

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

SA-QS 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

13.08.2004
(data przekazania)

Selected financial data	in zlotys zł		EURO	
	2 quarters 2004	2 quarters 2003	2 quarters 2004	2 quarters 2003
	01.01.2004 30.06.2004	01.01.2003 30.06.2003	01.01.2004 30.06.2004	01.01.2003 30.06.2003
I. Net sales revenues	606 500	576 718	128 194	133 899
II. Operating profit (loss)	121 312	60 307	25 641	14 002
III. Profit (loss) before taxation	34 954	64 649	7 388	15 010
IV. Net profit (loss)	28 008	59 576	5 920	13 832
V. Net cash flows from operating activities	(8 656)	46 463	(1 906)	10 425
VI. Net cash flows from investing activities	16 494	5 595	3 631	1 255
VII. Net cash flows from financing activities	(22 910)	(56 430)	(5 044)	(12 661)
VIII. Total net cash flows	(15 072)	(4 372)	(3 318)	(981)
IX. Total assets	768 086	878 893	169 100	197 194
X. Liabilities and reserves for liabilities	702 935	796 064	154 757	178 610
XI. Long-term liabilities	211 222	291 070	46 502	65 306
XII. Short-term liabilities	316 570	277 429	69 695	62 246
XIII. Shareholders' equity	56 387	57 636	12 414	12 932
XIV. Share capital	215 524	215 524	47 449	48 356
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)	0,48	0,03	0,10	0,01
XVII. Diluted earnings (loss) per ordinary share (in PLN / EUR)				
XVIII. Book value per share (in PLN / EUR)	0,52	0,53	0,11	0,12
XIX. Diluted book value per share (in PLN / EUR)				
XX. Declared or paid-out dividend per ordinary share (in PLN / EUR)				

CONSOLIDATED BALANCE SHEET

	30.06.2004	31.03.2004	30.06.2004	31.03.2004
ASSETS				
I. Fixed assets	378 283	382 007	547 618	550 873
1. Intangible assets	1 429	1 684	5 405	11 001
of which goodwill	-	-	-	5 135
2. Goodwill of the subordinated entities	41	43	52	-
3. Tangible fixed assets	269 299	273 462	461 054	470 435
4. Long-term receivables	15 677	3 202	2 844	3 569
4.1. From subsidiary and associated companies	595	-	-	225
4.2. From other companies	15 082	3 202	2 844	3 344
5. Long-term investments	54 729	66 583	69 052	56 676
5.1. Real estate	32 158	36 658	20 533	-
5.2. Intangible assets	-	-	-	-
5.3. Long-term financial assets	22 571	29 925	48 519	56 676
a) in subsidiary and associated companies	20 797	28 119	27 142	44 792
- of which shares in companies valued under the equity method	4 304	352	348	112
- shares in subsidiaries and correlated entities not covered by consolidation	16 525	28 147	26 794	44 680
b) in other companies	1 774	1 806	21 377	11 884
5.4. Other long-term investments	-	-	-	-
6. Long-term deferred expenses	37 108	37 033	9 211	9 192
6.1. Deferred income tax	6 479	6 404	8 141	7 833
6.2. Other deferred expenses	30 629	30 629	1 070	1 359
II. Current assets	389 803	383 876	331 275	365 684
1. Inventories	88 009	83 951	70 661	58 916
2. Current receivables	245 103	232 410	217 315	254 126
2.1. From subsidiary and associated companies	4 754	2 422	3 121	3 790
2.2. From other companies	240 349	229 988	214 194	250 336
3. Short-term investments	53 153	61 770	35 769	44 546
3.1. Short-term financial assets	53 153	61 770	35 769	44 546
a) in subsidiary and associated companies	-	5 186	4 640	9 847
b) in other companies	13 543	5 020	481	73
c) cash and cash equivalents	39 610	51 564	30 648	34 626
3.2. Other short-term investments	-	-	-	-
4. Short-term deferred expenses	3 538	5 745	7 530	8 096
Total Assets	768 086	765 883	878 893	916 557
Shareholders' Equity and Liabilities				
I. Shareholders' Equity	56 387	53 294	57 636	(227 182)
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)	(44)	(44)	(10 575)	(44)
4. Reserve capital	113 025	20 572	15 814	16 933
5. Revaluation capital	12 411	13 323	13 101	13 068
6. Other reserve capitals	88 709	84 984	75 567	4 103
7. Differences in rates from re-counting of the subordinated entities	-	-	-	-
a) positive differences in rates	-	-	-	-
b) negative differences in rates	-	-	-	-
8. Prior years' profit (loss)	(401 246)	(299 742)	(311 371)	(300 320)
9. Net profit (loss)	28 008	18 677	59 576	13 410
10. Net profit write-downs during the financial year (negative value)	-	-	-	-
II. Minority capitals	8 729	14 253	24 386	27 461
III. Negative goodwill of the subordinated entities	35	28	807	864
Liabilities and reserves for liabilities	702 935	698 308	796 064	1 115 414
1. Reserves for liabilities	31 338	69 739	95 125	93 156
1.1. Reserve for deferred income tax	3 380	3 603	8 239	9 611
1.2. Provisions for pension and similar benefits	3 076	3 146	5 838	5 559
a) long-term provisions	2 005	2 204	5 544	5 310
b) short-term provisions	1 071	942	294	249
1.3. Other provisions	24 882	62 990	81 048	77 986
a) long-term provisions	13 305	55 569	79 848	75 115
b) short-term provisions	11 577	7 421	1 200	2 871
2. Long-term liabilities	211 222	211 304	291 070	470 771
2.1. To subsidiary and associated companies	1 711	8	-	-
2.2. To other companies	209 511	211 296	291 070	470 771

3. Current liabilities	316 570	263 625	277 429	297 629
3.1. To subsidiary and associated companies	5 994	2 353	1 267	-
3.2. To other companies	309 859	259 818	274 216	295 407
3.3. Special funds	717	1 454	1 946	2 222
4. Accrued expenses and deferred income	143 805	153 640	132 440	253 858
4.1. Negative goodwill	-	-	-	116
4.2. Other accrued expenses and deferred income	143 805	153 640	132 440	253 742
a) long-term accruals	119 345	127 009	131 369	252 020
b) short-term accruals	24 460	26 631	1 071	1 722
Total Shareholders' Equity and Liabilities	768 086	765 883	878 893	916 557
Book value	56 387	53 294	57 636	(227 182)
Number of shares	107 762 023	107 762 023	107 762 023	12 833 826
Book value per share (in PLN) - basic	0,52	0,49	0,53	-17,70
Diluted number of shares				15 114 774
Book value per share (in PLN) - diluted				-15,00

Off-balance sheet liabilities

	30.06.2004	31.03.2004	30.06.2004	31.03.2004
1. Contingent receivables	-	500	900	-
1.1. From subsidiary and associated companies (due to)	-	500	900	-
- guarantees received	-	500	900	-
1.2. From other companies (due to)	-	-	-	-
- guarantees received	-	-	-	-
2. Contingent liabilities	307 677	369 107	375 507	313 770
2.1. In favour of subsidiary and associated companies (due to)	-	1 701	2 358	13 827
- guarantees extended	-	1 701	1 636	13 105
	-	-	-	-
other	-	-	722	722
2.1. In favour of other entities (due to)	307 677	367 406	373 149	299 943
guarantees extended	306 070	352 256	359 346	285 794
	-	-	-	-
other	1 607	15 150	13 803	14 149
3. Other (due to)	23 206	16 695	19 595	32 835
mortgage	13 495	12 795	14 150	14 150
transfer of goods	4 611	2 500	2 535	17 285
bills of exchange	5 100	1 400	2 910	1 400
Total off-balance-sheet items	330 883	386 302	396 002	346 605

Consolidated profit and loss account

	2nd quarter 2004 01.04.2004 30.06.2004	2 quarters 2004 01.01.2004 30.06.2004	2nd quarter 2003 01.04.2003 30.06.2003	2 quarters 2003 01.01.2003 30.06.2003
I. Net sales revenues	309 481	606 500	576 718	576 718
- of which sales to subsidiary and associated companies	42	87	1 919	1 919
1. Net sales of products	27 701	117 116	134 611	134 611
2. Net sales of merchandise and raw materials	281 780	489 384	442 107	442 107
II. Cost of products, merchandise and raw materials sold	266 678	525 278	503 570	503 570
- of which sold to subsidiary and associated companies	-	-	-	-
1. Cost of products sold	15 063	87 393	147 833	147 833
2. Cost of merchandise and raw materials sold	251 615	437 885	355 737	355 737
III. Gross profit (loss) on sales (I-II)	42 803	81 222	73 148	73 148
IV. Distribution expenses	12 290	21 446	30 014	30 014
V. General administrative expenses	10 110	21 006	22 566	22 566
VI. Profit (loss) on sales (III-IV-V)	20 403	38 770	20 568	20 568
VII. Other operating income	80 082	89 589	79 159	79 159
1. Profit on disposal of non-financial fixed assets	417	424	83	83
2. Revaluation of non-financial fixed assets	-	-	-	-
3. Other operating costs	79 665	89 165	79 076	79 076
VIII. Other operating expenses	4 308	7 047	39 420	39 420
1. Loss on disposal of non-financial fixed assets	1 889	1 889	6 937	6 937
2. Revaluation of non-financial fixed assets	651	684	19 585	19 585
3. Other operating costs	1 768	4 474	12 898	12 898
IX. Profit (loss) on operational activity (VI + VII - VIII)	96 177	121 312	60 307	60 307
X. Financial income	20 733	176 749	33 106	33 106
1. Equity income – dividends	-	-	-	-
- of which from subsidiary and associated companies	-	-	-	-
2. Interest receivable	2 674	4 317	3 908	3 908
- of which from subsidiary and associated companies	(6)	-	119	119
3. Gain on disposal of investments	-	-	351	351
4. Revaluation of investments	15 667	157 545	101	7 405
5. Other financial income	2 392	14 887	15 548	21 442
XI. Financial expenses	105 093	115 225	15 056	22 133
1. Interest payable	10 173	15 568	3 711	9 285
- of which to subsidiary and associated companies	164	164	-	-
2. Loss on disposal of investments	13 699	16 911	362	-
3. Revaluation of investments	4 515	4 515	4 531	4 531
4. Other financial expenses	76 706	78 231	6 452	8 317
XII. Profit (loss) on sales of total or part of shares in subordinated entities	-	(34 585)		(11 891)
XIII. Profit (loss) on ordinary activity (IX + X - XI +/- XII)	11 817	148 251	48 537	59 389
XIV. Results of extraordinary events (XIV.1 - XIV.2)	704	(113 299)	130	5 153
1. Extraordinary gains	3	3	160	5 203
2. Extraordinary losses	(701)	113 302	30	50
XV. Write-downs of goodwill of the subordinated entities	2	5	6	6
XVI. Write-downs of goodwill of the subordinated entities	(7)	7	57	113
XVII. Profit (loss) before taxation (XIII +/- XIV - XV + XVI)	12 512	34 954	48 718	64 649
XVIII. Corporate income tax	2 134	4 264	2 389	5 387
a) current portion	2 330	4 565	3 153	6 162
b) deferred portion	(196)	(301)	(764)	(775)
XIX. Other obligatory profit decreases (loss increases)	-	-	-	-
XX. Share in net profits (losses) of companies valued under the equity method	(30)	4	(61)	(52)

XXI. Profirts losses) of minority	(1 017)	(2 686)	(102)	366
XXII. Net profit (loss) (XVII-XVIII-XIX+/-XX+/- XXI)	9 331	28 008	46 166	59 576

Net profit (loss) (on annual basis)	51 710		3 509	
Weighted average number of ordinary shares	107 762 023		107 762 023	
Earning (loss) per ordinary share (in PLN) - basic	0,48		0,03	
Diluted weighted average number of ordinary shares				
Earning (loss) per ordinary share (in PLN) - diluted				

Consolidated cash flow

	2nd quarter 2004 01.04.2004 30.06.2004	2 quarters 2004 01.01.2004 30.06.2004	2nd 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)	9 331	28 008	46 166	59 576
II. Total adjustments	17 465	(36 666)	(3 399)	(13 113)
1. Profits (losses) of minority	1 017	2 686	102	(366)
2. Share in net (profits) losses of companies valued under the equity method	30	(4)	61	52
3. Depreciation and amortisation	4 384	9 155	9 348	18 504
write-downs of goodwill of the subordinated or negative goodwill of the subordinated entities	9	(2)	(51)	(107)
4. (Gain) loss on foreign exchange differences	75	229	(406)	(349)
5. Interest and dividends	4 291	7 164	6 616	8 737
6. (Gain) loss on investing activities	15 093	157 209	11 499	17 642
7. Change in provisions	(258)	(236)	(3 049)	(2 930)
8. Change in inventories	(4 301)	(35 510)	(7 121)	(5 466)
9. Change in receivables	(54 938)	31 798	52 941	(15 199)
10. Change in current liabilities (excluding loans and bank credits)	85 989	(8 818)	(22 958)	37 305
11. Change in deferred and accrued expenses	(45 506)	(49 470)	(114 837)	(119 759)
12. Other adjustments	11 589	(150 869)	64 405	48 716
III. Net cash flows from operating activities (I+/-II)	26 796	(8 656)	42 767	46 463
B. Cash flows from investing activities				
I. Cash provided by investing activities	(18 719)	34 088	(8 380)	34 037
1. Disposal of intangible assets and tangible fixed assets	3 891	3 961	1 665	5 044
2. Disposal of investments in real-estate and intangible assets	-	-	-	-
3. Disposal of from financial assets, of which:	(22 610)	30 127	4 213	28 929
a) in subsidiary and associated companies	(32 844)	2 257	13 571	23 606
- disposal of securities	(34 585)	500	11 891	21 107
- dividends and shares in profits	1 213	1 213	935	935
- long-term loans collected	512	512	-	-
- interest received	6	32	1 550	1 564
- other income from financial assets	-	-	(805)	-
b) in other companies	10 234	27 870	(9 358)	5 323
- disposal of securities	2 014	10 935	(9 633)	5 048
- dividends and shares in profits	-	-	-	-
- long-term loans collected	7 488	15 000	-	-
- interest received	692	751	275	275
- other income from financial assets	40	1 184	-	-
4. Other investing income	-	-	(14 258)	64
II. Cash used in investing activities	12 956	17 594	9 665	28 442
1. Purchases of intangible assets and tangible fixed assets	12 624	17 261	(8 819)	3 747
2. Purchases of investments in real-estate and intangible assets	5	5	20 524	20 533
3. For financial assets, of which:	217	218	(2 040)	4 162
a) in subsidiary and associated companies	202	203	(2 040)	4 162
- acquisition of securities	202	203	(2 100)	4 102
- long-term loans granted	-	-	60	60
b) in other companies	15	15	-	-
- acquisition of securities	15	15	-	-
- long-term loans granted	-	-	-	-
4. Dividends and other share in profits paid to minority	-	-	-	-
5. Other investing expenses	110	110	-	-
III. Net cash flows from investing activities (I-II)	(31 675)	16 494	(18 045)	5 595
C. Cash flows from financing activities				
I. Cash provided by financing activities	21 721	22 679	1 944	2 112
1. Issuance of shares and other capital securities and additional paid-in capital	-	-	-	-
2. Bank credits and loans contracted	21 634	22 432	363	471
3. Issuance of debt securities	-	-	-	-
4. Other financial income	87	247	1 581	1 641
II. Cash used in financing activities	28 796	45 589	30 644	58 542
1. Acquisition of own shares	-	-	2 188	2 188

2. Dividends and other payments to shareholders	2 206	2 206	1 725	1 725
3. Profit distribution expenses other than payments to shareholders			-	-
4. Payments of bank credits and loans	11 110	22 719	17 288	40 856
5. Redemption of debt securities				1 000
6. Payments of other financial liabilities			-	-
7. Finance lease commitments paid	398	902	305	585
8. Interest paid	5 848	8 953	9 181	12 166
9. Other financial expenses	9 234	10 809	(43)	22
III. Net cash flows from financing activities (I-II)	(7 075)	(22 910)	(28 700)	(56 430)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(11 954)	(15 072)	(3 978)	(4 372)
E. Change in balance-sheet cash and cash equivalents	(11 954)	(15 072)	(3 978)	(4 372)
- of which change in cash and cash equivalents due to foreign exchange differences	(26)	(26)	-	-
F. Cash and cash equivalents - beginning of period	51 564	54 682	34 626	35 020
G. Cash and cash equivalents - end of period (F+/-D)	39 610	39 610	30 648	30 648
- of which those with restricted availability				

Changes in consolidated shareholders' equity

	2nd quarter 2004 01.04.2004 30.06.2004	2 quarters 2004 01.01.2004 30.06.2004	2nd 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)	53 294	163 885	(227 182)	(246 070)
a) changes in accepted accounting principles (polices)	-	-	-	-
b) corrections of material faults	-	-	-	-
I. Shareholders' Equity at the beginning of period (opening balance), after restatement to comparative data	53 294	163 885	(227 182)	(246 070)
1. Share capital at the beginning of period	215 524	215 524	25 668	25 668
1.1. Changes in share capital	-	-	189 856	189 856
a) additions, of which:	-	-	189 856	189 856
- issuance of shares	-	-	189 856	189 856
-	-	-	-	-
b) reductions, of which:	-	-	-	-
- 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	-	-	-	-
a) additions, of which:	(6 765)	-	-	-
-	-	-	-	-
consolidation adjustments (re-classification of equity capital	(6 765)	-	-	-
b) reductions, of which:	(6 765)	-	-	-
arrangement receivables	376	-	-	-
consolidation adjustments (re-classification of equity capital	(7 141)	-	-	-
2.2. Not paid-up share capital at the end of period	-	-	-	-
3. Own shares in treasury at the beginning of period	(44)	(3 449)	(44)	(44)
3.1. Changes in own shares in treasury	-	3 405	(10 531)	(10 531)
a) additions, of which:	-	3 405	-	-
-	-	-	-	-
consolidation adjustments (re-classification of equity capital	-	3 405	-	-
b) reductions, of which:	-	-	10 531	10 531
-	-	-	-	-
consolidation adjustments (re-classification of equity capital	-	-	10 531	10 531
3.2. Own shares in treasury at the end of period	(44)	(44)	(10 575)	(10 575)
4. Reserve capital at the beginning of period	20 572	18 200	16 933	14 411
4.1. Changes in reserve capital	92 453	94 825	(1 119)	1 403
a) additions, of which:	81 104	102 895	2 740	5 283
-	-	-	-	-
- distribution of profit (by law)	99 228	99 228	1 132	1 132
- distribution of profit (in excess of value required by law)	-	-	-	-
consolidation adjustments (re-classification of equity capital	(18 124)	3 667	(1 027)	1 506
-	-	-	-	-
other	-	-	2 635	2 645
b) reductions, of which:	(11 349)	8 070	3 859	3 880
- coverage of loss	(12)	242	2 320	2 341
-	-	-	-	-
consolidation adjustments (re-classification of equity capital	(11 337)	7 828	1 539	1 539
4.2. Reserve capital at the end of period	113 025	113 025	15 814	15 814
5. Revaluation capital at the beginning of period	13 323	13 323	13 068	15 599
5.1. Changes in revaluation capital	(912)	(912)	33	(2 498)
a) additions, of which:	18	19	(868)	133
-	-	-	-	-
consolidation adjustments (re-classification of equity capital	18	19	(868)	133
b) reductions, of which:	930	931	(901)	2 631
- sale or disposal of tangible fixed assets	-	-	98	2 631
-	-	-	-	-

consolidation adjustments (re-classification of equity capital	930	931	(999)	-
5.2. Revaluation capital at the end of period	12 411	12 411	13 101	13 101
6. Other reserve capital at the beginning of period	84 984	82 560	4 103	4 255
6.1. Changes in other reserve capital	3 725	6 149	71 464	71 312
a) additions, of which:	3 725	6 149	74 245	74 245
profit distribution			-	-
other	3 725	6 149	74 099	74 099
consolidation adjustments (re-classification of equity capital			146	146
b) reductions, of which:			2 781	2 933
transferring to reserve capital			-	-
loss coverage			2 500	2 500
other			-	-
consolidation adjustments (re-classification of equity capital			281	433
6.2. Other reserve capital at the end of period	88 709	88 709	75 567	75 567
7. Differences of rates from re-calculation of the subordinated entities	-	-	-	-
8. Prior years' profit (loss)at the beginning of period	(299 742)	(285 229)	(300 320)	(44 037)
8.1. Prior years' profit at the beginning of period	137 040	310 845	282 147	21 430
a) changes in accepted accounting principles (polices)	-	-	-	-
b) corrections of material faults	-	-	-	-
8.2 Prior years' profit at the beginning of period, after restatement to comparative data	137 040	310 845	282 147	21 430
a) additions, of which:	(34 931)	83 134	(9 018)	270 318
prior years' profit distribution	(1 043)	42 914	13 949	4 541
			-	-
consolidation adjustments (re-classification of equity capital	(33 888)	40 220	(22 967)	265 777
b) reductions, of which:	44 454	355 001	(20 660)	11 369
transition to reserve capital	39 831	39 831	27	27
social funds			-	-
staff bonuses	-		2 500	2 500
coverage of the prior years' loss	576	576	710	710
dividend	3 184	3 184	-	-
other	-	-	-	-
consolidation adjustments (re-classification of equity capital)	863	311 410	(23 897)	8 132
8.3 Prior years' profit at the end of period	57 655	38 978	293 789	280 379
8.4 Prior years' loss at the beginning of period	436 782	596 074	582 467	65 467
a) changes in accepted accounting principles (polices)	-	-	-	-
b) corrections of material faults	-	-	-	-
8.5 Pior years' loss at the beginning of the period after restatement to comparative data	436 782	596 074	582 467	65 467
a) additions, of which:	73 378	95 112	(93 240)	531 853
transition of prior years' loss to be covered	(2 182)	18 812	327 386	344 460
other	(312)		(30 388)	4 661
consolidation adjustments (re-classification of equity capital)	75 872	76 300	(390 238)	182 732
b) reductions, of which:	69 936	250 962	(102 523)	5 570
loss coverage	573	850	3 883	3 889
consolidation adjustments (re-classification of equity capital)	69 363	250 112	(106 356)	1 681
8.6. Prior years' loss at the end of period	440 224	440 224	591 750	591 750
8.7. Prior years' profit (loss) at the end of period	(382 569)	(401 246)	(297 961)	(311 371)
9. Net profit (loss)	9 331	28 008	46 166	59 576
a) net profit	9 331	28 008	46 166	59 576
b) net loss	-	-	-	-
c) charges on the profit	-	-	-	-
II. Shareholders' Equity at the end of period (closing balance)	56 387	56 387	57 636	57 636
III. Shareholders' Equity adjusted by the proposed distribution of profit (coverage of loss)				

Notes to the consolidated quarterly report of Capital Group Stalexport SA for the 2nd quarter of the year 2004

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

Valuation of assets and liabilities and determining the financial result was carried out in accordance with the principles binding in the Accounting Act of 29.09.1994 (Dz. U. No 121 item 591 with amendments) and the regulations of Council of Ministers dated 16.10.2001 on current and periodic information provided by issuers of securities (Dz. U. No 139 item 1569 and of 2002 No 31, item 280) and the resolution of Minister of Finance dated 12 December 2001 on detailed rules of preparing financial statements of related companies by entities other than banks and insurance companies.

Full consolidation in the dominant company Stalexport S.A. included the following subsidiaries (in brackets - share of Stalexport S.A. in share capital at the end of the 2nd quarter of 2004):

- Stalexport Serwis Centrum S.A. Katowice (97.78%)
- Stalexport Centrostal Warszawa S.A. (88.72%)
- P.O.W.H. Centrostal S.A. Lublin (66%)
- Stalexport Autostrada Małopolska S.A. Mysłowice (100%)
- Stalexport Transroute Autostrada S.A. Mysłowice (55%)
- Stalexport Autostrada Dolnośląska S.A. Katowice (100%)
- PPIOZ Złomhut Spółka z o.o. Przyborów (65.45%)

Consolidation with property right in the dominant entity Stalexport S.A. included 1 related company: Biuro Centrum Sp. z o.o. Katowice (Stalexport S.A. has got 40.63%).

Detailed information on the Capital Group, individual companies it comprises and principles of consolidation shall be published in the consolidated half-year report SA-PS 2004.

II. Average exchange rates in the period covered by the financial statement according to EURO fixed by NBP.

Items of assets and liabilities of the balance sheet were converted into EURO according to the average exchange rate of 4.5422 in force on the balance sheet date and published by the National Polish Bank [NBP].

Individual items of profit and loss account concerning the two quarters of the current year were converted in EURO acc. to the exchange rate 4.7311, which constitutes the arithmetic mean of average exchange rates published by NBP and binding on the last day of January, February, March, April, May and June this year.

Average exchange rates for EURO used for converting:

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

III. Comparability of data

Data included in the consolidated financial statement SA-QS 2/2004 are comparable with analogical data of the previous year.

In the second quarter of 2004 the Capital Group Stalexport SA recorded net profit amounting to 9,331 thousand PLN that included:

- profit from sale of goods and services	20,403 thousand PLN
- profit from other operating activities	75,774 thousand PLN
- result on financial activities	- 84,360 thousand PLN
- other charges (result of extraordinary events, income tax)	-2,486 thousand PLN

Positive financial results of companies belonging to the capital group in the amount of 15,648 thousand PLN had decisive effect on the consolidated financial result for the 2nd quarter of the year 2004. This included:

- Stalexport S.A.	3,870 thousand PLN
- Stalexport Serwis Centrum S.A. Katowice	1,484 thousand PLN
- Stalexport Centrostal Warszawa S.A.	1,437 thousand PLN
- P.O.W.H. Centrostal S.A. Lublin	552 thousand PLN
- Stalexport Autostrada Małopolska S.A. Mysłowice	6,891 thousand PLN
- Stalexport Transroute Autostrada S.A. Mysłowice	1,316 thousand PLN
- Stalexport Autostrada Dolnośląska S.A. Katowice	64 thousand PLN
- PPIOZ PLNomhut Spółka z o.o. Przyborów	34 thousand PLN

IV. List of shareholders having at least 5 % of total number of votes at General Meeting of Shareholders as at 13.08.2004.

The shareholders holding more than 5 % of total number of votes authorized to take part in General Meeting of Shareholders of Stalexport SA are:

Number of shares	Percent
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Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej <i>[National Fund for Environmental Protection and Water Management]</i>	18,022,835	16.72 %
Powszechna Kasa Oszczędności Bank Polski S.A.	7,654,779	7.10 %
Bank Zachodni WBK S.A.	5,900,325	5.47 %

V. List of shares in the possession of group of people managing and supervising the dominant company as at 13 August 2004.

In the second quarter of the year 2004 a person managing the company acquired on the stock exchange market 5,000 shares of Stalexport SA.

On 12 August 2004 people managing the Company hold total number of 59,000 shares in Stalexport SA. People supervising the company do not hold any shares of Stalexport SA.

VI. List of actions pending before the court as at 30.06.2004.

In Stalexport S.A. total value of actions pending before the court amounts to 27,707 thousand PLN, of which 11,995 thousand PLN in the court enforcement for shares of Huta Szczecin SA., which was suspended by the decision of the District Court in Katowice dated 23.03.2004 in connection with the bankruptcy petition with the possibility to make an arrangement.

Stalexport S.A. was sued by Inkasso Reform for the amount of 1,111 thousand PLN. The petitioner demands compensation from the dominant company in connection with actions undertaken by court enforcement officer acting on petition of Stalexport SA. The case is pending.

In other companies constituting the Capital Group the value of actions pending before the court does not exceed the amount of 10% of their share capitals.

VII. Description of important events in the Capital Group Stalexport SA in the period from 01.04.2004 to 30.06.2004.

1. On 05 April 2004 Stalexport S.A., within the framework of arrangement proceedings, paid the third quarterly instalment for main creditors in the amount of 11,170 thousand PLN.

2. On 11 May 2004 the shareholders of Stalexport Autostrada Śląska S.A. signed an agreement on the basis of which changes in shareholders of the Company took place. The Swedish shareholder NCC AB was replaced by an Austrian company Strabag AG.

After this change, shareholders in Stalexport Autostrada Śląska S.A. shall be as follows:

Stalexport Autostrada Dolnośląska S.A.	-	37.5% capital and votes on GM
Egis Projects S.A.	-	37.5% „

Starabag AG

- 25.0% „

On 22.06.2004 Stalexport Autostrada Śląska S.A. submitted a tender offer in Centralna Dyrekcja Dróg Krajowych i Autostrad [*Central Directorate of National Roads and Motorways*] for granting a concession for building and operating of A-4 motorway on Katowice-Wrocław section.

3. On 13 May 2004 all conditions suspending contract of sale of Ferrostal Łabędy Sp. z o.o. in Gliwice were fulfilled.

4. On 19 May 2004 the District Court in Poznań declared bankruptcy with an option of liquidation of the company Stalexport Wielkopolska Sp. z o.o. in Komorniki. On 31.05.2004 Stalexport Wielkopolska Sp. z o.o. filed an appeal against the decision of the District Court in Poznań dated 19.05.2004.

Stalexport SA in cooperation with the Management Board of Stalexport Wielkopolska Sp. z o.o. undertook actions aimed at continuation of commercial activities in this region by taking over salesmen team on the basis of leased property of the company. The declaration of bankruptcy was the reason of loss of control over that company and of not including it in full consolidation in the present financial statement. In previous years Stalexport SA created 100% provisions for held shares and doubtful accounts from Stalexport Wielkopolska Sp. z o.o., which were withdrawn in consolidated balance sheets so far and decreased loss from previous years. Because of loss of control over the company, these provisions have not been corrected in this consolidated report. This means the increase of loss from previous years and, at the same time, decrease of share capital by 35,000 thousand PLN.

VIII. Description of other factors and events having an effect on achieved financial results of Capital Group Stalexport SA.

1. In the first half of the year 2004 income from sale of goods and products of Capital Group STALEXPORT amounted to 606,500 thousand PLN and were 5 % bigger in comparison to the first half of the previous year. The increase in sale was achieved in spite of loss of sales volume of Ferrostal Łabędy Sp. z o.o., the shares of which were sold this year and loss of turnover of Stalexport Wielkopolska Sp. z o.o., as the dominant company lost control over it because it was declared bankrupt. Taking into account the correction of the first half of the year 2003 amounting to 98,000 thousand PLN, i.e. decreasing the sale achieved by those companies, income from sale in the first half of 2004 was higher by 127,782 thousand PLN (by 27%).

Profit on sale for the two quarters of the year 2004 amounts to 38,770 thousand PLN and is by 18,202 thousand PLN higher as compared with the analogical period of the previous year (by 88%).

Profitability of sale (profit from sale to revenue from sale) definitely improved. In the first half of the year 2004 it was 6.4%, while in the first half of 2003 it was 3.6%.

2. Main reasons of growing effectiveness of operating on the metallurgical market comprise, first of all, consistent implementation of the strategy approved more than 3 years ago. This strategy, worked out specifically for Stalexport S.A., covered all the companies of the Capital Group. Limited operating capital was appropriated exclusively for commercial operations (manufacturing assets, as well as other property considered redundant was sold, as it absorbed considerable amount of operating capitals). Within the framework of commercial activities processing was undertaken, as it gives the highest percent of margin. The quality of receivables definitely improved. Overhead management costs for the first half of the year 2004 decreased further by 1,560 thousand PLN and are under control. Increase in mass margin was also promoted by better economic situation, especially on metallurgical products market. Nevertheless, this influence was relatively small due to restricted assessment to external sources of financing. Operating capital at the disposal of the company did not allow to take advantage of improved economic situation, and increase of prices for metallurgical products was effectively limited by demand for products offered by the Group.

3. A significant event affecting individual items of the consolidated profit and loss account for the two quarters of 2004 was the sale of shares in Ferrostal Łabędy Sp. z o.o. with the registered office in Gliwice. The

consolidated loss on sale of the dependent company Ferrostal Łabędy (difference between sale value and percent share in the equity capital as at the date of the disposal), amounted to 34,585 thousand PLN (item XII of Consolidated Profit and Loss Account: loss on sale of all or a part of shares in dependent companies), while the loss from previous years in the amount of 104,339 thousand PLN was recorded as extraordinary loss (item XIV: extraordinary losses). In the second quarter of 2004 the shares in Ferrostal Łabędy were sold, which had been acquired in March this year for the price of 15,667 thousand PLN. Loss on sale of this part of shares amounting to 13,735 thousand PLN was shown in financial costs (item XI.2. of Consolidated Profit and Loss Account: loss on sale of investment). At the same time the dominant entity Stalexport S.A. dissolved provisions created in previous reporting periods for the shares of the sold Company in the amount of 152,659 thousand PLN, which was shown in financial income (item X.4: revaluation of investments). The sale of shares of Ferrostal Łabędy on financial result was neutral due to provisions created in the previous years.

4. The result from the remaining activities + 82,542 thousand PLN and financial activities +61,524 thousand PLN (including also business operations of sold shares in Ferrostal Łabędy described above – with the exclusion of Ferrostal the result on financial operations is negative and amounts to –91,135 thousand PLN) was mainly affected by:

- created and dissolved provisions and reserves in the dominant entity, which were described in detail in the individual financial statement of Stalexport S.A. for the second quarter of the year 2004.
- consolidation adjustments concerning exclusions and withdrawing of provisions created within the capital group in the amount of –18,102 thousand PLN.
- financial costs connected with servicing debts.

IX. Events occurring after the date of the consolidated balance sheet.

1. Stalexport S.A. within the framework the arrangement proceedings paid on 05.07.2004 the fourth quarterly instalment for main creditors in the amount of 10,982 thousand PLN.

2. Stalexport Centrostal S.A. Warszawa on 7 July 2004 concluded with Hochtief Polska Sp. z o.o. a contract for prefabrication of reinforcement amounting to 9 million PLN

3. On 21 July 2004 Stalexport SA concluded with Celsa Huta Ostrowiec Sp. z o.o. with the registered office in Ostrowiec Świętokrzyski a contract of sale for 17,426 thousand shares in Przedsiębiorstwo Przerobu i Obrotu Żłomem „Żłomhut” Sp. z o.o. with the registered office in Bodzechów of nominal value 1,000 PLN each, representing totally 65.45% of share capital and votes at General Meeting of Shareholders. Total selling price for these shares amounted to 9,500 thousand PLN. On 30 July 2004 the suspending condition to the contract of sale of shares in the company PPIOZ Żłomhut Sp. z o.o. was fulfilled, which consisted in transferring to the purchaser by Bank PKO BP S.A., which had got pledge by registration on the shares, a declaration of consent to strike off from the Pledge Register this pledge on shares by registration that constituted a security for a part of credits granted to Stalexport SA by the bank. In return for striking off the pledge by registration by the bank, Celsa paid to the bank on behalf of Stalexport SA the amount of 5,700 thousand PLN from selling price as repayment of a part of credits.

The sale of shares in PPIOZ Żłomhut Sp. z o. o in Bodzechów is the next stage of restructuring of the Capital Group Stalexport SA.

4. On 28 July 2004 the licence for the first section of toll motorway was transferred from Stalexport S.A. to Stalexport Autostrada Małopolska S.A. (subsidiary 100% owned by Stalexport S.A.). The decision of this

transfer was made by the Minister of Infrastructure on the grounds of art. 60a of the Act dated 27.10.1994 on toll motorways and National Road Fund.