

SECURITIES AND STOCK EXCHANGE COMMITTEE
00-950 Warszawa Plac Powstańców Warszawy 1

SA-Q II/2004

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

According to § 57 passage 2 of the Decree of the Cabinet of 16.10.2001 - Journal of Law No 139, item 1569 and of 2002 No 31, item 280

The Management Board of STALEXPORT Joint Stock Company publishes quarterly report for II /2004

04.08.2004
date of publishing

Selected financial data	in thousand zlotys		in thousand EURO	
	2 quarters 2004 01.01.2004 30.06.2004	2 quarters 2003 01.01.2003 30.06.2003	2 quarters 2004 01.01.2004 30.06.2004	2 quarters 2003 01.01.2003 30.06.2003
I. Net sales revenues	438 916	419 793	92 773	88 731
II. Operating profit (loss)	96 915	33 441	20 485	7 068
III. Profit (loss) before taxation	11 667	12 509	2 466	2 644
IV. Net profit (loss)	11 659	13 189	2 464	2 788
V. Net cash flows from operating activities	-4 617	30 116	-1 016	6 630
VI. Net cash flows from investing activities	25 960	-4 828	5 715	-1 063
VII. Net cash flows from financing activities	-20 316	-26 897	-4 473	-5 922
VIII. Total net cash flows	1 027	-1 609	226	-354
IX. Total assets	618 521	603 029	136 172	132 761
X. Liabilities and reserves for liabilities	657 437	693 237	144 740	152 621
XI. Long-term liabilities	197 793	250 213	43 546	55 086
XII. Short-term liabilities	289 394	223 961	63 712	49 307
XIII. Shareholders' equity	-38 916	-90 208	-8 568	-19 860
XIV. Share capital	215 524	215 524	47 449	47 449
XV. Number of shares	107 762 023	107 762 023	107 762 023	107 762 023
XVI. Earnings (loss) per ordinary share (in PLN / EUR)	0,11	0,12	0,02	0,03
XVII. Diluted earnings (loss) per ordinary share (in PLN / EUR)				
XVIII. Book value per share (in PLN / EUR)	-0,36	-0,84	-0,08	-0,18
XIX. Diluted book value per share (in PLN / EUR)				
XX. Declared or paid-out dividend per ordinary share (in PLN / EUR)				

Balance sheet

	30.06.2004	31.03.2004	30.06.2003	31.03.2003
ASSETS				
I. Fixed assets	351 921	348 262	354 585	375 510
1. Intangible assets	1 150	1 446	2 326	2 515
- of which goodwill				
2. Tangible fixed assets	158 883	162 726	166 463	171 599
3. Long-term receivables	65 818	54 673	2 919	3 569
3.1. From subsidiary and associated companies	50 736	51 280	75	225
3.2. From other companies	15 082	3 393	2 844	3 344
4. Long-term investments	126 070	129 417	182 877	197 827
4.1. Real estate	32 158	36 658	20 533	
4.2. Intangible assets				
4.3. Long-term financial assets	93 712	92 559	150 783	182 003
a) in subsidiary and associated companies	92 008	90 855	144 593	169 858
- of which shares in companies valued under the equity method				
- shares in subsidiaries				
b) in other companies	1 704	1 704	6 190	12 145
4.4. Other long-term investments	200	200	11 561	15 824
5. Long-term deferred expenses	0	0	0	0
5.1. Deferred income tax				
5.2. Other deferred expenses				
II. Current assets	266 600	244 667	248 444	307 474
1. Inventories	50 939	56 257	13 712	18 225
2. Current receivables	187 480	164 334	219 826	269 753
2.1. From subsidiary and associated companies	38 107	21 020	95 970	109 107
2.2. From other companies	149 373	143 314	123 856	160 646
3. Short-term investments	26 653	22 319	12 435	16 691
3.1. Short-term financial assets	26 653	22 319	12 435	16 691
a) in subsidiary and associated companies			60	
b) in other companies	13 550	5 026	481	73
c) cash and cash equivalents	13 103	17 293	11 894	16 618
3.2. Other short-term investments				
4. Short-term deferred expenses	1 528	1 757	2 471	2 805
Total Assets	618 521	592 929	603 029	682 984
Shareholders' Equity and Liabilities				
I. Shareholders' Equity	-38 916	-46 511	-90 208	-344 759
1. Share capital	215 524	215 524	215 524	25 668
2. Not paid-up share capital (negative value)				
3. Own shares in treasury (negative value)				
4. Reserve capital	42 312	2 634	2 632	2 612
5. Revaluation capital	8 488	8 488	8 490	8 589
6. Other reserve capitals	87 242	83 517	74 099	
7. Differences in rates from re-counting of the subordinated entities	0	0	0	0
a) positive differences in rates				
b) negative differences in rates				
8. Prior years' profit (loss)	-404 141	-364 463	-404 142	-393 567
9. Net profit (loss)	11 659	7 789	13 189	11 939
10. Net profit write-downs during the financial year (negative value)				
II. Liabilities and reserves for liabilities	657 437	639 440	693 237	1 027 743
1. Reserves for liabilities	27 611	64 788	87 892	84 540
1.1. Reserve for deferred income tax	758	887	5 029	6 443
1.2. Provisions for pension and similar benefits	2 737	2 609	3 016	2 982
a) long-term provisions	1 787	1 788	3 016	2 982
b) short-term provisions	950	821		
1.3. Other provisions	24 116	61 292	79 847	75 115
a) long-term provisions	13 305	55 569	79 847	75 115
b) short-term provisions	10 811	5 723		

2. Long-term liabilities	197 793	209 643	250 213	441 799
2.1. To subsidiary and associated companies	5 833	6 581	8 974	21 591
2.2. To other companies	191 960	203 062	241 239	420 208
3. Current liabilities	289 394	216 155	223 961	249 346
3.1. To subsidiary and associated companies	21 266	15 748	58 761	60 459
3.2. To other companies	267 765	199 825	164 478	187 966
3.3. Special funds	363	582	722	921
4. Accrued expenses and deferred income	142 639	148 854	131 171	252 058
4.1. Negative goodwill				
4.2. Other accrued expenses and deferred income	142 639	148 854	131 171	252 058
a) long-term accruals	118 360	126 026	130 223	250 922
b) short-term accruals	24 279	22 828	948	1 136
Total Shareholders' Equity and Liabilities	618 521	592 929	603 029	682 984

Book value	-38916	-46511	-90208	-344759
Number of shares	107762023	107762023	107762023	12833826
Book value per share (in PLN) - basic	-0,36	-0,43	-0,84	-26,86
Diluted number of shares				15 114 774
Book value per share (in PLN) - diluted				-22,81

Off-balance sheet liabilities

	30.06.2004	31.03.2004	30.06.2003	31.03.2003
1. Contingent receivables	0	0	0	0
1.1. From subsidiary and associated companies (due to)	0	0	0	0
- guarantees received				
1.2. From other companies (due to)	0	0	0	0
- guarantees received				
2. Contingent liabilities	307 676	353 657	352 953	311 623
2.1. In favour of subsidiary and associated companies (due to)	0	1 401	2 038	13 827
- guarantees extended		1 401	1 316	13 105
- bills of exchange			722	722
- other				
2.2. In favour of other companies (due to)	307 676	352 256	350 915	297 796
- guarantees extended	306 070	352 256	342 096	283 694
- letters of credit	1 606		8 819	14 102
- other				
3. Other (due to)	0	15 150	15 150	15 150
- customs guarantees		15 150	15 150	15 150
- other				
Total off-balance-sheet liabilities	307 676	368 807	368 103	326 773

PROFIT AND LOSS ACCOUNT

	2 quarter 2004 01.04.2004 30.06.2004	2 quarters 2004 01.01.2004 30.06.2004	2 quarter 2003 01.04.2003 30.06.2003	2 quarters 2003 01.01.2003 30.06.2003
I. Net sales revenues	257 859	438 916	218 935	419 793
- of which sales to subsidiary and associated companies	56 876	86 321	48 471	81 594
1. Net sales of products	29 087	54 438	22 262	41 829
2. Net sales of merchandise and raw materials	228 772	384 478	196 673	377 964
II. Cost of products, merchandise and raw materials sold	240 098	408 762	186 091	355 827
- of which sold to subsidiary and associated companies	36 514	36 754	61 463	75 431
1. Cost of products sold	27 804	52 015		
2. Cost of merchandise and raw materials sold	212 294	356 747	186 091	355 827
III. Gross profit (loss) on sales (I-II)	17 761	30 154	32 844	63 966
IV. Distribution expenses	3 379	7 129	23 936	45 985
V. General administrative expenses	4 882	9 646	4 904	10 236
VI. Profit (loss) on sales (III-IV-V)	9 500	13 379	4 004	7 745
VII. Other operating income	78 079	86 895	49 979	63 034
1. Gain on disposal of non-financial fixed assets	-1			
2. Subsidies				
3. Other operating income	78 080	86 895	49 979	63 034
VIII. Other operating expenses	2 380	3 359	31 370	37 338
1. Loss on disposal of non-financial fixed assets	1 886	1 886	1 525	6 878
2. Revaluation of non-financial fixed assets	108	108	25 277	25 280
3. Other operating costs	386	1 365	4 568	5 180
IX. Operating profit (loss) (VI+VII-VIII)	85 199	96 915	22 613	33 441
X. Financial income	22 263	166 426	16 260	32 285
1. Equity income – dividends	1 213	1 213	935	935
- of which from subsidiary and associated companies	1 213	1 213	935	935
2. Interest receivable	2 153	4 449	3 816	6 738
- of which from subsidiary and associated companies	152	337	3 998	5 008
3. Gain on disposal of investments				
4. Revaluation of investments	16 667	158 146		7 304
5. Other financial income	2 230	2 618	11 509	17 308
XI. Financial expenses	103 722	251 674	38 375	53 217
1. Interest payable	9 599	14 722	6 190	11 785
- of which to subsidiary and associated companies	644	782	606	1 488
2. Loss on disposal of investments	13 699	155 453	11	6 497
3. Revaluation of investments	4 515	4 515	28 283	29 715
4. Other financial expenses	75 909	76 984	3 891	5 220
XII. Profit (loss) on ordinary activities (IX+X-XI)	3 740	11 667	498	12 509
XIII. Result of extraordinary items (XIII.1. - XIII.2.)	0	0	0	0
1. Extraordinary gains				
2. Extraordinary losses				
XIV. Profit (loss) before taxation (XII+/-XIII)	3 740	11 667	498	12 509
XV. Corporate income tax	-130	8	-752	-680
a) current portion				
b) deferred portion	-130	8	-752	-680
XVI. Other obligatory profit decreases (loss increases)				
XVII. Share in net profits (losses) of companies valued under the equity method				
XIX. Net profit (loss) (XIV-XV-XVI+/-XVII)	3 870	11 659	1 250	13 189
Net profit (loss) (on annual basis)	38 148		-182 300	
Weighted average number of ordinary shares	107 762 023		107 762 023	
Earning (loss) per ordinary share (in PLN) - basic	0,35		-1,69	
Diluted weighted average number of ordinary shares				
Earning (loss) per ordinary share (in PLN) - diluted				

Cash flow statement

	2 quarter 2004 01.04.2004 30.06.2004	2 quarters 2004 01.01.2004 30.06.2004	2 quarter 2003 01.04.2003 30.06.2003	2 quarters 2003 01.01.2003 30.06.2003
A. Cash flows from operating activities - indirect method				
I. Net profit (loss)	3 870	11 659	1 250	13 189
II. Total adjustments	-11 561	-16 276	23 031	16 927
1. Share in net (profits) losses of companies valued under the equity method				
2. Depreciation and amortisation	2 407	4 812	2 390	4 878
3. (Gain) loss on foreign exchange differences				
4. Interest and dividends	4 008	6 575	4 236	5 092
5. (Gain) loss on investing activities	15 174	156 967	12 226	17 579
6. Change in provisions	-130	8	-746	-680
7. Change in inventories	5 311	-19 746	4 464	-1 704
8. Change in receivables	-34 284	-65 742	45 131	3 695
9. Change in current liabilities (excluding loans and bank credits)	64 011	102 525	-21 575	16 766
10. Change in deferred and accrued expenses	-43 033	-49 654	-114 914	-119 013
11. Other adjustments	-25 025	-152 021	91 819	90 314
III. Net cash flows from operating activities (I+II)	-7 691	-4 617	24 281	30 116
B. Cash flows from investing activities				
I. Cash provided by investing activities	11 659	26 316	3 307	17 581
1. Disposal of intangible assets and tangible fixed assets	2 405	2 406	1 642	5 136
2. Disposal of investments in real-estate and intangible assets				
3. From financial assets, of which:	9 254	23 910	1 665	12 445
a) in subsidiary and associated companies	1 725	2 225	1 665	11 430
- disposal of securities		500		8 960
- dividends and shares in profits	1 213	1 213	935	935
- long-term loans collected	512	512		
- interest received			730	1 535
- other income from financial assets				
b) in other companies	7 529	21 685	0	1 015
- disposal of securities		5 500		1 015
- dividends and shares in profits				
- long-term loans collected	7 488	15 000		
- interest received				
- other income from financial assets	41	1 185		
4. Other investing income				
II. Cash used in investing activities	315	356	20 857	22 409
1. Purchases of intangible assets and tangible fixed assets	148	189	176	294
2. Purchases of investments in real-estate and intangible assets			20 533	20 533
3. For financial assets, of which:	167	167	148	1 582
a) in subsidiary and associated companies	152	152	148	1 582
- acquisition of securities	152	152	88	1 522
- long-term loans granted			60	60
b) in other companies	15	15	0	0
- acquisition of securities	15	15		
- long-term loans granted				
4. Other investing expenses				
III. Net cash flows from investing activities (I-II)	11 344	25 960	-17 550	-4 828
C. Cash flows from financing activities				
I. Cash provided by financing activities	6 634	6 634	0	0
1. Issuance of shares and other capital securities and additional paid-in capital				
2. Bank credits and loans contracted	6 634	6 634		
3. Issuance of debt securities				
4. Other financial income				
II. Cash used in financing activities	14 477	26 950	11 455	26 897
1. Acquisition of own shares				
2. Dividends and other payments to shareholders				
3. Profit distribution expenses other than payments to shareholders				
4. Payments of bank credits and loans	9 256	19 162	5 554	18 334
5. Redemption of debt securities				1 000
6. Payments of other financial liabilities				
7. Finance lease commitments paid				
8. Interest paid	5 221	7 788	5 901	7 563
9. Other financial expenses				
III. Net cash flows from financing activities (I-II)	-7 843	-20 316	-11 455	-26 897
D. Total net cash flows (A.III+B.III+C.III)	-4 190	1 027	-4 724	-1 609
E. Change in balance-sheet cash and cash equivalents	-4 190	1 027	-4 724	-1 609
- of which change in cash and cash equivalents due to foreign exchange differences	-25	-25		
F. Cash and cash equivalents - beginning of period	17 293	12 076	16 618	13 503
G. Cash and cash equivalents - end of period (F+/-D)	13 103	13 103	11 894	11 894
- of which those with restricted availability				

Changes in company's equity

	1 quarter 2004 01.04.2004 30.06.2004	2 quarters 2004 01.01.2004 30.06.2004	1 quarter 2003 01.04.2003 30.06.2003	2 quarters 2003 01.01.2003 30.06.2003
I. Shareholders' Equity at the beginning of period (opening balance)	-46 511	-56 725	-344 759	-367 352
a) changes in accepted accounting principles (policies)				
b) corrections of material faults				
I. Shareholders' Equity at the beginning of period (opening balance), after restatement to comparative data	-46 511	-56 725	-344 759	-367 352
1. Share capital at the beginning of period	215 524	215 524	25 668	25 668
1.1. Changes in share capital	0	0	189 856	189 856
a) additions, of which:	0	0	189 856	189 856
- issuance of shares			189 856	189 856
-				
b) reductions, of which:	0	0	0	0
- retirement of shares				
-				
1.2. Share capital at the end of period	215 524	215 524	215 524	215 524
2. Not paid-up share capital at the beginning of period				
2.1. Changes in not paid-up share capital	0	0	0	0
a) additions, of which:	0	0	0	0
b) reductions, of which:	0	0	0	0
2.2. Not paid-up share capital at the end of period	0	0	0	0
3. Own shares in treasury at the beginning of period				
3.1. Changes in own shares in treasury	0	0	0	0
a) additions, of which:	0	0	0	0
b) reductions, of which:	0	0	0	0
3.2. Own shares in treasury at the end of period	0	0	0	0
4. Reserve capital at the beginning of period	2 634	2 634	2 612	
4.1. Changes in reserve capital	39 678	39 678	20	2 632
a) additions, of which:	39 678	39 678	99	2 632
- additional paid-in capital from issuance of shares				
- distribution of profit (by law)	39 678	39 678		
- distribution of profit (in excess of value required by law)				
-				
- sale of fixed assets			99	2 632
- other				
b) reductions, of which:	0	0	79	0
- coverage of loss				
correction of closing balance sheets of 2002 after examination			79	
4.2. Reserve capital at the end of period	42 312	42 312	2 632	2 632
5. Revaluation capital at the beginning of period	8 488	8 488	8 589	11 122
5.1. Changes in revaluation capital	0	0	-99	-2 632
a) additions, of which:	0	0	0	0
b) reductions, of which:	0	0	99	2 632
- sale or disposal of tangible fixed assets			99	2 632
5.2. Revaluation capital at the end of period	8 488	8 488	8 490	8 490
6. Other reserve capital at the beginning of period	83 517	81 093		
6.1. Changes in other reserve capital	3 725	6 149	74 099	74 099
a) additions, of which:	3 725	6 149	74 099	74 099
partly execution of the arrangement liabilities -instalments payment	3 725	6 149		
settlement of the conversion by the unearned revenues			74 099	74 099
b) reductions, of which:	0	0	0	0

transition to reserve capital				
loss coverage				
6.2. Other reserve capital at the end of period	87 242	87 242	74 099	74 099
7. Prior years' profit (loss) at the beginning of period	-356 674	-364 463	-381 628	-404 142
7.1. Prior years' profit at the beginning of period				
a) changes in accepted accounting principles (policies)				
b) corrections of material faults				
7.2. Zysk z lat ubieglych, na początek okresu, po uzgodnieniu do danych porównywalnych	0	0	0	0
a) zwiększenia (z tytułu)	0	0	0	0
- podziału zysku z lat ubieglych				
b) reductions, of which:	0	0	0	0
7.3. Prior years' profit at the end of period	0	0	0	0
7.4. Prior years' loss at the beginning of period	356 674	364 463	381 628	404 142
a) changes in accepted accounting principles (policies)				
b) corrections of material faults				
7.5. Prior years' loss at the beginning of period, after restatement to comparative data	356 674	364 463	381 628	404 142
a) additions, of which:	39 678	39 678	10 654	0
- transition of prior years' loss to be covered of the closing of balance sheets of 2002 after examination - balance sheet loss			10 654	
re-classification of shareholders' equity	39 678	39 678		
b) reductions, of which:	0	0	79	0
correction of closing balance sheets of 2002 after examination - reserve capital			79	
7.6. Prior years' loss at the end of period	396 352	404 141	392 203	404 142
7.7. Prior years' profit (loss) at the end of period	-396 352	-404 141	-392 203	-404 142
8. Net profit (loss)	3 870	11 659	1 250	13 189
a) net profit	3 870	11 659	1 250	13 189
b) net loss				
c) charges on the profit				
II. Shareholders' Equity at the end of period (closing balance)	-38 916	-38 916	-90 208	-90 208
III. Shareholders' Equity adjusted by the proposed distribution of profit (coverage of loss)				

Comments to the Report for 2nd Quarter of 2004.

The Quarterly Report contains information specified under § 61 Section 3 and 4 Order of the Council of Ministers dated 16th October, 2001, - Official Laws Gazette No. 139, Item 1569 and from 2002 No. 31, Item 280.

I. Assumed accounting principles, including methods of assets and liabilities assessment, measurement of financial result and preparation of Financial Statement

Data given in the Quarterly Report as on 30th June, 2004, was established on the ground of the journal principle of commensurability of income and costs. Evaluation of assets and liabilities and establishment of financial result was prepared according to principles binding in the Accountancy Act of 29th September, 1994, (Official Laws Gazette No. 121, Item 591) with successive amendments.

The data shown has been presented in the Preliminary Annual Report F-01/I-01 as on 30th June, 2004.

II. Average EURO rates of exchange during the period covered by the Financial Statement established by the National Polish Bank

Items of Balance Sheet Assets and Liabilities have been converted into EURO according to the National Polish Bank average rate of exchange that amounted to 4.5422 binding on the balance sheet date.

Specific items in the Profit and Loss Account pertaining to 2 quarters of this year have been converted into EURO according to the rate 4.7311, being the arithmetic mean of average exchange rates published by the National Polish Bank, binding on the last day of January, February, March, April, May, June of this year:

Average EURO exchange rates used in the conversion:

31.01.2004	-	4.7614
29.02.2004	-	4.8746
31.03.2004	-	4.7455
30.04.2004	-	4.8122
31.05.2004	-	4.6509
<u>30.06.2004</u>	-	<u>4.5422</u>
TOTAL:		28,3868 : 6 = 4,7311

Cautious evaluation was carried out of foreign trade liabilities and receivables, which showed a surplus and amounted to 1,301 thousand PLN. This balance had an impact on the financial result of 2nd quarter of 2004.

III. Comparability of data

Data given in the Financial Statement SA-Q for the second quarter 2004 is comparable. One should point out that in the fourth quarter of last year the Company changed its presentation of data in the Profit and Loss Account under Item II.1 "Cost of manufacturing sold products" and under Item IV "Cost of Sale". The effects of this change for the foregoing presentation

refer to the results after to quarters of 2003 and amount to 39,118 thousand PLN *in plus* for item II.1 and 39,118 thousand PLN *in minus* for item IV of the Profit and Loss Account and results of 2nd quarter 2003 21,349 thousand PLN *in plus* for item II.1 and 21,349 thousand PLN *in minus* for item IV of the Profit and Loss Account.

Financial results of Stalexport SA

For 2nd quarter of this year Stalexport S.A. noted a gross profit of 3,740 thousand PLN, which comprised:

- profit on the sale of goods and services	9,500 thousand PLN
- result on remaining operating activity	75,699 thousand PLN
- result on financial activity	-81,459 thousand PLN

Gross profit for 2 nd quarter 2004	3,740 thousand PLN
Obligatory burdening of financial result	-130 thousand PLN

Net profit for 2 nd quarter 2004	3,870 thousand PLN
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Established reserves and dissolved revaluating allocations and reserves had a considerable impact on the financial result in the 2nd quarter.

In the 2nd quarter of this year the Company increased its financial result with the sum of 76,805 thousand PLN on account of dissolving:

- Revaluating allocation for outstanding amounts for deliveries of goods, which pertained to the following sources	20,037 thousand PLN
Ferrostal Łabędy	8,964 thousand PLN
Huta Kościuszko	9,112 thousand PLN
Stalexport Zaotor	2,267 thousand PLN
- Revaluating allocation for interest arrears	112 thousand PLN
- Reserves for cost of holiday leave	326 thousand PLN
- Revaluating allocation for loan outstandings	16,530 thousand PLN
- Revaluating allocation for fixed assets under construction	2,000 thousand PLN
- Revaluating allocation for conditional liabilities	37,800 thousand PLN

The main item of revaluating allocation dissolution for conditional liabilities was the value of guarantee granted by Stalexport S.A. to Huta Ostrowiec S.A. in the sum of 37,500 thousand PLN.

The Stalexport S.A. Management Board in its report 38/2004 informed of being notified that the State Treasury (represented by the Minister of Finance) had paid to the Bank Polska Kasa Opieki S.A. the sum of 72,692 thousand PLN as State Treasury security for obligations of Huta Ostrowiec S.A.

The State Treasury claim towards Huta Ostrowiec S.A. on account of security granted to Huta Ostrowiec S.A. was secured by a blank bill of exchange with a promissory note declaration.

Therefore, the sum of 72,692 thousand will become a due and payable liability of Stalexport S.A. to the State Treasury (Ministry of Finance).

Due to the fact that Huta Ostrowiec is under liquidation and Stalexport's claim on account of the guarantee offered to the Huta cannot not be met, Stalexport included the sum of 37,500

thousand from the dissolved revaluation allocation (allocation previously established for receivables from Huta) and additionally the sum of 35,192 thousand PLN in current liabilities and at the same time burdened the costs of the current period with the total sum of 72,692 thousand).

In consequence the result for the 2nd quarter was decreased by the sum of 35,190 thousand. The sum of 37,500 thousand PLN did not have any effect on the financial result due to dissolution of the revaluating allocation and simultaneous appropriation to costs.

The dissolved revaluating allocations and reserves increased the remaining operating income by the sum of 76,693 thousand and financial income by the sum of 112 thousand PLN.

The Company Stalexport S.A. in 2nd quarter reduced its financial result by the sum of 6,631 thousand on account of establishing:

- revaluating allocation for interest arrears	1,507 thousand PLN
- revaluating allocation for financial assets which referred to real estate acquired for outstanding amounts	4,515 thousand PLN
- revaluating allocation for doubtful outstanding amounts on account of deliveries of goods	106 thousand PLN
- reserve for costs of holiday leave	503 thousand PLN

The established revaluating allocations and reserves increased the remaining operating costs by the sum of 609 thousand PLN and financial costs by the sum of 6,022 thousand PLN.

Difference in income tax for the current year and previous years

Taxable income given in the CIT-2 statement for 6 months as specified below:

	Thousands PLN
Basis of taxation	-79,298
Gross profit	11,667
Difference	-90,965

This including:

- permanent differences - balance	70,992
- temporary differences – balance	-161,957

Temporary differences concerning the report period

	Basis	Tax
Surplus – accounting tax	548	104
Balance of temporary differences	548	104

The Company is not establishing any activated tax during the current balance sheet year due to continuing tax loss.

IV. List of Shareholders having more than 5% of the total number of votes at the General Meeting of Shareholders on 30th June, 2004.

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

Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej	16.72%
Powszechna Kasa Oszczędności Bank Polski S.A.	7.10%
Bank Zachodni WBL S.A.	5.47%

V. List of shares held by the group of persons managing and supervising the Company as on 3rd August, 2004.

Managing persons – 59,000 shares, this includes 5000 shares purchased in 2nd quarter of this year.

Supervising persons – 0 shares.

VI. Specification of judicial proceedings pending in court as on 30th June, 2004.

Legal proceedings of considerable value pending before the court :

Item	Case No.	File	Amount PLN	Adverse Party	Legal Status
1.	40/01		3,680,759.37	EAST Biuro Obsługi Importu Ruda Śląska Defendant	Adjudging judgement of 5th November, 2001. Enforcement ineffective (decision of 19.04.2002) Case referred to the Public Prosecutor's Office
2.	93/00		4,137,134.88	Bike-sport Spółka z o.o. Gliwice Defendant	Adjudging judgement of 19th July, 2001. Enforcement in course
3.	60/03		1,366,061.00	SEBA Spółka z o.o. Defendant	Payment order of 10th December, 2003, Without enforcement clause
	73/03		1,366,061.00		Payment order of 27 th January, 2003, with enforcement clause
	5/04		1,366,061.00		Payment order of 31 st March, 2004, without clause
4.	8/03		125,494.58	Centrostal Profil Spółka z o.o. Kraków Defendant	Judgement of 24th March, 2003. Liquidation of Company Debt presented to liquidation estate Part payment
5.	30/03		11,995,000.00	Centrozap S.A. Katowice Defendant	Payment Order of 13 th June, 2003. Enforcement proceedings suspended by virtue of

				Decision of the District Court in Katowice dated 23 rd March, 2004 in connection with the motion for declaring bankruptcy and the possibility of concluding an arrangement
6.	25/03	134,461.36	Partnerzy Spółka z o.o. and Chemko Partnerzy Spółka z o.o. Defendant	Adjudging Judgement of 17th May, 2004, Enforcement clause of 9 th July, 2004.
7.	1/04	3,535,943.28	Katowicki Holding Węglowy S.A. Katowice	Proceedings in course Presented together with Stalexport Autostrada Małopolska S.A.

Stalexport S.A. has been sued by Inkasso Reform for the sum of 1,110,836.80 PLN. The Plaintiff is claiming damages from Stalexport in connection with actions taken by the court enforcement officer acting on motion of Stalexport S.A. Proceedings in course.

VII. Description of other factors and events influencing the achieved financial results

Basic activity

1. Income from sales for 2nd quarter 2004 amounted to 257.9 million PLN and was 18% higher than the results for 2nd quarter 2003.
The sale of metallurgic products and supply materials for the metallurgic industry amounted to 236 million PLN, giving over 91% of total sales. Income from operating the motorway made up almost 9% and amounted to 21.2 million PLN. Remaining sale (commission sale, hire, commission) was a marginal figure and amounted to 0.6 million PLN.
2. A slight change as compared to the year 2003 took place in the sale directions. Still the home market is the principal market with over 70% share in sales, including imported goods (mainly iron ores) over 16%. Export constitutes 29% of the total sales. The chief export markets are countries of North and South America and the European Union.
3. The worked out gross profit on sales, taking into account the sales costs, has increased in 2nd quarter 2004 to the sum of 14.4 million PLN (8.9 in 2nd quarter 2003). This gives quite a considerable increase of gross profitability from the level of 4.07% to 5.58%, i.e. by 1.5 pp. Allowance made for general management costs (on a similar, slightly reduced level for 2nd quarter 2004) net profitability on basic activity increased even more dynamically, namely by 1.86 pp. from the level of 1.83% to 3.69%. Increased operating effectiveness is reflected by the level of general management costs in relation to income, which dropped from 55% in 2nd quarter 2003 to 34% in 2nd quarter 2004.

4. The main reason for the increase of margin mass and operating effectiveness on the metallurgic market is first of all the consistent implementation of strategy assumed over 3 years ago. Limited working capital was assigned exclusively to commercial activity (production assets and assets considered superfluous and absorbing considerable working capital had been sold). Processing, which brings in the highest margin percentage was started within the framework of commercial activity. Revaluating allocations established for receivables have minimal influence on the results account (106 thousand PLN in 1st half-year 2004). Costs of general management for 1st half-year 2004 still decreased by a further 0.6 million PLN and are under full control. Moreover, improving business conditions, especially on the market of metallurgic products, contributed to the increase of margin mass. Nevertheless, this influence was relatively low due to the lack of access to external sources of financing. The possessed working capital did not permit the Company to fully take advantage of the effects of improved business conditions, whereas the price increase of metallurgic products effectively limited the tonnage of demand for these products addressed to the Company.

Ferrostal Łabędy Sales

On 26th November, 2003, Stalexport S.A. concluded an agreement for the sale of shares in Ferrostal Łabędy Sp. z o.o. to the Company Złomrex S.A. The agreement became effective in 1st and 2nd quarter of this year. Its impact on the account of results was neutral due to the fact that revaluating allocations had been established during previous years. It is reflected under the Item:

- Financial income (revaluation of investment values) in the sum of 152.7 million PLN by dissolution of allocations for shares (1st quarter 137 million PLN; 2nd quarter 157 million PLN).
- Financial costs (loss on sale of investment) in the sum of 152.7 million (1st quarter – 139.0 million PLN; 2nd quarter – 13.7 million PLN).

Restructuring Agreement with Ferrostal Łabędy

On 26th November, 2003, Stalexport S.A. signed an agreement on restructuring the debt with Ferrostal Łabędy. The Agreement stipulated, among other things, the repayment of 30 million PLN of the reduced debt amount until May 2000. To date Ferrostal paid off its obligations (capital + interest) in full and in time. Moreover the economic and financial situation of the debtor improved considerably. The results achieved, beside the existing guarantees on the debtor's property for the payment of obligations, form additional surety of remaining obligation performance (by 2008). That is why, in 2nd quarter of this year Stalexport decided to dissolve further revaluating allocations. The impact of this decision was reflected in the results account under item "other operating income" in the sum of 24,954 thousand PLN. Other receivables from Ferrostal amounting to 37,972 thousand PLN are included in revaluating allocation amounting to 12,250 thousand PLN, which will be dissolved successively depending on the debtor's condition and repayment of remaining obligations.

Receivables from Huta Kościuszko S.A.

At the end of 2nd quarter 2004 the principal sum of receivables from Huta Kościuszko amounted to 9,169 thousand PLN and was in full covered by revaluating allocations. Within the framework of the initialled agreement on restructuring of the outstanding amounts, the debtor was obliged to establish additional collateral surety. In June this year Huta Kościuszko informed us that it had established a real estate mortgage securing Stalexport's

claim on land with a surface of over 17.5 hectares. The estimated value of this land considerably exceeds the value of receivables. That is why Stalexport S.A. decided to dissolve the allocations in the sum of 9,169 thousand PLN, what was reflected in the results account under "other operating income". On the other hand, real estate with total surface of approximately 25 ha, acquired earlier from Huta Kościuszko (in 2002 and 2003) for receivables, has been entered in the balance sheet in the sum of 36,658 thousand PLN. Taking into account its current value Stalexport S.A. updated its value by establishing revaluating allocations in the sum of 4,500 thousand PLN, thus debiting the results account with financial costs in the same amount.

VIII. Events after balance sheet date.

On 21st July, 2004, an a Share Sales Agreement was concluded between Stalexport S.A. and the Company Celsa Huta Ostrowiec Sp. zo.o.

The Agreement concerned the sale of 17,426 shares of the company Przedsiębiorstwo Przerobu i Obrotu Żłomem "Żłomhut" Spółka z o.o. The total selling price of shares amounted to 9,500 thousand PLN with the balance sheet value of 2,219 thousand PLN.

This transaction will increase the financial result by the sum of 6,331 thousand PLN to the sum of 7,281 thousand PLN, that will be shown in the next quarter.

The licence for the first payable section of the motorway was transferred from Stalexport S.A. to Stalexport Autostrada Małopolska S.A. on 28th July.

The decision on transferring the obligations and rights resulting from the licence was made by the Minister of Infrastructure.

The investment, consisting in adapting the motorway section to the collection of fees had cost Stalexport S.A. 193 million PLN. At the moment the Management Board of Stalexport S.A. is negotiating with GDDKiA financial terms of licence transfer.

With the transfer of licence to SAM S.A. Stalexport will not be entering in the books any toll and other income (rent) connected with the use of the motorway, which will be reflected in the turnover for the quarters to come.

Events specified under items 6, 8, 9 § 61 section 4 Order of the Council of Ministers dated 16th October, 2001, (Official Laws Gazette No. 139/01 had not taken place during the period at issue.