Minority capitals	5 637	4 048	1 589	39%	1%	1%
II. Long-term liabilities	473 510	637 009	163 499	-26%	55%	81%
1. Credits and loans	26 717	78 040	-51 323	-66%	3%	10%
2. Liabilities from financial leasing	4 489	6 302	-1 813	-29%	1%	1%
3. Trade payables	0	0	-	-	-	-
4. Other liabilities	290 774	509 714	-218 940	-43%	34%	65%
5. Deferred income tax provision	4 092	11 209	-7 117	-63%	0%	1%
6. Reserves for other liabilities	13 861	13 418	443	3%	2%	2%
7. Long-term accrued liabilities	133 577	18 326	115 251	629%	16%	2%

III. Short-term liabilities	193 256	112 472	80 784	72%	23%	14%
1. Credits and loans	44 048	5 528	38 520	697%	5%	1%
2. Liabilities from financial leasing	0	0	-	-	-	-
3. Trade payables	84 486	74 126	10 360	14%	10%	9%
4. Other liabilities	51 435	19 761	31 674	160%	6%	3%
5. Reserves for liabilities	1 791	6 282	-4 491	-71%	0%	1%
6. Short-term accrued liabilities	11 496	6 775	4 721	70%	1%	1%
Liabilities in total	857 777	782 886	74 891	10%	100%	100%

3.3.2.1. Equity capital

The consolidated equity capital of the Stalexport S.A. Capital Group as on 31st December 2006 amounts to 191 011 thousand PLN and is by 157 606 thousand PLN higher in comparison with the end of 2005.

The following factors had an impact upon the equity capital increase of the Stalexport Capital Group:

- equity capital increase to which the shareholders of the Company are entitled by 156 017 thousand PLN,
- increase of minority capitals by 1 589 thousand PLN.

The equity capital to which the shareholders of the Company are entitled increased largely due to the share capital increase and the net profit achieved in 2006. Essential changes concern the structure of individual components of initial capital.

The share capital of the dominant entity is the basic capital of the Stalexport S.A. Capital Group. In the discussed period the value of the initial capital increased by 100 000 thousand PLN (by 46%) as a result of its increase by issuing the F series shares – for the new investor- Autostrade S.p.A. for the value of 68 319 thousand PLN and by converting liabilities towards banks by virtue of guarantees granted to the Jedność Tube Rolling Section in the amount of 31 681 thousand PLN.

The initial capital of the dominant entity amounts to 315 524 046.00 PLN and is divided into 157 762 023 ordinary bearer shares of a nominal value of 2.00 PLN

The main shareholders of Stalexport S. A. as on the day of drawing up the report are:

- Autostrade S.p.A. Rome 21,65%
- National Environment Protection and Water Conservation Fund 11,42%
- Julius Baer Investment Management LLC 6,56%
- Powszechna Kasa Oszczędności Bank Polski S.A. 5,54%

The own shares of the dominant entity in the amount of 71 thousand PLN concern – per saldo the other value of 21 thousand PLN of the shares purchased and issued to the minority shareholders of the former company Stalexport Centrostal Warszawa S.A. and the value of 50 thousand PLN in relation to shares held by the subsidiary company Stalexport Serwis Centrum S.A. Bełchatów.

The inventory capital increase of the Capital Group per saldo by 50 146 thousand PLN was influenced by: - the increase from the profit distribution for the year 2005 in the amount of 47 218 thousand PLN (including: the value of 46 923 thousand PLN in Stalexport Autostrada Małopolska S.A.), - increase from the emission over the nominal value of 2 887 thousand PLN, - increase by virtue of revaluation differences of sold and liquidated fixed assets in the amount of 29 thousand PLN and other- 57 thousand PLN. The reduction value amounted to 45 thousand PLN, including the value of 37 thousand PLN to which the minority shareholders are entitled and the value of 8 thousand PLN for the loss coverage from previous years (in SSC Bełchatów).

The capital increase from revaluation by 2 945 thousand PLN concerns, on the side of increase, the revaluation of lands in S.C. Lublin S.A in the amount of 4 506 thousand PLN, however, on the side of decrease, the transfer of 1 532 thousand PLN to minority shareholders together with differences from the revaluation of sold and liquidated fixed assets for the inventory capital increase in the amount of 29 thousand PLN.

The drop in the other capital reserves per saldo by 51 017 thousand PLN results from appropriating the value of 892 thousand PLN from profit for the year 2005 for this capital in the company Stalexport Transroute Autostrada S.A. and the decrease by the value of 51 419 thousand PLN connected with loss coverage from previous years in the dominant entity in the amount of 51 017 thousand PLN and taking over a part of this capital by minority shareholders in the amount of 402 thousand PLN.

The increase of losses from previous years per saldo by 99 712 thousand PLN is, first of all, connected with the coverage of the consolidated net loss for the year 2005 with a simultaneous reduction from other reserve capitals.

The consolidated net profit for the year 2006 to which the shareholders of Stalexport S.A. are entitled amounts to 50 821 thousand PLN in relation to 102 388 thousand PLN of net loss for the year 2005.

The increase of minority capitals per saldo by 1 589 thousand PLN concerns: on the side of increase the value of 4 505 thousand PLN constituting the take over of a part of the profit for the year 2006 by minority shareholders, however, on the side of decrease the value of 2 916 thousand PLN constitutes a part of the loss for the year 2005 taken over by the minority shareholders and the dividend paid to the minority shareholders in the company Stalexport Transroute Autostrada S.A.

3.3.2.2. Liabilities

Long-term liabilities in comparison with the end of 2005 decreased by 163 499 thousand PLN and amount to 473 510 thousand PLN at the end of 2006.

The other liabilities in the amount of 290 774 thousand PLN (drop by 218 940 thousand PLN) which concern the dominant entity Stalexport SA and the subsidiary company Stalexport Autostrada Małopolska S.A. have a crucial meaning within these liabilities.

The main long-term liabilities in the dominant entity Stalexport S.A. are:

- A long-term liability towards the State Treasury from granting the surety for the bill of exchange concerning Ostrowiec Mill and towards the State Treasury and the Consortium of Banks by virtue of granted guarantees concerning the Jedność Tube Rolling Section in the total amount of 164 819 thousand PLN. These liabilities are to be repaid from 2008, ie. after completing the repayments of arrangement instalments.,
- Arrangement liabilities in the amount of 23 472 thousand PLN (the value of 34 885 thousand PLN was repaid in the year 2006),
- Credits in the amount of 16 717 thousand PLN (the value of 24 064 thousand PLN was repaid in the year 2006).

They (credits and the arrangement) are systematically decreased as a result of their repayments according to the adopted schedules.

The value of 223 870 thousand PLN of long-term liabilities which appeared in the subsidiary company Stalexport Autostrada Małopolska S.A. at the end of 2005 results from the liabilities from the signed concession agreement, taking into consideration the recognition of long-term liabilities towards the State Treasury, the so-called payments by virtue of the concession (repayment of the EBRD credit contracted by the State Treasury in the pre-concession period) in the books (in the liabilities of the balance sheet).

The above events are a consequence of signing appendix No.5 to the concession agreement by SAM S.A. with the Minister of Infrastructure and the conclusion of a credit agreement with the consortium of banks for the value of up to 380 m PLN for obtaining the so called financial closing.

This liability was discounted as on 1st January 2006 according to the discount rate of 6.35%. The value after the discount as on 1st January 2006 amounted to 96 364 thousand PLN. The difference between the nominal value and the fair value in the amount of 127 506 thousand PLN was transferred to long-term accrued liabilities

(deferred revenue) and will be settled in the period of repaying the above mentioned liability, ie. according to the financial model as on December 2005 until December 2020. In the reporting period, the value of 6 119 thousand PLN was settled into other financial income, however, a financial cost of the same value appeared as a result of discounting the liability as on 31st December 2006. The fair value of the EBRD liability as on the balance sheet day amounts to 102 483 thousand PLN.

There was an increase in short-term liabilities at the end of 2006 by 80 784 thousand PLN (by 72%) in relation to the end of the year 2005, mainly due to:

- an increase of credits by 38 520 thousand PLN,
- an increase of trade payables by 10 360 thousand PLN,
- an increase of other liabilities by 31 674 thousand PLN.

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

The source of financing assets in the dominant entity beginning from the half of 2006 was, for the first time, apart from liabilities also the share capital.

The necessity to repay off arrangement credits and the main creditors within the execution of the provisions of the arrangement proceedings had a crucial impact upon the situation connected with financial flows. These factors diminished the current assets of the Company, what was reflected in the restriction of the level of incomes from sale that could have been achieved. In the first half of the year 2006, the Company was generally deprived of the access to financing in the form of bank credits what hindered the increase of income from sale. The short-term credit in the amount of 10 m PLN, obtained to finance the purchase of goods appropriated for export, was an exception.

The registration of the Stalexport SA initial capital increase on 26th July 2006 by the value of 68 m PLN (together with the real inflow of cash), which resulted from concluding the Investment Agreement and the appearance of a new shareholder - Autostrade S.p.A. which entered the company, had a strong positive impact upon the financial situation of the Company.

An essential financial burden for the company, apart from the execution of arrangement liabilities and bank agreements concerning the repayment of restructured credits, are liabilities resulting from guarantees for the State Treasury by virtue of credits granted to Ostrowiec Mill and guarantees by virtue of credits granted for the investment of the Jedność Tube Rolling Section, Company with limited liability. Having in mind the limited financial possibilities, the Management Board of the company took up actions which enabled to repay them by conversion into shares (as was the case in 2006 towards banks) or postpone cash payments beyond the due payment date of arrangement liabilities and fix favorable dates for their repayments over a longer span of time.

3.4. The description of investment activity

The value of investment expenditure of fixed assets and financial assets in STALEXPORT Group incurred in 2006 amounted to PLN 61.980 000.

As part of the incurred investment expenditure STALEXPORT Group realized purchases of finished investment goods in the amount of PLN 4 222 000.

The continued investment spending (fixed assets under construction) amounted to PLN 47.700 000.

The expenditure incurred on intangibles amounted to PLN 58 000, and it concerned purchase of computer software.

Investments in financial assets assume the form of a long term deposit in the value of PLN 10 000 000 in the company Stalexport Autostrada Małopolska.

In the structure of investment expenditure the biggest single item constitutes expenditure on fixed assets under construction in Stalexport Autostrada Małopolska S.A. in the value of PLN 32.625 000. The balance of continued investments as at end of 2006 in this company amounts to PLN 35.515 000. The investment costs relate to construction and assembly works in connection with the modernization of bridge structures, surfaces, and emergency crossings, as well as the construction of anti-noise screens.

In holding company Stalexport S.A. the total expenditure incurred amounted to PLN 17.033 000.

As part of the incurred investment expenditure, there can be distinguished the following positions:

- The facility Warszawa-Ursus (purchase of property and construction works for the new commercial branch and 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

In 2006, in Stalexport Centrostal Lublin S.A. expenditure has been incurred on non-financial fixed assets, i.e. purchase of trailer in the net amount of PLN 5 thousand, as well as in connection with the leasing of car FS Lublin in the net amount of PLN 53 thousand.

In Stalexport Serwis Centrum S.A. Katowice increase in the beginning value of fixed assets by PLN 155 thousand under the heading technical equipment and machinery was mainly due to the purchase of new computer equipment and the incorporation of overhead crane into investment fixed assets, whereas the decrease by the amount of PLN 173 thousand results from the sale and liquidation of the used up, fully depreciated computer equipment. Under the heading transport means, increase by a value of PLN 79 thousand resulted in connection with purchase of fork lift for use at the commercial department in Wrocław. Under the heading building structures and buildings, increase in value in the amount of PLN 232 thousand relates to purchases made for modernizing the commercial department in Wrocław, and the decrease by an amount of PLN 45 thousand is in connection with the sale of property in Wrocław.

In the other companies forming the Group, investment expenditure was insignificant.

4. ANALYSIS OF GROUP'S COMMERCIAL ACTIVITY

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

In 2006, the Group's gross sale incomes were by 19% higher than in the year 2005. The assortment sale structure is presented in the table below:

Main goods and services in STALEXPORT Group turnover in 2006

Goods/Service	Value in PLN mln	% Share in turnover
Sections	208,1	28%
Motorway	122,0	16%
Flat products	81,8	11%
Bars and wire rods	76,0	10%
Production of reinforcements components	61,3	8%
Pipes	59,3	8%
Non-ferrous metals products	51,0	7%
Half-products	39,8	5%

Invariably since four years, i.e. also in the year 2006, sections had the greatest share in the sales volume of the Group, the sale of which increased in relation to the year 2005 by 29%.

In 2006, in relation to the year 2005 there was an increase in: sale of non-ferrous metals products by 59%, production of prefabricated reinforcement components by 49%, sale of pipes by 26%, sale of bars and wire rods by 10%.

Drop in the value of sales in the comparable period of time came to effect in the case of flat products – by 21%.

4.2 Information about trade area and suppliers

Trade area - export sales

The turnover of the STALEXPORT Group in the scope of exports and imports was realized almost entirely by the holding company STALEXPORT S.A. In 2006, the share of export sales in the turnover of the STALEXPORT Group amounted to 43%.

Income from export sales has increased in the comparable time period by 49%. Approximately 87% of exports of the Group assumed the form of the sales of metallurgical products, whereas the remaining 13% came as sales of half-products and other goods.

Main goods exported by STALEXPORT Group in the year 2006

Good	Value in PLN mln	% share in export
Sections	159,3	50%
Non-ferrous metals products	49,0	16%
Pipes	43,7	14%
Half-products	39,8	13%

Invariably, for years, sections sales have the greatest share in the Group exports; it increased in relation to the year 2005 by 41%.

There was recorded an increase in the sales volume with respect to: non-ferrous metals products - by 61%, pipes – by 77%, and half-products – by 90%.

In 2006, the structure of export sales in the break-down featuring the countries of destination was as follows: Europe – 38%, North America – 13%, South America – 49%.

Trade area - domestic market sales

In 2006, the value of income from domestic sales (to the exclusion of income in connection with motorway) constituted 41% of the turnover of the Group.

Approx. 8% of the products sold on the domestic market came from imports. 95% of domestic sales constituted turnover in metallurgical products, whereas the remaining 5% - sale of other goods and services.

Main goods as sold by STALEXPORT Group in 2006 on the domestic market

Good/Service	Value in PLN mln	% share in the domestic market
Flat products	81,3	27%
Bars and wire rods	62,8	21%
Production of reinforcements components	61,3	20%
Sections	48,8	16%
Pipes	15,6	5%

W 2006 roku największy udział w przychodach ze sprzedaży Grupy Kapitałowej na rynek krajowy miały wyroby płaskie, których sprzedaż zmalała o 22% w porównaniu do 2005 roku. Również spadek wartości sprzedaży odnotowano w przypadku prętów i walcówki – o 7% oraz rur - o 31%.

Wzrosły natomiast przychody ze sprzedaży: produkcji zbrojeń - o 49% oraz kształtowników – o 1%.

Main suppliers

In 2006, Mittal Steel Poland S.A. (over 10% in total purchases) was the major supplier of the companies making part the STALEXPORT Group

Purchases from the remaining Group suppliers did not exceed 10% of the total supplies in the year 2006.

Main consumers

In 2006, amongst the consumers of the Group there was no client, the turnover with which would constitute 10% of sales income.

Amongst the biggest consumers of the Group, approx. 35% are the biggest export consumers, whereas approx. 5% - main consumers of prefabricated reinforcement components.

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 Group's operation, including the contracts, the Group 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 Obrzeźna street (perpetual usufructuary 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 m² 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 m² 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 m² with the production hall of the area 7.290 m².
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 31 Decemebr 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 Malopolska 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., Zlomrex 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 Zlomrex S.A. or other purchaser, which may be Zlomrex 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. Zlomrex 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 Zlomrex 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 Zlomrex 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 Zlomrex S.A.;
- j)Zlomrex S.A. will acquire the appropriate corporate permits for effecting the Transaction.
- k) Zlomrex 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 Banks represented by WESTLB AG	31.03.2021
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 Consortium 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 Autostrada 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 Autostrada 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 (SA-QS)

In the quarterly report, SA-QSr 4/2006, there has been presented the consolidated net profit in the amount of PLN 48.057 thousand, whereas in the audited annual report SA-RS 2006 the consolidated net profit amounts to PLN 50.821 thousand. The net profit differential in the amount of PLN 2.764 thousand results from the corrections as introduced by the expert auditors.

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

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 – Secretary
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 – Secretary
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. Katarzyna 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

d) Changes in the composition of the Management Boards and Supervisory Boards of subordinate companies in 2006 concern:

1. Stalexport Serwis Centrum S.A. Katowice, ul. Owsiana 60 a

Changes in the Management Board

As at the 12th of February, 2007, Krzysztof Sapiński has been appointed to Company's Management Board. At present, the Management Board consists of:

1. Waldemar Lisoń – Management Board President,

2. Krzysztof Sapiński – Management Board Vice-President.

Changes in the composition of the Supervisory Board

In 2006, Mr. Józef Blokisz resigned as Supervisory Board member. Following his resignation, the composition of the Supervisory Board is as follows:

1. Urszula Dzierżoń – Chair person,
2. Zbigniew Grabara – Deputy Chairman,
3. Jan Czaja – Secretary,
4. Katarzyna Merta.

2. Stalexport Autostrada Dolnośląska S.A. Katowice, ul. Mickiewicza 29

Changes in the composition of the Management Board

As at the 27th of September, 2006, at the Supervisory Board seating, there has been accepted the resignation of Jerzy Ożana as Management Board President and Andrzej Kluba has been appointed in his place. Thus, following the changes, as at 1.10.2006., the composition of the Management Board was as follows:

5. Andrzej Kluba – Management Board President
6. Zbigniew Czapla-Nowicki – Management Board Vice-President.

In the other subordinate companies, there were no changes made in the composition of either Management Boards or Supervisory Boards.

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
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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 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-Kepys	5.750	11.500
4. Dario V. Cipriani	10	20
5. Bogusław Leśnodorski	30.000	60.000
6. Alexander Neuber	50	100
7. Tomasz Niemczyński	30	60
8. Katarzyna Bijak	2000	4.000
9. Stanisław Kajzer	10	20
10. Anna Górską-Ucinyk	50	100
11. Zbigniew Grabara	928	1.856
12. Jan Czaja	1	2

After that day, in accordance with the earlier made declarations, Mrs. Małgorzata Michalunio-Kępyś and Mr. Bogusław Leśnodorski have both sold their shares.

As regards the number of shares or stakes in the other units belonging to the Group, being the property of the company's managing and supervising people:

Mr. Ryszard Niedziela, President of the Management Board of Stalexport Centrostal S.A. Lublin owns 180 shares of Stalexport Centrostal S.A. Lublin of nominal value of PLN 18.000,
Mr. Leszek Niedziałkowski President of the Management Board of Stalexport Serwis Centrum Bełchatów S.A. owns 22.250 shares of Stalexport Serwis Centrum Bełchatów S.A. of nominal value of PLN 44.500.

The people managing and supervising STALEXPORT S.A. do not hold shares or stakes in related parties to the exception of:

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 (%)
AUTOSTRASSE 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 (%)
AUTOSTRASSE 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 Group.

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 and Group companies' 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.

In the scope of property rights transfers in the Group companies, the following restrictions are observed:

- STALEXPORT Autostrada Małopolska S.A.
consent is required on the part of pawnee resulting from pawn agreement
- STALEXPORT Transroute Autostrada S.A.
consent is required on the part of pawnee resulting from pawn agreement
other shareholders have pre-emptive right
- STALEXPORT Autoroute S.a r.L.
consent is required on the part of pawnee resulting from pawn agreement
- STALEXPORT Autostrada Dolnoślaska S.A.
consent is required on the part of Management Board ensuing from Company's
Articles of Incorporation
- STALEXPORT Autostrada Śląska S.A.
other shareholders have pre-emptive right,
- STALEXPORT Centrostal S.A. Lublin
consent is required on the part of pawnee resulting from pawn agreement

consent is required on the part of Management Board ensuing from Company's Articles of Incorporation

- STALEXPORT Serwis Centrum S.A. Katowice
consent is required on the part of pawnee resulting from pawn agreement

consent is required on the part of Management Board ensuing from Company's Articles of Incorporation

- STALEXPORT Metalzbyt Sp. Z o.o.
consent is required on the part of Supervisory Board ensuing from Company's Articles of Incorporation

other shareholders have pre-emptive right

- STALEXPORT Serwis Centrum S.A. Bełchatów
consent is required on the part of Management Board ensuing from Company's Articles of Incorporation
other shareholders have pre-emptive right

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

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.

STALEXPORT S.A.

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.

Total remuneration for auditor amounted to PLN 160 thousand.

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

In 2005, total remuneration for auditor amounted to PLN 223.000.

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.

STALEXPORT SERWIS CENTRUM S.A. Katowice

Contract for auditor's services with BDO Polska Sp. z o. o. has been signed on the 21st of July, 2006, for a period of one year, i.e. 2006: The contract comprises

- semi-annual review of financial statement of STALEXPORT SERWIS CENTRUM S.A.
- examination of annual financial statement of STALEXPORT SERWIS CENTRUM S.A.

Total remuneration for auditor amounted to PLN 28 thousand.

In 2005, total remuneration for auditor amounted to PLN 28 thousand.

STALEXPORT CENTROSTAL S.A. Lublin

Contract for auditor's services with BDO Sp. z o. o. has been signed on the 5th of September, 2006, for a period of one year. The contract comprises:

- review of mid-annual financial statement of STALEXPORT Centrostal S.A. Lublin drafted as per the balance from the 30th of June, 2006, in accordance with the International Accounting Standards
- examination of annual financial statement of STALEXPORT Centrostal S.A. Lublin as per the balance from the 31st of December, 2006, in accordance with the International Accounting Standards

In 2006, total remuneration for auditor amounted to PLN 17.427,41 in gross terms

In 2005, total remuneration for auditor amounted to PLN 23.827,50

STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A.

Contract for auditor's services with BDO Polska Sp. z o. o. has been signed on the 20th of June, 2006, for a period of one year. The contract comprises:

- review of semi-annual financial statement of STALEXPORT Autostrada Małopolska S.A.,
- examination of annual financial statement of STALEXPORT Autostrada Małopolska S.A.

Total remuneration for auditor amounted to PLN 28 thousand.

In 2005, total remuneration for auditor amounted to PLN 28.000.

STALEXPORT TRANSROUTE AUTOSTRADA S.A.

Contract for auditor's services with BDO Sp. z o. o. has been signed on the 26th of May, 2006, and it has been concluded for a period of 1 year. The contract comprises:

- mid-annual review of financial statement of STALEXPORT TRANSROUTE AUTOSTRADA S.A. as at the 30th of June, 2006, drafted in accordance with the International Accounting Standards
- examination of annual financial statement of STALEXPORT TRANSROUTE AUTOSTRADA S.A. as at the 31st of December, 2006, drafted in accordance with the International Accounting Standards

Total remuneration for auditor amounted to PLN 34.000 in net terms.

Remuneration in the year 2006 other than in connection with the examination of financial statements amounted to PLN 1280 in net terms and was in connection with translating the statements into the English language.

In 2005, total remuneration for auditor amounted to PLN 34.160 in net terms.

STALEXPORT AUTOSTRADA DOLNOŚLĄSKA S.A.

Contract for auditor's services with Kancelaria Biegłych Rewidentów Sp. z o.o. in Katowice has been signed on the 6th of February, 2007. The contract comprises:

- examination of annual financial statement and of consolidated financial statement of Stalexport Autostrada Dolnośląska S.A. for 2006.

Total remuneration for auditor amounted to PLN 25.620.

In 2005, total remuneration for auditor amounted to PLN 14.640.

STALEXPORT AUTOSTRADA ŚLĄSKA S.A.

Contract for auditor's services with BUFIKS Biuro Usług Finansowo-Księgowych Stowarzyszenia Księgowych w Polsce Sp. z o.o. in Katowice has been signed on the 28th of March, 2006. The contract comprises:

- examination of annual financial statement of Stalexport Autostrada Śląska S.A for 2005
- Total remuneration for auditor amounted to PLN 11.956,00.
In 2005, total remuneration for auditor amounted to PLN 11.956.

5.23. Other information

1. In 2006, the Group companies refrained from making any capital investments.
2. Description of the organization of STALEXPORT Group together with the indication of units subject to consolidation, as well as the assumed by the Group rules of consolidation have been presented in the "Preliminary information and characteristics of the applied accounting principles in the consolidated financial statement of STALEXPORT S.A. as at the 31st of December, 2006".
3. Description of essential non balance sheet items presented in entity terms, subject terms, as well as value terms has been featured in "Supplementary note to the consolidated financial statement of STALEXPORT S.A. for the year 2006".
4. In 2006, the Group companies had no liquidity problems.

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. AND STALEXPORT GROUP

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 losing 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 reorganisation proceedings 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 been 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 be 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 January of 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.

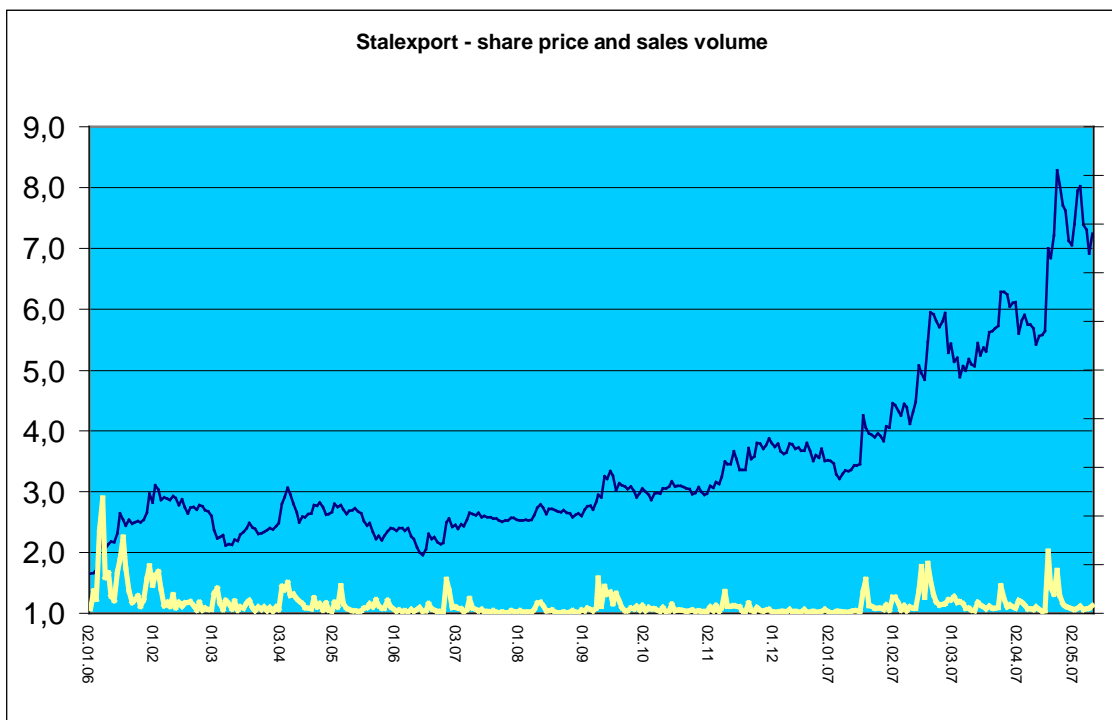
2. The second period (from the 26th of June, 2006 – when STALEXPORT S.A concluded investment agreement with Autostrade S.p.A and declared its intention to provide additional financing and to develop the motorway business – the end of 2007). It was characterized by an uptrend in the value of shares from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

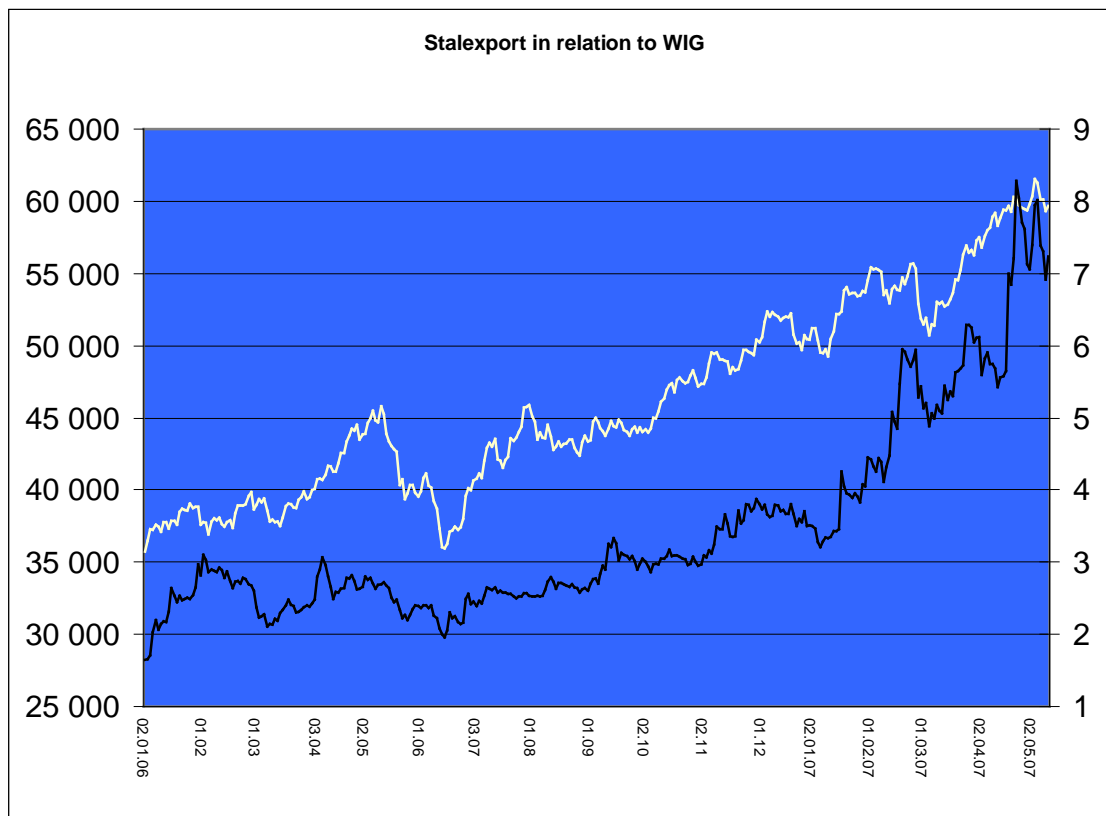
It ought to be presumed that the increases in the STALEXPORT S.A share price in 2007 are caused by the information concerning the planned and realized capital increase by another PLN 201 million on the part of the strategic investor, Autostrade S.p.A. Conversely, periodical downfalls in the ratings are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





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
Commercial Director

Management Board Vice-President
Financial Director

Management Board President
Chief Executive Officer

/Urszula Dzierżoń/

/Mieczysław Skołyżyński/

/Emil Wąsacz/

Katowice, May 2007.

9. ENCLOSURES

In accordance with the Resolution of the Minister of Finance from the 19th of October, 2005, regarding current and periodical information conveyed by securities' issuer, 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
Commercial Director

/Urszula Dzierżoń/

Management Board Vice-President
Financial Director

/Mieczysław Skołożyński/

Management Board President
Chief Executive Officer

/Emil Wąsacz/

Katowice, May 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
Commercial Director

Management Board Vice-President
Financial Director

Management Board President
Chief Executive Officer

/Urszula Dzierżoń/

/Mieczysław Skołożyński/

/Emil Wąsacz/

Katowice, May 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
Commercial Director

Management Board Vice-President
Financial Director

Management Board President
Chief Executive Officer

/Urszula Dzierżoń/

/Mieczysław Skołożyński/

/Emil Wąsacz/

Katowice, May 2007.