

**Preliminary information  
and characteristic of accounting principles  
used in the  
STALEXPORT SA  
consolidated financial statement  
as of 30 June 2006.**

1. The consolidated financial statement presented covers figures for the period from 1 January 2006 to 30 June 2006.

The consolidated financial statement for the first half of 2006 was prepared in accordance with International Accounting Standards and International Financial Reporting Standards in force as on 30 June 2006, and in the issues not regulated in the aforementioned standards in accordance with the Accountancy Act of 29 September 1994 (Dz.U. of 2002, No 76, item 694 with later amendments).

All financial figures are expressed in PLN thousand, unless stated otherwise.

2. The Stalexport S.A. is the parent undertaking and draws up consolidated financial statements.

Full consolidation in the parent undertaking comprised the following subsidiaries (in brackets – Stalexport S.A. share in the equity as on 30 June 2006):

- Capital Group Stalexport Autoroute S.a.r.l. Luxembourg	(100.00%)
of which:	
- Stalexport Autostrada Małopolska S.A. Mysłowice	(100,00%)
- Stalexport Transroute Autostrada S.A. Mysłowice	(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, which shares do not make material items in the consolidated financial statement, have not been comprised by the consolidated financial statement.

The shares valuation by the method of proprietary rights was applied to affiliated entities:

- Biuro Centrum Sp. z o.o. Katowice	(40.63%)
- Stalexport Autostrada Śląska S.A. Katowice	(37.50%)

3. The consolidated financial statement for the first half of 2006 was prepared assuming the going-concern principle of Stalexport S.A. Capital Group.

4. The financial statement and comparable financial figures were presented in the way ensuring their comparability at application of uniform accounting principles.
5. The auditors' opinion on financial statements examination did not contain qualifications, that would result in the necessity to make adjustments as compared with figures presented in the financial statement or in comparable financial figures.

## **The accounting principles adopted by the capital group**

### Consolidation principles

The consolidated financial statement comprises the statement of Stalexport S.A. parent undertaking and statements of subsidiaries controlled by the parent undertaking. The control is understood as a possibility of directing the operating and financial policy of the entity by the parent undertaking to obtain economic benefits.

### Subsidiaries

Subsidiaries acquired in the accounting year are included in the consolidated financial statement starting from the date of taking the control over by the parent undertaking. The assets, liabilities and contingent liabilities of the subsidiary are valued acc. to the fair value as at the date of its acquiring (taking the control over). The surplus of the purchase price over the fair value of the acquired net assets is the goodwill. The surplus of taken over net assets value expressed as the fair value, is recognised in the profit and loss account of the accounting year, in which the acquisition took place.

The shares of minority shareholders are recognised acc. to the fair value of net assets allocated to them.

All financial operations between entities comprised by the capital group are excluded from the consolidated financial statement. All profits and losses related to business operations in progress as at the date of consolidated financial statement drawing up are also eliminated. Part of the Stalexport S.A. capital group equity falling to minority capital is shown under a separate item of the equity.

### Affiliated entities

Affiliated entities are the entities, on which the group has a material influence, understood as influence on decisions made in forming operating and financial policy.

Shares in affiliated entities are recognised in the financial statement acc. to the method of proprietary rights, excluding the situation, where these shares are classified as available for sale.

The purchase price of the share in an affiliated entity is subject to adjustments by all effects of changes in the fair value of net assets, falling to the value of the share held from the date of purchasing to the financial statement date and the effects of impairment loss stated.

All profits and losses on transactions carried out between entities within the group and affiliated entities are subject to exclusion up to the level of the share held.

## **Long-term assets**

### Tangible fixed assets

Tangible fixed assets comprise property components acc. to net purchase price (VAT exclusive), which useful life exceeds 1 year as well as the right of land perpetual usufruct, cooperative title to a flat, land under perpetual usufruct.

Tangible fixed assets are depreciated acc. to the straight line method during the economic useful life. Fixed assets are depreciated from the moment of taking a fixed asset for service. Land is not subject to depreciation. The cost of repair and modernisation, which does not increase the initial usable value of a given fixed asset, burdens the cost of the period, in which it was incurred.

Fixed assets, which are the subject of a financial leasing, are shown in the balance sheet equally to the other fixed assets and are subject to depreciation acc. to the same principles.

### Intangibles

Intangibles purchased from a business within a separate transaction are recorded acc. to the purchase price. Intangibles acquired within a transaction of taking over a business are recorded in the assets separately from the goodwill, if at the initial recognition it is possible to determine reliably their fair value.

Intangible fixed assets of specified useful life are subject to depreciation acc. to the straight line method in the period of their economic useful life.

### Goodwill of subsidiaries

This shown as a component of assets as of the date of goodwill acquisition, is a surplus of the purchase price over the fair value of purchased assets, liabilities and contingent liabilities of a subsidiary, affiliated entity or co-subsidiary. This value is subject to annual impairment tests. The impairment loss found as a result of tests carried out is immediately recognised in the profit and loss account and is not subject to later adjustment.

### Long-term receivables

Long-term accounts receivable are valued at outstanding amounts, taking into account principles of conservative valuation, i.e. less revaluation write-downs.

### Long-term investments

Components of long-term financial assets are valued acc. to the purchase price, taking into account adjustment for permanent impairment loss.

Investment real property is held to obtain revenue on lease or increase in the value and it is valued as at the purchase moment acc. to the purchase price (production cost), as of the

balance sheet date acc. to its fair value. Income and expenditure connected with reaching by it the fair value, is referred to the profit and loss account in the period, in which it was generated.

#### Assets available for sale

Assets available for sale are a group of assets, for which the entity management has been looking for a purchaser and it is probable that they will be disposed within one year or they are immediately available for sale.

#### Assets for deferred income tax

The book value of an asset for deferred income tax is verified as of each balance sheet date and is subject to write-down if it is doubtful that the Group will use economic benefits related to the use of tax assets.

### **Short-term assets**

#### Inventories

Inventories of materials and goods are valued as at the balance sheet date acc. to the purchase price. Finished products and work in progress are valued acc. to technical cost of production (determined as the direct cost and indirect cost margin determined assuming normal use of production capacity). The technical cost of production does not include activated costs of external funding.

The company adopted the FIFO, “*first in – first out*”, method as the method of inventories outgoing.

If the purchase price or the technical cost of production is higher than anticipated sale price, the Company makes revaluation write-downs, which adjust the own cost sale. Revaluation write-downs are made also for inventories that do not show turnover above 360 days.

#### Short-term receivables

Short-term accounts receivable are recognised at the outstanding value, taking into account conservative valuation, i.e. less revaluation write-downs resulting from the analysis of those debts and decisions made by Management Boards of Companies.

Amounts of established write-downs revaluating the value of accounts receivable are referred to the other operating cost.

#### Short-term investments

Short-term investments comprise:

- securities, which are recognised at the purchase price acc. to the “first in – first out” principle and are subject to revaluation as at the balance sheet date acc. to the market price as of 30 June 2006, quoted by the Warsaw Stock Exchange,
- short term loans shown at outstanding amounts.

### Cash in hand and its equivalents

Cash in hand and its equivalents comprise cash at bank and in hand. They are shown at nominal value, and foreign currencies are converted acc. to average NBP exchange rate in force as on 30 June 2006.

Foreign exchange gains increase the financial income and foreign exchange losses increase the financial cost.

### **Liabilities**

#### Long-term liabilities

Those liabilities comprise:

- debts on credits and loans are captured acc. to the purchase price corresponding to the fair value of the cash received,
- composition liabilities – have been recorded in relation to the composition arrangement concluded by the Stalexport S.A. with creditors, having considered 40% amortisation resulting from the composition proceedings concluded,
- leasing liabilities – are activated as at the date of leasing start acc. to the lower of two values: fair value of the subject of leasing or the current value of minimum leasing fees
- liabilities to the State Budget are recognised at the outstanding amount in accordance with the agreement concluded,
- reserve for deferred income tax – established for accrued interest on accounts receivable, for appraisal of land under perpetual usufruct and for other valuations of assets,
- reserves for other liabilities – are established, when the Company has a legal obligation resulting from past events and when it is likely that fulfilment of this obligation will result in funds outflow and that the amount of this liability may be reliably estimated,
- long-term accruals comprise accrued income on rents for service areas and the lease of fibre-optic cables in the Stalexport Autostrada Małopolska S.A. Mysłowice. The period of settlement – until 2027.

#### Short-term liabilities

These liabilities are shown at outstanding amounts.

Foreign exchange losses are included in the financial cost, while foreign exchange gains in the financial income.

Short-term liabilities comprise:

- credits and loans, which have been extended for one year,
- trade accounts payable – these are liabilities with maturity up to one year,
- other liabilities – consist of liabilities on custom duties, taxes, insurance and other benefits, advances received, bill of exchange liabilities, on investments, received due payments for increase in the share capital, and others,
- reserves for liabilities and short-term accruals – refer to the same items, as headings specified under long-term liabilities, but of maturities up to one year.

**SECURITIES AND STOCK EXCHANGE COMMITTEE**  
**Consolidated semi-annual report SA-PS 2006**

according to § 94 passage 1 of the Regulation 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 half of the financial year covering the period from 01.01.2006 to 30.06.2006  
and for the half of the financial year covering the period from 01.01.2005 to 30.06.2005

02.10.2006  
(date of publishing)

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

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

(entity entitled to carry out the examination)

The semi-annual consolidated report contains :

- x The report of the entity entitled to carry out the examination of the financial reports from reviewing the semi-annual consolidated financial report (§ 94 passage 1 point 6 point 2 of the Regulation)
- x Semi-annual consolidated financial report
  - x Explanatory information
  - x Consolidated Balance sheet
  - x Consolidated Profit and loss account
- x List of changes in the consolidated equity capital
- x Consolidated cash flow account
- x Comentary
- x Management Board report report ( on activity of the Capital Group)

SELECTED FINANCIAL DATA	in thousand zlotys		thousand EURO	
	30.06.2006	30.06.2005	30.06.2006	30.06.2005
<b>I. Net incomes from sale of products, goods and materials</b>	364 133	333 623	93 403	85 577
<b>II. Profit (loss) on operating activity</b>	20 875	31 289	5 355	8 026
<b>III. Gross profit (loss)</b>	21 430	23 188	5 497	5 948
<b>IV. Net profit (loss) per shareholders of the Company</b>	21 953	17 370	5 631	4 456
<b>V. Net cash flows from operating activity</b>	(38 693)	24 594	(9 925)	6 309
<b>VI. Net cash flows from investment activity</b>	50 817	(8 250)	13 035	(2 116)
<b>VII. Net cash flows from financial activity</b>	61 598	(17 985)	15 800	(4 613)
<b>VIII. Net cash flows in total</b>	73 722	(1 641)	18 233	(421)
<b>IX. Assets in total</b>	862 450	782 886	213 298	200 817
<b>X. Long-term liabilities</b>	600 656	637 009	148 552	163 398
<b>XII. Short-term liabilities</b>	207 600	112 472	51 343	28 850
<b>XIII. Equity capital</b>	54 194	33 405	13 403	8 569
<b>XIV. Stock capital</b>	215 524	215 524	53 303	55 284
<b>XV. Number of shares</b>	107 762 023	107 762 023	107 762 023	27 641 919
<b>XVI. Profit (loss) per one ordinary share (in zlotys/EUR)</b>	0,20	0,16	0,05	0,04
<b>XVII. Diluted profit (loss) per one ordinary share (in zlotys/EUR)</b>	0,00	0,00	0,00	0,00
<b>XVIII. Book value per one share (in zlotys/EUR)</b>	0,50	0,31	0,12	0,08
<b>XIX. Diluted book value per one share (in zlotys/EUR)</b>	0,00	0,00	0,00	0,00
<b>XX. Declared or paid dividend per one share (in zlotys/EUR)</b>				

**Consolidated balance sheet**

	note	30.06.2006	2005	30.06.2005
<b>ASSETS</b>				
I. Long-term assets		557 754	595 001	403 977
1. Fixed assets	1	304 381	307 310	170 189
1. Intangible assets, including:	2	339	413	471
- goodwill		-	-	-
3. Goodwill of subordinated entities	3	-	-	-
4. Long-term receivables	4	412	509	972
5. Long-term investments	5	25 634	62 780	89 667
5.1 Real estates		10 000	56 946	83 604
5.2 Intangible assets		-	-	-
5.3 Long-term financial assets		5 634	5 834	6 063
a) in related entities, including:		3 431	3 631	3 821
- stocks or shares in subsidiary entities evaluated via the method of ownership rights		3 251	3 451	3 466
shares in subsidiary and correlated entities not covered by consolidation		180	180	355
b) in other entities		2 203	2 203	2 242
5.4 Other long-term investments		10 000	-	-
6. Assets available for sale	6	2 199	4 231	132 641
7. Assets by virtue of the deferred income tax	7	6 716	6 064	10 037
8. Long-term interperiod settlements	8	218 073	213 694	-
<b>II. Short-term assets</b>		<b>304 696</b>	<b>187 885</b>	<b>199 947</b>
1. Inventories	9	61 303	53 151	54 418
2. Short-term receivables	10	133 981	97 418	122 271
3. Short-term investments	11	164	235	271
4. Cash and its equivalent	12	99 936	26 214	20 584
5. Short-term interperiod settlements	13	9 312	10 867	2 403
<b>Assets in total</b>		<b>862 450</b>	<b>782 886</b>	<b>603 924</b>

	note	30.06.2006	2005	30.06.2005
<b>LIABILITIES</b>				
I. Equity capital		54 194	33 405	99 072
I.1 Equity capital per shareholder(s) of the Company		50 772	29 357	96 178
1. Share capital	14	215 524	215 524	215 524
2. Not paid-up share capital (negative value)		-	-	-
3. Own shares in treasury (negative value)	15	(72)	(73)	(478)
4. Inventory capital	16	148 909	101 675	101 640
5. Revaluation capital	17	16 389	16 393	8 699
6. Other reserve capitals	18	51 507	51 017	6 148
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)		(403 438)	(252 791)	(252 725)
9. Net profit (loss) falling to the shareholders of the company		21 953	(102 388)	17 370
10. Deductions from net profit during the financial year (negative value)	19	-	-	-
I.2. Minority capitals	20	3 422	4 048	2 894
II. Long-term liabilities		600 656	637 009	356 157
1. Credits and loans	21	69 775	78 040	99 373
2. Liabilities by virtue of financial leasing	21	5 404	6 302	7 295
3. Trade creditors	21		-	-
4. Other liabilities	21	492 965	509 714	176 537
5. Reserve by virtue of the deferred income tax	22	1 848	11 209	11 897
6. Reserves for other liabilities	23	12 781	13 418	11 272
7. Long-term interperiod settlements	24	17 883	18 326	49 783
<b>IV. Short-term liabilities</b>		<b>207 600</b>	<b>112 472</b>	<b>148 695</b>
1. Credits and loans	25	15 112	5 528	14 402
2. Liabilities by virtue of financial leasing	25	-	-	-
3. Trade creditors	25	92 636	74 126	63 289
4. Other liabilities	25	89 411	19 761	19 023
5. Reserves for liabilities	26	4 398	6 282	11 317
6. Short-term interperiod settlements	27	6 043	6 775	40 664
<b>Liabilities in total</b>		<b>862 450</b>	<b>782 886</b>	<b>603 924</b>

Book value		54 194	33 405	99 072
Number of shares		107 762 023	107 762 023	107 762 023
Book value per share (in zlotys)		0,50	0,31	0,92
Diluted number of shares				
Book value per share (in zlotys) - diluted				

**Consolidated profit and loss account**

	note	30.06.2006	30.06.2005
<b>I. Net incomes from the sale of products, goods and materials, including:</b>		<b>364 133</b>	<b>333 623</b>
1. Net incomes from the sale of products	29	88 157	62 425
2. Net incomes from the sale of goods and materials	30	275 976	271 198
<b>II. Costs of sold goods, products and materials, including:</b>		<b>287 166</b>	<b>281 649</b>
1. Cost of manufacturing sold products	31	37 945	39 446
2. Value of sold goods and materials		249 221	242 203
<b>III. Gross profit (loss) on sales (I - II)</b>		<b>76 967</b>	<b>51 974</b>
<b>IV. Other operating incomes</b>	32	<b>12 850</b>	<b>21 353</b>
<b>V. Sales costs</b>		<b>12 751</b>	<b>9 219</b>
<b>VI. Costs of general management</b>		<b>37 214</b>	<b>24 472</b>
<b>VII. Other costs</b>	33	<b>18 844</b>	<b>8 171</b>
<b>VIII. Share in profits (losses) in subordinated entities evaluated by property right method</b>		<b>(133)</b>	<b>(176)</b>
<b>IX. Profit (loss) from operating activity (III + IV - V - VI - VII +/- VIII)</b>		<b>20 875</b>	<b>31 289</b>
<b>X. Financial incomes</b>	34	<b>10 521</b>	<b>8 992</b>
<b>XI. Financial costs</b>	35	<b>9 966</b>	<b>17 093</b>
<b>XII. Profit (loss) on sales of total or part of shares in subordinated entites</b>	36	<b>-</b>	<b>-</b>
<b>XIII. Gross profit (loss) (IX + X - XI +/- XII)</b>		<b>21 430</b>	<b>23 188</b>
<b>XIV. Income tax</b>	37	<b>(2 056)</b>	<b>4 858</b>
a) current part		7 956	5 724
b) deferred part		(10 012)	(866)
<b>XV. Net profit (loss) (XIII - XIV) including:</b>		<b>23 486</b>	<b>18 330</b>
XVI. Profits (losses) of minority		1 533	960
<b>XVII. profit (loss) falling to the shareholders of the company (XIV +/- XVI.)</b>	38	<b>21 953</b>	<b>17 370</b>
Net profit (loss) (annualized)		21 953	17 370
Average weighted number of ordinary shares	39	107 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)		0,20	0,16
Average weighted diluted number of ordinary shares	39		
Diluted profit (loss) per one ordinary share (in zloty)			

## Changes in consolidated equity

	30.06.2005	2005	30.06.2005
I. Equity capital at the beginning of period (opening balance)	33 405	82 057	82 057
a) changes in accepted accounting principles (policy)	-	-	-
b) corrections of material faults	-	-	-
<b>Ia. Equity capital at the beginning of period (opening balance), after restatement to comparative data</b>	<b>33 405</b>	<b>82 057</b>	<b>82 057</b>
<b>1. Share capital at the beginning of period</b>	<b>215 524</b>	<b>215 524</b>	<b>215 524</b>
1.1. Changes in share capital	-	-	-
a) additions, of which:	-	-	-
- issuance of shares	-	-	-
- increase in basic capital	-	-	-
b) reductions, of which:	-	-	-
- retirement of shares	-	-	-
- decrease in basic capital	-	-	-
1.2. Share capital at the end of period	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:	-	(5 638)	(5 638)
consolidation adjustments	-	(5 638)	(5 638)
b) reductions, of which:	-	(5 638)	(5 638)
- settlement of due payments	-	(752)	-
consolidation adjustments	-	(4 886)	(5 638)
2.2. Not paid-up share capital at the end of period	-	-	-
3. Own shares in treasury at the beginning of period	(73)	(44)	(44)
3.1. Changes in own shares in treasury	1	(29)	(434)
a) additions, of which:	-	(576)	(576)
- issue for minority shareholders	-	(576)	(570)
consolidation adjustments	-	-	(6)
b) reductions, of which:	(1)	(547)	(142)
- issue for minority shareholders	(1)	(547)	(142)
consolidation adjustments	-	-	-
3.2. Own shares in treasury at the end of period	(72)	(73)	(478)
4. Reserve capital at the beginning of period	101 675	113 153	113 153
4.1. Changes in reserve capital	47 234	(11 478)	(11 513)
a) additions, of which:	47 279	31 832	31 853
- shares issue above nominal value	-	-	-
- distribution of profit (by law)	47 275	30 888	30 956
- distribution of profit (in excess of value required by law)	-	347	279
- elimination re minority shareholders	-	-	618
- other	-	562	-
- sale, disposal of fixed assets	4	35	-
b) reductions, of which:	45	43 310	43 366
- loss coverage	8	42 894	42 894
- exclusion of surcharges to capital	-	-	-
- elimination re minority shareholders	37	416	472
4.2. Reserve capital at the end of period	148 909	101 675	101 640
5.1. Changes in revaluation capital	16 393	43 382	43 382
a) additions, of which:	(4)	(26 989)	(69 366)
- re-evaluation of fixed assets	-	7 904	-
- re-valuation of fixed assets	-	7 903	-
consolidation adjustments	-	1	-
b) reductions, of which:	4	34 893	69 366
- sale, liquidation of fixed assets	4	35	-
consolidation adjustments	-	34 683	34 683
- other	-	175	34 683
5.2. Revaluation capital at the end of period	16 389	16 393	(25 984)

	30.06.2006	2005	30.06.2005
<b>6. Other reserve capital at the beginning of period</b>	<b>51 017</b>	<b>97 446</b>	<b>97 446</b>
<b>6.1. Changes in other reserve capital</b>	<b>490</b>	<b>(46 429)</b>	<b>(91 298)</b>
a) additions, of which:	<b>891</b>	<b>51 215</b>	<b>6 346</b>
profit distribution	<b>891</b>	-	-
- execution of the arrangement liabilities - repayment of instalments	-	<b>51 017</b>	<b>6 148</b>
- consolidation adjustments	-	<b>198</b>	<b>198</b>
b) reductions, of which:	<b>401</b>	<b>97 644</b>	<b>97 644</b>
- re-booking for inventory capital	-	-	-
- loss coverage	-	<b>95 979</b>	<b>95 979</b>
- other (taking over a part by minority shareholders)	<b>401</b>	-	-
- consolidation adjustments	-	<b>1 665</b>	<b>1 665</b>
<b>6.2. Other reserve capitals at the end of the period</b>	<b>51 507</b>	<b>51 017</b>	<b>6 148</b>
<b>7. Rates differences from re-calculation of subordinated entities</b>	-	-	-
8. Prior years' profit (loss) at the beginning of period	<b>(252 791)</b>	<b>(404 179)</b>	<b>(404 179)</b>
8.1. Prior years' profit at the beginning of period	<b>2 652</b>	<b>10 288</b>	<b>10 288</b>
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	<b>2 652</b>	<b>10 288</b>	<b>10 288</b>
a) additions, of which:	<b>7 950</b>	<b>19 728</b>	<b>17 660</b>
prior years' profit distribution	<b>5 293</b>	<b>19 469</b>	<b>3 975</b>
- other	-	-	-
- elimination re the minority shareholders	<b>2 657</b>	<b>259</b>	<b>13 685</b>
b) reductions, of which:	<b>8 577</b>	<b>27 364</b>	<b>19 843</b>
- re-booking for inventory capital	<b>185</b>	<b>13 246</b>	<b>13 246</b>
- payment of dividend	<b>2 877</b>	<b>1 965</b>	<b>1 965</b>
- other	<b>1 317</b>	<b>783</b>	<b>783</b>
- consolidated adjustments re exclusion of dissolved updating write-offs from previous years	<b>4 198</b>	<b>3 628</b>	<b>3 849</b>
- consolidated adjustments	-	<b>7 742</b>	-
8.3 Prior years' profit at the end of period	<b>2 025</b>	<b>2 652</b>	<b>8 105</b>
8.4 Prior years' loss at the beginning of period	<b>255 443</b>	<b>414 467</b>	<b>414 467</b>
a) changes in accepted accounting principles (policies)	-	<b>(95)</b>	-
b) corrections of material faults	-	-	-
8.5 Prior years' loss at the beginning of the period after restatement to comparative data	<b>255 443</b>	<b>414 372</b>	<b>414 467</b>
a) additions, of which:	<b>150 446</b>	<b>3 389</b>	<b>4 159</b>
transition of prior years' loss to be covered	<b>146 329</b>	<b>834</b>	<b>1 280</b>
- consolidated adjustments re exclusion of dissolved updating write-offs from previous years	<b>4 107</b>	-	-
- elimination re the minority shareholders	<b>10</b>	<b>2 555</b>	<b>2 879</b>
b) reductions, of which:	<b>426</b>	<b>162 318</b>	<b>157 796</b>
- loss coverage	<b>426</b>	<b>154 398</b>	<b>153 409</b>
- consolidated adjustments re exclusion of dissolved updating write-offs from previous years	-	<b>7 920</b>	<b>4 387</b>
8.6. Prior years' loss at the end of period	<b>405 463</b>	<b>255 443</b>	<b>260 830</b>
8.7. Prior years' profit (loss) at the end of period	<b>(403 438)</b>	<b>(252 791)</b>	<b>(252 725)</b>
9. Net profit (loss) falling to the shareholders of the company	<b>21 953</b>	<b>(102 388)</b>	<b>17 370</b>
a) net profit falling to the shareholders of the company	<b>21 953</b>	-	<b>17 370</b>
b) net loss falling to the shareholders of the company	-	<b>102 388</b>	-
c) charges on the profit	-	-	-
<b>10.1. Minority capital at the beginning of period</b>	<b>4 048</b>	<b>5 262</b>	<b>5 262</b>
a) increases	<b>1 536</b>	<b>2 618</b>	<b>1 403</b>
b) decreases	<b>2 162</b>	<b>3 832</b>	<b>3 771</b>
<b>10.2 Minority capital at the end of period</b>	<b>3 422</b>	<b>4 048</b>	<b>2 894</b>
II. Equity capital at the end of period (closing balance)	<b>54 194</b>	<b>33 405</b>	<b>64 389</b>
III. Equity capital adjusted by the proposed distribution of profit (coverage of loss)	<b>54 194</b>	<b>33 405</b>	<b>99 072</b>

**Cash flow ( indirect method)**

	<b>30.06.2006</b>	<b>30.05.2005</b>
A. Cash flows from operating activities - indirect method		
I. Net profit (loss) falling to the shareholders of the Company	<b>21 953</b>	<b>17 370</b>
II. Total adjustments	<b>(60 646)</b>	<b>7 224</b>
1. Profits (losses) of minority	<b>1 533</b>	<b>960</b>
2. Share in net (profits) losses of subordinated companies valued under the equity method	<b>133</b>	<b>176</b>
3. Depreciation of which	<b>9 736</b>	<b>3 962</b>
- write-offs of goodwill of subordinated entities or neagtive goodwill of the subordinated entities	-	-
4. (Gain) loss on foreign exchange differences	-	-
5. Interests and shares in profits ( dividends)	<b>4 456</b>	<b>(946)</b>
6. (Gain) loss on investing activities	<b>(6 658)</b>	<b>(343)</b>
7. Change in provisions	<b>(7 730)</b>	<b>706</b>
8. Change in inventories	<b>(8 290)</b>	<b>16 673</b>
9. Change in receivables	<b>(28 170)</b>	<b>46 372</b>
10. Change in current liabilities (excluding loans and bank credits)	<b>(6 765)</b>	<b>(19 489)</b>
11. Change in deferred and accrued expenses	<b>(7 036)</b>	<b>(11 405)</b>
12. Other adjustments	<b>(11 855)</b>	<b>(29 442)</b>
III. Net cash flows from operating activities (I+II)	<b>(38 693)</b>	<b>24 594</b>

	30.06.2006	30.05.2005
<b>B. Net cash flows from investment activity.</b>		
<b>I. Proceeds</b>	<b>64 940</b>	<b>6 027</b>
1. Sale of intangible and tangible fixed assets	8 495	105
2. Sale of investment in the real estate and intangible assets	55 041	-
3. Sale of financial assets, including:	1 404	5 922
a) in related entities	558	1 522
- sale of financial assets	-	-
- dividends and shares in profits	-	1 489
- repayment of granted long-term loans	532	-
- interests	26	33
- other proceeds from financial assets	-	-
b) in other entities	846	4 400
- sale of financial assets	53	389
- dividends and shares in profits	-	-
- repayment of granted long-term loans	71	141
- interests	722	3 870
- other proceeds from financial assets	-	-
4. Other investment proceeds	-	-
<b>II. Expenses</b>	<b>14 123</b>	<b>14 277</b>
1. Purchase of intangible assets and tangible fixed assets	12 220	13 884
2. Investments in the real estates and intangible assets	-	-
3. For financial assets, including:	319	393
a) in related entities	319	-
- acquisition of financial assets	-	-
- granted long-term loans	319	-
b) in other entities	-	393
- acquisition of financial assets	-	393
- granted long-term loans	-	-
4. Other investing expenses	-	-
5. Other investment expenses	1 584	-
<b>III. Net cash flows from investment activity (I - II)</b>	<b>50 817</b>	<b>(8 250)</b>

	30.06.2006	30.05.2005
<b>C. Cash flows from financial activity</b>		
<b>I. Proceeds</b>	<b>78 322</b>	<b>1 301</b>
1. Net proceeds from the shares issuing ( issuing of shares) and other capital instruments and capital surcharges	68 319	-
2. Credits and loans	10 000	320
3. Issuance of indebted securities	-	-
4. Other financial proceeds	3	981
<b>II. Expenses</b>	<b>16 724</b>	<b>19 286</b>
1. Acquisition of own shares	-	428
2. Dividends and other payments in favour of owners	1 543	2 675
3. Expenses by virtue of profit distribution other than payments in favour of owners	-	-
4. Repayments of credits and loans	8 883	9 056
5. Redemption of debted securities	-	-
6. By virtue of other financial assets	-	-
7. Payments of liabilities by virtue of financial leasing agreements	910	704
8. Interests	5 388	4 932
9. Other financial expenses	-	1 491
<b>III. Net cash flows from financial activity (I - II)</b>	<b>61 598</b>	<b>(17 985)</b>
<b>D. Net cash flows (A.III+B.III+C.III)</b>	<b>73 722</b>	<b>(1 641)</b>
<b>E. Balance sheet change of the state of cash, including:</b>	<b>73 722</b>	<b>(1 641)</b>
- change of the state of cash by virtue of foreign exchange rate differences	16	-
<b>F. Cash at the beginning of the period</b>	<b>26 214</b>	<b>22 225</b>
<b>G. Cash at the end of the period (D+F), including</b>	<b>99 936</b>	<b>20 584</b>
- with a limited disposing capacity	-	1 875,00

## Explanatory notes to consolidated balance sheet

### Note 1A

<b>TANGIBLE FIXED ASSETS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) tangible assets, of which:	<b>277 378</b>	<b>292 471</b>	<b>107 107</b>
- land (including the right of perpetual usufruct of land)	<b>17 760</b>	<b>17 760</b>	<b>9 808</b>
- buildings, premises and land and water engineering structures	<b>234 296</b>	<b>248 041</b>	<b>70 258</b>
- machinery and technical equipment	<b>18 477</b>	<b>19 397</b>	<b>18 915</b>
- transportation vehicles	<b>4 344</b>	<b>4 494</b>	<b>4 961</b>
- other tangible assets	<b>2 501</b>	<b>2 779</b>	<b>3 165</b>
b) tangible assets in progress	<b>25 612</b>	<b>14 839</b>	<b>63 082</b>
c) prepaid tangible assets in progress	<b>1 391</b>	-	-
<b>Total tangible fixed assets</b>	<b>304 381</b>	<b>307 310</b>	<b>170 189</b>

### Note 1B

<b>CHANGES IN TANGIBLE FIXED ASSETS (by category)</b>
see page . 16

### Note 1C

<b>BALANCE SHEET TANGIBLE FIXED ASSETS (BY OWNERSHIP)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) owned	<b>274 515</b>	<b>289 137</b>	<b>101 672</b>
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:	<b>2 863</b>	<b>3 334</b>	<b>5 435</b>
- passenger's car leasing	<b>196</b>	<b>223</b>	<b>233</b>
- other	<b>2 667</b>	-	-
<b>Total balance sheet tangible fixed assets</b>	<b>277 378</b>	<b>292 471</b>	<b>107 107</b>

### Note 1D

<b>TANGIBLE FIXED ASSETS SHOWN OFF-BALANCE SHEET</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
used under leasing, rent, tenancy or similar contract, including lease contract, of which:	<b>2 297</b>	<b>773</b>	<b>60</b>
- value of land in perpetual usufruct	-	-	-
- by virtue of operating lease	<b>2 297</b>	<b>773</b>	<b>60</b>
<b>Total off-balance sheet tangible fixed assets</b>	<b>2 297</b>	<b>773</b>	<b>60</b>

## 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 structure	-machinery and technical equipment	- means of transport	- other tangible assets	Total tangible fixed assets
a) gross value of tangible fixed assets at the beginning of period	18 137	262 974	50 901	11 672	8 350	352 034
b) additions of which)	76	684	202	527	23	1 512
- purchase	76	684	192	527	23	1 502
- accepted from investment	-	-	10	-	-	10
- donations	-	-	-	-	-	-
- widening of the Capital Group	-	-	-	-	-	-
- other	-	-	-	-	-	-
c. Reductions, of which :	-	7 148	139	253	32	7 572
- sale	-	7 148	11	241	9	7 409
- liquidation	-	-	128	-	23	151
- donations	-	-	-	-	-	-
- other	-	-	-	12	-	12
d. Gross value of tangible fixed assets at the end of period	18 213	256 510	50 964	11 946	8 341	345 974
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)	76	7 281	983	424	269	9 033
- current amortisation	76	7 504	1 103	652	296	9 631
- other	-	-	-	-	-	-
- disposal, liquidation and donations of tangible fixed assets and other deductions	-	(223)	(120)	(228)	(27)	(598)
g. Accumulated depreciation (amortisation) at the end of period	453	22 214	32 487	7 602	5 840	68 596
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	17 760	234 296	18 477	4 344	2 501	277 378

**Note 2A**

<b>INTANGIBLE ASSETS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Costs of finished research and development work	-	-	-
b) goodwill	-	-	-
c) concessions, patents, licenses and similar assets, of which:	<b>337</b>	<b>410</b>	<b>467</b>
- computer software	<b>326</b>	<b>394</b>	<b>458</b>
d) other intangible assets	<b>2</b>	<b>3</b>	<b>4</b>
e) prepaid intangible assets	-	-	-
<b>Total intangible assets</b>	<b>339</b>	<b>413</b>	<b>471</b>

**Note 2B****CHANGES IN INTANGIBLE ASSETS - by category**

*see page 18*

**Note 2C**

<b>INTANGIBLE ASSETS - by ownership</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) owned	<b>339</b>	<b>413</b>	<b>471</b>
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:	-	-	-
-	-	-	-
<b>Total intangible assets</b>	<b>339</b>	<b>413</b>	<b>471</b>

SA-PS 2006

CHANGES IN TANGIBLE FIXED 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:	-	-	31	31	-	-	31
- purchase	-	-	31	31	-	-	31
- accepted from investment	-	-	-	-	-	-	-
- widening of the Capital Group	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
c. Reductions, of which :	-	-	2	2	-	-	2
- sale	-	-	-	-	-	-	-
- liquidation	-	-	2	2	-	-	2
- Capital Group decrease	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
d. Gross value of tangible fixed assets at the end of period	-	-	3 180	2 433	979	-	4 159
e. Accumulated depreciation (amortisation) at the beginning of period	-	-	2 741	2 010	976	-	3 717
f. Depreciation for the period of which)	-	-	102	97	1	-	103
- current amortisation	-	-	104	99	1	-	105
- other	-	-	-	-	-	-	-
- disposal of intangible fixed assets	-	-	(2)	(2)	-	-	(2)
g. Accumulated depreciation (amortisation) at the end of period	-	-	2 843	2 107	977	-	3 820
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	-	-	337	326	2	-	339

**Note 3A**

<b>GOODWILL OF SUBORDINATED ENTITIES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Goodwill - subsidiary entities	-	-	-
b. Goodwill - affiliated entities	-	-	-
<b>Goodwill of subordinated entities in total</b>	-	-	-

**Note 3B**

<b>CHANGE IN GOODWILL - SUBSIDIARY ENTITIES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Gross goodwill at the beginning of the period	1 291	1 879	1 879
b. Increase (by virtue of)	-	-	-
- purchase	-	-	-
- calculation corrections	-	-	-
c. decrease (by virtue of)	-	588	588
- capital group decreasing	-	588	588
d. gross goodwill at the end of the period	1 291	1 291	1 291
e. deduction of the goodwill at the beginning of the period	1 291	1 879	1 879
f. deduction of the goodwill for the period (by virtue of)	-	(588)	(588)
- depreciation	-	-	-
- capital group decreasing	-	(588)	(588)
g. Deduction of the goodwill at the end of the period	1 291	1 291	1 291
h. net goodwill at the end of the period	-	-	-

<b>Entity</b>	<b>Mode of determining goodwill</b>	<b>Gross Goodwill</b>	<b>Existing write off</b>
SSC Katowice		62	62
Metalzbyt Białystok		1 166	1 166
SSC Belchatów		63	63
<b>TOTAL:</b>		<b>1 291</b>	<b>1 291</b>

**Note 3C**

<b>CHANGE OF THE GOODWILL - AFFILIATED COMPANIES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
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 period	-	-	-
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	-	-	-

<b>Entity</b>	<b>Mode of determining goodwill</b>	<b>Goodwill</b>	<b>Hitherto deduction</b>
<b>TOTAL:</b>		-	-

**Note 4A**

<b>LONG-TERM RECEIVABLES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
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)	<b>412</b>	<b>509</b>	<b>972</b>
- supplies and services	-	-	-
- deposits	<b>412</b>	<b>509</b>	<b>972</b>
<b>Net long-term receivables</b>	<b>412</b>	<b>509</b>	<b>972</b>
c) write-off updating receivables	-	-	<b>1 679</b>
<b>Gross long-term receivables</b>	<b>412</b>	<b>509</b>	<b>2 651</b>

**Note 4B**

<b>CHANGES IN LONG-TERM RECEIVABLES (by genre)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Balance at the beginning of period	509	942	942
b. Additions (in virtue of )	-	-	30
- widening of the capital group	-	-	-
- reclassification	-	-	-
- other	-	-	30
c. Reductions (in virtue of )	97	433	-
- capital group reduction	-	-	-
- reclassification	-	-	-
- other	97	433	-
<b>Long-term receivables at the end of period</b>	<b>412</b>	<b>509</b>	<b>972</b>

**Note 4C**

<b>CHANGES IN ALLOWANCES FOR LONG-TERM RECEIVABLES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Balance at the beginning of period	-	2 021	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	342
- trade accounts receivable	-	1 354	-
- capital group reduction	-	-	-
- rate differences	-	-	-
- other	-	667	342
d. Dissolution ( in virtue of)	-	-	-
- trade accounts receivable	-	-	-
- other	-	-	-
<b>Allowances for long-term receivables at the end of period</b>	<b>-</b>	<b>-</b>	<b>1 679</b>

**Note 4D**

<b>LONG-TERM RECEIVABLES (CURRENCY STRUCTURE)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency	-	-	-
b) in foreign currencies (acc.to currencies and after calculating into zloty)	412	509	972
b1. unit/currency in thousand USD	130	156	237
in thousand zloty	412	509	972
b2. unit/currency in EUR	-	-	-
in zloty	-	-	-
b3. unit/currency: GBP	-	-	-
in zloty	-	-	-
b4. other currencies in zloty	-	-	-
<b>Long-term receivables in total</b>	<b>412</b>	<b>509</b>	<b>972</b>

**Note 5A**

<b>CHANGES IN REAL ESTATE (BY CATEGORY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. balance at the beginning of period including:	<b>56 946</b>	<b>83 604</b>	<b>83 604</b>
b. Additions ( in virtue of )	-	-	-
- widening of the Capital Group	-	-	-
- reclassification	-	-	-
- purchase	-	-	-
- other	-	-	-
c. Reduction (in virtue of )	<b>46 946</b>	<b>26 658</b>	-
- capital group decrease	-	-	-
- reclassification	-	-	-
- other (sale of real estate in Warsaw at Obrzeźna Street)	<b>46 946</b>	<b>26 658</b>	-
<b>Balance at the end of period</b>	<b>10 000</b>	<b>56 946</b>	<b>83 604</b>

**Note 5B**

<b>CHANGES IN INTANGIBLE ASSETS (BY CATEGORY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
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	-	-	-
<b>Balance at the end of period</b>	-	-	-

**Note 5C**

<b>LONG-TERM FINANCIAL ASSETS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. in subsidiary and interrelated entities which are not subject to consolidation	<b>180</b>	<b>180</b>	<b>355</b>
- shares	<b>180</b>	<b>180</b>	<b>355</b>
- 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	<b>3 251</b>	<b>3 451</b>	<b>3 466</b>
- shares	<b>3 251</b>	<b>3 451</b>	<b>3 466</b>
- debt securities	-	-	-
- other securities (by type)	-	-	-
		-	
		-	
		-	
- loans granted	-	-	-
- other long-term financial assets ( by type)	-	-	-
		-	
		-	
		-	
c. in other entities	<b>2 203</b>	<b>2 203</b>	<b>2 242</b>
- shares	<b>2 203</b>	<b>2 203</b>	<b>2 242</b>
- debt securities	-	-	-
- other securities (by type)	-	-	-
		-	
		-	
		-	
- loans granted	-	-	-
- other long-term financial assets ( by type)	-	-	-
<b>Long-term financial assets in total</b>	<b>5 634</b>	<b>5 834</b>	<b>6 063</b>

**Note 5D**

<b>CHANGE IN THE STATE OF LONG-TERM FINANCIAL ASSETS (ACC. TO GENRE GROUPS)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. state at the beginning of the period	<b>5 834</b>	<b>6 287</b>	<b>6 287</b>
b. increase (by virtue of)	-	<b>2 177</b>	-
- widening of the capital group	-	-	-
- shares and stocks	-	<b>2 177</b>	-
	-	-	-
	-	-	-
	-	-	-
- other	-	-	-
c. decrease (by virtue of)	<b>200</b>	<b>2 630</b>	<b>224</b>
- capital group decrease	-	-	-
- shares and stocks	-	<b>2 225</b>	<b>224</b>
- other long-term financial assets	-	-	-
- updating write offs	-	-	-
- correction from evaluation of method of property rights	<b>200</b>	<b>405</b>	-
- other	-	-	-
<b>State at the end of the period</b>	<b>5 634</b>	<b>5 834</b>	<b>6 063</b>

## Nota 5E

UDZIAŁY LUB AKCJE W JEDNOSTKACH PODPORZĄDKOWANYCH												
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	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	28 075	(7 548)	20 527	100,00%	100,00%	
3.	Petrostal S.A. In liquidation	Warszawa	building products and materials trading	subsidiary	not consolidated	2005	1 727	(1 727)	-	100,00%	100,00%	
4.	Stalexport Metalzbyt Sp. z o.o.	Białystok	Steel products trading	subsidiary	full	2005	1 287	(1 287)	-	98,76%	98,76%	
5.	Stalexport Zaptor S.A. w likwidacji	Olsztyn	Steel products trading	subsidiary	not consolidated	2002	173	(173)	-	98,69%	98,69%	
6.	Stalexport Wielkopolska Sp. z o.o. w upadłości	Komorniki	Steel products trading	subsidiary	not consolidated	1990	12 072	(12 072)	-	97,96%	97,96%	
7.	Stalexport Serwis Centrum S.A. Katowice	Katowice	Steel products trading	subsidiary	full	1992	22 214	(600)	21 614	97,78%	97,78%	
8.	Stalexport Serwis Centrum S.A. Bełchatów	Rogowiec	Steel products trading	subsidiary	full	2005	4 723	(3 223)	1 500	95,14%	95,14%	
9.	Stalexport Centrostal S.A. Lublin	Lublin	Steel products trading	subsidiary	full	1992	500	-	500	66,00%	66,00%	
10.	Stalexport Transroute Autostrada S.A.	Mysłowice	Activity connected with operating A4 motorway section Kraków-Katowice	subsidiary	full	1998	19 730	-	19 730	55,00%	55,00%	

## C.d. Note 5E

UDZIAŁY LUB AKCJE W JEDNOSTKACH PODPORZĄDKOWANYCH												
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.	Centrostal Profil Sp. z o.o. In liquidation	Kraków	Production, processing, sale of steel products	associated	not consolidated	2 005,00	14 548	(14 548)	-	49,15%	49,15%	
12.	Invest Centrostal Sp. z o.o.	Warszawa	General building industry	associated	not consolidated	2005	297	(297)	-	42,00%	42,00%	
13.	Biuro Centrum Sp. z o.o.	Katowice	Administration of the building at 29 Mickiewicza Street	associated	method of ownership right	1994	32	-	32	40,63%	40,63%	
14.	Stalexport Autostrada Śląska S.A.	Katowice	construction +exploitation of the Katowice-Wroclaw motorway	associated	method of ownership right	01.09.2001	16 500	(13 066)	3 434	37,50%	37,50%	
15.	In-Bud Sp. z o.o.	Ostrołęka	production of steel construction and trade	subsidiary	not consolidated	17.05.2001	451	(4)	447	99,00%	99,00%	
16.	Stalexport Autoroute S.A.r.l.	Luksemburg	motorway project servicing	subsidiary	full	2005	192 324	-	192 324	100,00%	100,00%	
	TOTAL:						<b>478 403</b>	<b>(54 545)</b>	<b>423 858</b>			

## Note 5F

UDZIAŁY LUB AKCJE W JEDNOSTKACH PODPORZĄDKOWANYCH																		
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	incomes from sales	value of shares/stocks not paid by the issuer	received or due dividends/shares in profits for the last turnover year			
					profit (loss) from previous years	net profit (loss)												
		196 543	29 553	-	142 192	24 798	-	24 798	308 953	283 279	25 674	5 022	-	5 022	505 496	55 114	-	-
1.	Stalexport Autostrada Małopolska S.A.	196 543	29 553	-	142 192	24 798	-	24 798	308 953	283 279	25 674	5 022	-	5 022	505 496	55 114	-	-
2.	Stalexport Autostrada Dolnośląska S.A.	14 916	40 100	(4 886)	438	(20 736)	(20 574)	(162)	239	179	60	339	-	339	15 155	-	4 886	-
3.	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.
4.	Stalexport Metalzbyt Sp. z o.o.	(1 310)	2 980	-	111	(4 401)	(4 451)	50	2 379	-	2 379	343	-	343	1 069	1 389	-	-
5.	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.
6.	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.
7.	Stalexport Serwis Centrum S.A. Katowice	28 752	22 719	-	4 665	1 368	(6 944)	371	9 090	62	9 028	14 322	353	13 969	37 842	37 781	-	-
8.	Stalexport Serwis Centrum S.A. Belchatów	2 824	3 335	-	-	(511)	(458)	(53)	804	-	804	122	-	122	3 628	167	-	-
9.	Stalexport Centrostal S.A. Lublin	1 488	500	-	2 194	(1 206)	(1 579)	61	5 328	711	4 617	3 190	-	3 190	6 816	8 408	-	-
10.	Stalexport Transroute Autostrada S.A.	4 906	500	-	166	4 240	-	3 348	8 948	5 203	3 745	4 195	-	4 195	13 854	13 350	-	-

## C.d. 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)	long-term liabilities	short-term liabilities											long-term receivables	short-term receivables
11.	Centrostal Profil Sp. z o.o. 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.		
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.	517	80	-	396	41		41	1 199	152	1 047	1 140	99	1 041	1 716	3 473	-	-		
14.	Stalexport Autostrada Śląska S.A.	8 110	44 000	(33 000)	361	(3 251)	(2 851)	(400)	231	-	144	8 131	-	8 131	8 341	-	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.	Stalexport Autoroute S.A.r.l.	195 980	192 305	-	1 986	1 689	-	1 689	124 787	-	124 787	-	-	-	196 105	-	-	-		
	<b>TOTAL:</b>	<b>452 726</b>	<b>336 072</b>	<b>(37 886)</b>	<b>152 509</b>	<b>2 031</b>	<b>(36 857)</b>	<b>29 743</b>	<b>461 958</b>	<b>289 586</b>	<b>172 285</b>	<b>36 804</b>	<b>452</b>	<b>36 352</b>	<b>790 022</b>	<b>119 682</b>	<b>37 886</b>	-		

## 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:	share capital	percentage of owned share capital	share in general numer of votes at the general meeting	shares not paid-up by the company	dividends received or receivable for the last year
1.	Atlantico-Trans-Ex Sp. z o.o.	Katowice	Transport nad spedition	-			12,12%	12,12%	-	-
2.	Walcownia Rur Jedność Sp. z o.o.	Siemianowice Śl.	Production of steel pipes	-			7,26%	7,26%	-	-
3.	Beskidzki Dom Maklerski S.A.	Bielsko-Biala	turnover of the securities	1 171			5,10%	5,10%	-	-
4.	Other			639						
5.										
	<b>Total</b>			<b>1 810</b>	-	-				

**Note 5H**

<b>SECURITIES, SHARES AND OTHER LONG-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency	4 940	5 140	5 427
b) in foreign currencies (acc. to currencies and after calculating into zloty)	694	694	636
b1. unit/currency in thousand USD	120	117	114
in thousand zloty	383	383	383
b2. unit/currency in thousand EUR	77	81	63
in thousand zloty	311	311	253
b3. unit/currency/GBP	-	-	-
in thousand zloty	-	-	-
b4. other currencies in zloty	-	-	-
<b>Securities, shares and other long-term financial assets in total</b>	<b>5 634</b>	<b>5 834</b>	<b>6 063</b>

**Note 5I**

<b>GRANTED LONG-TERM LOANS ( BY CURRENCY STRUCTURE)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
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	-	-	-
<b>Securities, shares and other long-term financial assets in total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note 5J**

<b>OTHER LONG-TERM INVESTMENTS (ACCORDING TO GENRE)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
- long-term deposit of SAM S.A.	10 000		
<b>Other long-term investments</b>	<b>10 000</b>	-	-

**Note 5K**

<b>CHANGE IN THE STATE OF OTHER LONG- TERM INVESTMENTS (ACCORDING TO GENRE GROUPS)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. state at the beginning of the period	-	-	-
b. increase (by virtue of)	10 000	-	-
- long-term deposit of SAM S.A.	10 000		
- other			
c. Decrease (by virtue of)	-	-	-
- other			
<b>d. state at the end of the period</b>	<b>10 000</b>	-	-

**Note 5L**

<b>OTHER LONG-TERM INVESTMENTS (CURRENCY STRUCTURE)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
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			
<b>Other long-term investments in total</b>	<b>10 000</b>	-	-

**Note 6**

<b>CHANGE IN ASSETS AVAILABLE FOR SALE</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. state at the beginning of the period	<b>4 231</b>	<b>130 211</b>	<b>130 211</b>
b. increase (by virtue of)	-	<b>2 047</b>	<b>2 430</b>
- revaluation of assets for sale	-	<b>2 032</b>	<b>2 415</b>
	-	-	-
- other	-	<b>15</b>	<b>15</b>
c. Decrease (by virtue of)	<b>2 032</b>	<b>128 027</b>	-
- sale of real estate in Wrocław by SSC Katowice	<b>2 032</b>	<b>128 027</b>	
		-	
- other	-	-	-
<b>d. state at the end of the period</b>	<b>2 199</b>	<b>4 231</b>	<b>132 641</b>

## Note 7

<b>CHANGES IN ASSETS BY VIRTUE OF DEFERRED INCOME TAX</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
1. Balance of deferred income tax at the beginning of period, of which:	<b>6 064</b>	<b>9 564</b>	<b>9 564</b>
a) assigned to financial results	<b>5 913</b>	<b>6 648</b>	<b>6 648</b>
b) assigned to equity capital	<b>151</b>	<b>2 916</b>	<b>2 916</b>
c) assigned to goodwill	-	-	-
2. Additions	<b>1 145</b>	<b>2 086</b>	<b>687</b>
a) assigned to financial results for the period due to negative timing differences:	<b>1 072</b>	<b>1 929</b>	<b>687</b>
- remuneration by virtue of task work contract not paid on the balance sheet date	<b>9</b>	<b>133</b>	<b>122</b>
- penal interests not paid on balance sheet date	-	-	<b>565</b>
- other	<b>1 063</b>	<b>1 796</b>	-
b) assigned to financial results for the period due to taxation loss:	<b>73</b>	<b>157</b>	-
- settlement of the prior's years loss	<b>53</b>	-	-
- updating write-offs of receivables " n.k.u.p."	<b>20</b>	-	-
- other	-	<b>157</b>	-
c) assigned to equity capital for the period due to negative timing differences:	-	-	-
- liabilities by virtue of capital (financial leasing)	-	-	-
- by virtue of transforming to i.a.s. /i.r.f.s.	-	-	-
		-	
d) assigned to equity capital for the period due to taxation loss:	-	-	-
		-	
		-	
		-	
e) assigned to goodwill due to negative timing differences:	-	-	-
		-	
- other		-	
3. Reductions	<b>493</b>	<b>5 586</b>	<b>214</b>
a) assigned to financial results for the period due to negative timing differences:	<b>493</b>	<b>2 821</b>	<b>214</b>
- interests payment	-	<b>2 362</b>	<b>134</b>
- other	<b>493</b>	<b>178</b>	<b>80</b>
		<b>281</b>	
b) assigned to financial results for the period due to taxation loss:	-	-	-
		-	
		-	
c) assigned to equity capital for the period due to negative timing differences:	-	<b>2 765</b>	-
		<b>2 765</b>	
		-	
		-	
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:	<b>6 716</b>	<b>6 064</b>	<b>10 037</b>
a) assigned to financial results	<b>6 565</b>	<b>5 913</b>	<b>7 121</b>
b) assigned to equity capital	<b>151</b>	<b>151</b>	<b>2 916</b>
c) assigned to goodwill	-	-	-

**Note 8**

<b>LONG-TERM DEFERRED EXPENSES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. deferred expenses of which:	218 073	213 694	-
- SAM S.A. - liability towards National Road Fund (Narodowy Fundusz Drogowy) by virtue of EBRD credit	211 150	213 694	-
- SAM S.A. - commission on credit	6 923		
b) other deferred expenses, of which:	-	-	-
- other			
<b>Total long-term deferred expenses</b>	<b>218 073</b>	<b>213 694</b>	<b>-</b>

**Note 9**

<b>INVENTORIES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Materials	15 378	4 419	4 635
b. Semi-products and products in progress	-	-	-
c. Finished products	810	1 139	775
d. Merchandise	43 555	45 924	48 276
e) prepaid supplies	1 560	1 669	732
<b>Total inventories</b>	<b>61 303</b>	<b>53 151</b>	<b>54 418</b>

**Note 10A**

<b>CURRENT RECEIVABLES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) from related companies	4 481	1 098	722
- trade accounts receivable, with maturity of:	4 230	336	722
- less than 12 months	4 230	336	722
- over 12 months	-	-	-
- other	251	762	-
- receivables in litigation	-	-	-
b) from subsidiary and associated companies	129 500	96 320	121 549
- trade accounts receivable, with maturity of:	86 526	66 433	81 473
- less than 12 months	82 206	62 117	76 624
- over 12 months	4 320	4 316	4 849
- by virtue of taxes, subsidies, tariffs, social and health security, or other benefits receivable	32 036	19 461	18 186
- other	10 716	10 407	20 104
- receivables in litigation	222	19	1 786
Total net current receivables	133 981	97 418	122 271
c. Receivables updating allowances	348 666	334 590	217 134
<b>Total gross current receivables</b>	<b>482 647</b>	<b>432 008</b>	<b>339 405</b>

**Note 10B**

<b>CHANGES IN ALLOWANCES FOR CURENT RECEIVABLES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Balance at the beginning of period of which:	334 590	225 654	225 654
b. Additions of which:	17 253	168 741	27 551
- by virtue of trade account receivable	16 479	35 061	26 149
- interests	-	1 719	1 402
- other ( interests adjudged, law costs)	774	131 961	-
c. Reduction of which:	3 177	59 805	36 071
- utilisation	417	25 696	2 780
- changes in capital group	-	33 405	32 471
- other	2 760	704	820
<b>d. Balance of allowances for current receivables at the end of period</b>	<b>348 666</b>	<b>334 590</b>	<b>217 134</b>

**Note 10C**

<b>GROSS CURRENT RECEIVABLES - by currency</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency (zlotys)	446 701	418 388	325 975
b) in foreign currencies (and as restated in zlotys)	35 946	13 620	13 430
b1. Unit / currency in thousand USD	7 149	2 570	2 706
in thousand zlotys	22 736	8 334	9 004
b2. Unit / currency in thousand EUR	3 267	1 370	1 096
in thousand zlotys	13 210	5 286	4 426
b3. Unit /currency in thousand GBP	-	-	-
in thousand zlotys	-	-	-
b4. Other currencies in zlotys	-	-	-
<b>Total current receivables</b>	<b>482 647</b>	<b>432 008</b>	<b>339 405</b>

**Note 10D**

<b>LONG-TERM AND SHORT-TERM CONTESTED AND OVERDUE DEBTS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Contested and overdue debts by virtue of:	135 286	133 364	101 073
- trade accounts receivable	107 481	105 652	96 306
- other	27 805	27 712	4 767
<b>Long-term and short-term contested and overdue debts in total, including:</b>	<b>135 286</b>	<b>133 364</b>	<b>101 073</b>
- from which updated write offs were not executed	21 321	19 120	27 857
- not indicated as" receivables in litigation"	66 289	68 079	1 786

**Note 11A**

<b>SHORT-TERM FINANCIAL ASSETS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
<b>a. In subsidiaries</b>	-	-	-
- shares	-	-	-
- 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	-	-	-
<b>c. In associated companies</b>	-	-	-
- shares	-	-	-
- 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	-	-	-
<b>d. In dominant entity</b>	-	-	-
- shares	-	-	-
- 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	-	-	-
<b>d. In other entities</b>	<b>164</b>	<b>235</b>	<b>271</b>
- shares	-	-	<b>19</b>
- receivables in virtue of dividends and shares in profits	-	-	-
- debt securities	-	-	-
- other securities ( by type)	-	-	-
- other	-	-	-
- loans granted	<b>164</b>	<b>235</b>	<b>252</b>
- other short-term financial assets (by type)	-	-	-
- interests on loans	-	-	-
<b>Total short-term investments</b>	<b>164</b>	<b>235</b>	<b>271</b>

**Note 11B**

<b>SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (BY CURRENCY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency (zlotys)	-	-	19
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			
<b>Total securities, shares and other short-term financial assets</b>	-	-	19

**Note 11C**

<b>GRANTED SHORT-TERM LOANS (BY CURRENCY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency (zlotys)	164	235	252
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			
<b>Total granted short-term loans</b>	164	235	252

**Note 11D**

<b>OTHER SHORT-TERM INVESTMENTS (BY CATEGORY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
<b>Total other short-term investments</b>	-	-	-

**Note 11E**

<b>OTHER SHORT-TERM INVESTMENTS (BY CURRENCY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
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			
<b>Total other short-term investments</b>	-	-	-

**Note 12A**

<b>CASH AND CASH EQUIVALENTS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
- cash at bank and on hand	99 535	23 941	20 550
- cash equivalents	401	2 273	34
<b>Total cash and cash equivalents</b>	<b>99 936</b>	<b>26 214</b>	<b>20 584</b>

**Note 12B**

<b>CASH AND CASH EQUIVALENTS (BY CURRENCY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency (zlotys)	98 891	24 100	19 404
b) in foreign currencies (and as restated in zlotys)	1 045	2 114	1 180
b1. Unit / currency in thousand USD	71	218	83
in thousand zlotys	271	711	267
b2. Unit / currency in thousand EUR	195	364	237
in thousand zlotys	770	1 403	913
b3. Unit /currency in thousand GBP	1	-	-
in thousand zlotys	4	-	-
b4. Other currencies in thousand zlotys	-	-	-
<b>Total cash and cash equivalents</b>	<b>99 936</b>	<b>26 214</b>	<b>20 584</b>

**Note 13**

<b>SHORT-TERM INTERPERIOD SETTLEMENTS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. deferred expenses of which:	<b>9 184</b>	<b>10 803</b>	<b>2 231</b>
- taxes and securities	<b>461</b>	<b>90</b>	<b>337</b>
- VAT to be settled next months	<b>161</b>	<b>334</b>	<b>990</b>
- the Institutional Social Benefit Fund deduction	<b>561</b>	<b>22</b>	<b>83</b>
- other	<b>8 001</b>	<b>10 357</b>	<b>821</b>
b) other interperiod settlements, of which:	<b>128</b>	<b>64</b>	<b>172</b>
- employees' compensations	<b>3</b>	<b>44</b>	<b>55</b>
- general overhauls	<b>1</b>	<b>1</b>	<b>33</b>
- costs of company's organisation	<b>-</b>	<b>8</b>	<b>4</b>
- other	<b>124</b>	<b>11</b>	<b>80</b>
<b>Total short-term interperiod settlements</b>	<b>9 312</b>	<b>10 867</b>	<b>2 403</b>

**Note 14**

<b>EQUITY CAPITAL (STRUCTURE)</b>								
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		05.01.93	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
<b>Total number of shares</b>				<b>107 762 023</b>				
<b>Total equity capital</b>					<b>215 524</b>			
<b>Nominal value of one share = 2,00 zloty</b>								

**Note 15A**

<b>OWN SHARES IN TREASURY</b>				
Number	Value at purchase price	Balance sheet value	Purchase purpose	Destination
10 461	22	22		transferred to minority shareholders of Stalexport Centrostal Warszawa S. A.
<b>10 461</b>	<b>22</b>	<b>22</b>	-	-

**Note 15B**

<b>ISSUER'S SHARES OWNED BY THE SUBORDINATED ENTITIES</b>			
Name of a company, location	Number	Value at purchase price	Balance sheet value
Stalexport Serwis Centrum S.A. Belchatów	25 000	50	50
<b>Total</b>	<b>25 000</b>	<b>50</b>	<b>50</b>

**Note 16**

<b>INVENTORY CAPITAL</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. sale of shares above the nominal value	-	-	-
b) capital established by law	4 613	4 810	5 088
c) capital established due to statutory/contractual provisions, in excess of the (minimum) value required by law	139 836	92 519	92 240
d. From surcharges of the shareholders	4 263	4 263	4 263
e. Other	197	83	49
<b>Total inventory capital</b>	<b>148 909</b>	<b>101 675</b>	<b>101 640</b>

**Note 17**

<b>REVALUATION CAPITAL</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Revaluation of tangible assets	16 389	8 771	8 699
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 )	-	7 622	-
- revaluation of financial assets	-	7 622	-
- other	-	-	-
<b>Total revaluation capital</b>	<b>16 389</b>	<b>16 393</b>	<b>8 699</b>

**Note 18**

<b>OTHER RESERVE CAPITAL (BY APPROPRIATION)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
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	51 017	6 148
f. Other	-	-	-
<b>Total other reserve capital</b>	<b>51 507</b>	<b>51 017</b>	<b>6 148</b>

**Note 19**

<b>NET PROFIT WRITE OFFS DURING THE FINANCIAL YEAR - specifically</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
-	-	-	-
-	-	-	-
-	-	-	-
<b>Total net profit write-offs during the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note 20**

<b>CHANGE IN MINORITY CAPITALS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
State at the beginning of the period	<b>4 048</b>	<b>5 262</b>	<b>5 262</b>
a. Increase (by virtue of)	<b>1 519</b>	<b>2 438</b>	<b>1 403</b>
- change in funds and share in the financial result	<b>1 519</b>	<b>2 438</b>	<b>1 403</b>
- capital group increase	-	-	-
- consolidation adjustment	-	-	-
-	-	-	-
b. decrease (by virtue of)	<b>2 145</b>	<b>3 652</b>	<b>3 771</b>
- change in funds and share in the financial result	<b>2 145</b>	<b>3 652</b>	<b>3 771</b>
- capital group decrease	-	-	-
- consolidation adjustment	-	-	-
-	-	-	-
<b>Minority capitals at the end of the period</b>	<b>3 422</b>	<b>4 048</b>	<b>2 894</b>

## Note 21A

<b>LONG-TERM LIABILITIES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
<b>a. Towards subsidiaries</b>	-	-	-
- 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>b. Towards associated entities</b>	-	-	-
- credits and loans			-
- issue of debt securities			-
- other financial liabilities, of which:	-	-	-
- financial lease agreements			-
- other (by type)	-	-	-
- other			-
<b>c. Towards dominant entity</b>	-	-	-
- 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>d. Towards other entities</b>	<b>568 144</b>	<b>594 056</b>	<b>283 205</b>
- credits and loans	<b>69 775</b>	<b>78 040</b>	<b>99 373</b>
- issue of debt securities	-	-	-
- other financial liabilities, of which:	-	-	-
- interests	-	-	-
- other	-	-	-
- financial lease agreements	<b>5 404</b>	<b>6 302</b>	<b>7 295</b>
- other (by type)	<b>492 965</b>	<b>509 714</b>	<b>176 537</b>
- arrangement liabilities	<b>71 961</b>	<b>88 681</b>	<b>103 945</b>
- other	<b>421 004</b>	<b>421 033</b>	<b>72 592</b>
<b>Total long-term liabilities</b>	<b>568 144</b>	<b>594 056</b>	<b>283 205</b>

**Note 21B**

<b>LONG-TERM LIABILITIES (BY CURRENCY )</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency (zlotys)	<b>568 144</b>	<b>594 056</b>	<b>283 205</b>
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		-	-
<b>Total long-term liabilities</b>	<b>568 144</b>	<b>594 056</b>	<b>283 205</b>

## Note 21C

LONG-TERM LIABILITIES BY VIRTUE OF CREDITS AND LOANS									
Name (company) of the entity, legal status	Seat	Amount of credit/loan acc to the agreement		Amount of credit /loan to be repaid		Interest conditions	Date of repayment	Security	Other
		zloty	currency	zloty	currency				
Bank Handlowy S.A.	Katowice	6 240	PLN	6 240	PLN	WIBOR+margin	according to the restructuring agreement	cash inflows on to account, credit on current account, mortgage	
Bank Handlowy S.A.	Katowice	12 129	PLN	12 129	PLN	WIBOR+margin	according to the restructuring agreement	credit on foreign currency account, mortgage	
Bank Handlowy S.A.	Katowice	11 874	PLN	11 874	PLN	WIBOR+margin	according to the restructuring agreement	mortgage	
BRE Bank S.A.	Katowice	4 394	PLN	4 394	PLN	WIBOR+margin	according to the restructuring agreement	cash inflows on to accounts, credit on current account, mortgage	
ING Bank Śląski	Katowice	500	PLN	500	PLN	WIBOR+margin	according to the restructuring agreement	cash inflows on credit accounts, sole bills in blanco, pledge on shares credit on current account	
PKO BP S.A.	Katowice	20 950	PLN	20 950	PLN	WIBOR+margin	according to the restructuring agreement	mortgage revolving credit, pledge on shares, sole bills in blanco	
BPH PBK S.A.	Sosnowiec	3 688	PLN	3 688	PLN	WIBOR+margin	according to the restructuring agreement	sole bill in blanco, operating credit in crediting line,pledge on shares, mortgage	
Bank Syndicate:		380 000	PLN	10 000	PLN	WIBOR + bank margin	30.09.2010		
<b>TOTAL:</b>		<b>439 775</b>		<b>69 775</b>					

**Note 21D**

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

## Note 22

CHANGES IN RESERVE FOR DEFERRED INCOME TAX	30.06.2006	2005	30.06.2005
<b>1. Reserves for deferred income tax at the beginning of period, of which:</b>	<b>11 209</b>	<b>12 289</b>	<b>12 289</b>
a) assigned to financial result	1 673	1 734	1 734
b) assigned to equity capital	183	10 555	10 555
c) assigned to goodwill	9 353	-	-
<b>2. Additions</b>	<b>686</b>	<b>11 921</b>	<b>435</b>
a) assigned to financial results for the period due to positive timing differences:	<b>686</b>	<b>2 568</b>	<b>435</b>
- interests included in income	35	514	430
- interests on loans included in income	-	88	-
- other	651	1 966	5
b) assigned to equity capital for the period due to positive timing differences:	-	-	-
- fixed assets (financial leasing)	-	-	-
	-	-	-
	-	-	-
c) assigned to goodwill due to positive timing differences:	-	9 353	-
	-	9 353	-
	-	-	-
	-	-	-
<b>3. Reductions:</b>	<b>10 047</b>	<b>13 001</b>	<b>827</b>
a) assigned to financial result for the period due to positive timing differences (of which )	<b>694</b>	<b>2 629</b>	<b>827</b>
- interests included in income ( paid, cancelled)	74	1 945	312
- change in tax rate	470	-	-
- other	150	684	515
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)	9 353	-	-
	9 353	-	-
	-	-	-
	-	-	-
<b>4. Reserve for deferred income tax at the end of period, of which:</b>	<b>1 848</b>	<b>11 209</b>	<b>11 897</b>
a) assigned to financial result	1 665	1 673	1 342
b) assigned to equity capital	183	183	10 555
c) assigned to goodwill	-	9 353	-

**Note 23**

<b>CHANGES IN OTHER LONG-TERM PROVISIONS - specifically</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Balance at the beginning of period of which:	<b>13 418</b>	<b>11 721</b>	<b>11 721</b>
b. Additions (in virtue of )	-	<b>6 899</b>	<b>2 816</b>
- holiday leaves	-	-	-
- termination pays, jubilee bonuses	-	<b>2 086</b>	<b>66</b>
- interests on bill liabilities towards State Treasury	-	-	-
- contingent liabilities	-	-	-
- interests on credits	-	<b>4 813</b>	-
- other	-	-	<b>2 750</b>
c. Exercised of which	<b>121</b>	<b>2 636</b>	<b>2 665</b>
- holiday leaves	-	-	-
- termination pays, jubilee bonuses	<b>121</b>	<b>527</b>	<b>2</b>
- severance pays for dismissed employees	-	-	-
- contingent liabilities	-	<b>2 100</b>	<b>900</b>
- interests on credits	-	-	<b>1 754</b>
- other	-	<b>9</b>	<b>9</b>
d) reversals, of which:	<b>516</b>	<b>2 566</b>	<b>600</b>
	-	<b>1 984</b>	-
- interests on credits	<b>516</b>	-	-
- contingent liabilities	-	<b>582</b>	<b>600</b>
<b>e. Balance at the end of period</b>	<b>12 781</b>	<b>13 418</b>	<b>11 272</b>

**Note 24**

<b>LONG-TERM INTERPERIOD SETTLEMENTS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) accrued expenses, of which:	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
- other	-	-	-
b) deferred income, of which:	<b>17 883</b>	<b>18 326</b>	<b>49 783</b>
- settlement of incomes from rents and leases in SAM S.A.	<b>16 422</b>	<b>16 841</b>	-
	-	-	-
- redeemed arrangement liabilities	-	-	<b>48 279</b>
- evaluation of shares	<b>741</b>	<b>741</b>	<b>741</b>
- other	<b>720</b>	<b>744</b>	<b>763</b>
<b>Total long-term deferred expenses</b>	<b>17 883</b>	<b>18 326</b>	<b>49 783</b>

## Note 25A

<b>SHORT-TERM LIABILITIES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
<b>a. Towards subsidiary companies</b>	-	-	<b>112</b>
- credits and loans			
- issue of debt securities			
- dividends			
- other financial receivables :	-	-	-
- interests on loans and prepayments			
- prepayments for capital increase			
- trade accounts payable, with maturity of:	-	-	<b>112</b>
- less 12 months	-	-	<b>112</b>
- over 12 months			
- trade prepayments received			
- promissory notes payable			
- other ( by type )	-	-	-
- arrangement liabilities		-	
-other			
<b>b. Towards associated entities</b>	<b>4 092</b>	<b>4 589</b>	<b>4 138</b>
- credits and loans of which	<b>3 340</b>	<b>3 340</b>	<b>3 340</b>
- issue of debt securities			
- dividends			
- other financial receivables :	<b>72</b>	<b>258</b>	-
- interests on loans and prepayments	<b>72</b>	<b>258</b>	-
- prepayments for capital increase			-
- trade accounts payable, with maturity of:	<b>680</b>	<b>991</b>	<b>798</b>
- less 12 months	<b>680</b>	<b>991</b>	<b>798</b>
- over 12 months			-
- trade prepayments received			-
- promissory notes payable			-
- other ( by type )	-	-	-
- penal intersts and other		-	-
-other			
<b>e. Towards the dominant entity</b>	-	-	-
- credits and loans of which:			-
- by virtue of debt			-
- 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			-
<b>f.towards other entities</b>	<b>193 067</b>	<b>94 826</b>	<b>92 464</b>
- credits and loans of which:	<b>11 772</b>	<b>2 188</b>	<b>11 062</b>
- by virtue of issuing debt securities			-
- dividends			-
- other financial receivables :	-	-	-
- interests on loans and prepayments			-
- guarantees			-
- trade accounts payable, with maturity of:	<b>91 956</b>	<b>73 135</b>	<b>62 379</b>
- less 12 months	<b>91 956</b>	<b>73 135</b>	<b>62 346</b>
- over 12 months			<b>33</b>
- trade prepayments received		<b>15</b>	<b>122</b>
- promissory notes payable	<b>800</b>	<b>350</b>	<b>300</b>
- other (by type)	<b>88 539</b>	<b>19 138</b>	<b>18 601</b>
- penalty intersts and other		<b>942</b>	<b>659</b>
- by virtue of arrangement proceedings		<b>149</b>	<b>72</b>
- other	<b>88 539</b>	<b>18 047</b>	<b>17 870</b>
<b>Total short-term liabilities</b>	<b>197 159</b>	<b>99 415</b>	<b>96 714</b>

**Note 25B**

<b>SHORT-TERM LIABILITIES' (CURRENCY STRUCTURE )</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency (zlotys)	191 545	96 949	93 810
b) in foreign currencies (and as restated in zlotys)	5 614	2 466	2 904
b1. Unit / currency in thousand USD	1 459	376	520
in thousand zlotys	4 642	1 227	1 739
b2. Unit / currency in thousand EUR	240	304	288
in thousand zlotys	972	1 172	1 165
b3. Unit /currency in thousand GBP	-	9	-
in thousand zlotys	-	50	-
b4. Other currencies in thousand zlotys	-	17	-
<b>Total short-term liabilities</b>	<b>197 159</b>	<b>99 415</b>	<b>96 714</b>



**Note 25D**

SHORT-TERM LIABILITIES IN VIRTUE OF ISSUED HEDGING INSTRUMENTS						
Hedging instruments by category	Nominal value	Interest terms	Redemption date	Guarantees/hedging	additional rights	Other
<b>TOTAL</b>	-	x	x	x	x	x

## Note 26

<b>CHANGES IN OTHER SHORT-TERM PROVISIONS - specifically</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Balance at the beginning of period	6 282	11 835	11 835
b. Additions (in virtue of )	2 277	3 398	1 417
- holiday leaves	643	716	783
- termination pays, jubilee bonuses	-	395	16
- severance pays for dismissed employees	-	9	9
- contingent liabilities	-	581	600
- interests on credits	1 547	-	-
- other	87	1 697	9
c) applications, of which:	1 644	5 896	1 462
- holiday leaves	-	25	-
- termination pays, jubilee bonuses	26	-	16
- severance pays for dismissed employees	9	-	-
- contingent liabilities	1 500	-	-
- interests on credits	-	5 746	1 426
- other	109	125	20
d) reversals, of which:	2 517	3 055	473
- holiday leaves	681	384	384
- interests on credits	1 836	2 671	-
- capital group dimishing	-	-	89
<b>e. Balance at the end of period</b>	<b>4 398</b>	<b>6 282</b>	<b>11 317</b>

## Note 27

<b>SHORT-TERM INTERPERIOD SETTLEMENTS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) accrued expenses, of which:	258	910	69
	-	832	-
	-	-	-
-	-	-	-
	-	-	-
- other	258	78	69
b) deferred income, of which:	5 785	5 865	40 595
- settlements of incomes	859	5 776	325
	-	-	18 079
- redeemed arrangement liabilities	-	-	21 444
- advanced payments for goods and services	4 832	-	658
- other	94	89	89
<b>Total short-term interperiod settlements</b>	<b>6 043</b>	<b>6 775</b>	<b>40 664</b>

**Note 28****Off-balance sheet items**

	30.06.2006	2005	30.06.2005
1. Contingent liabilities	500	500	500
1.1. From related entities (by virtue of)	500	500	500
- received warranties and guarantees	500	500	500
	-	-	-
	-	-	-
1.2. From other entities (by virtue of)	-	-	-
- received warranties and guarantees	-	-	-
	-	-	-
	-	-	-
2. Contingent liabilities	24 786	48 180	312 447
2.1. In favour of related entities (by virtue of)	11 981	1 959	2 237
- granted warranties and guarantees	11 981	84	2 237
- customs warranties	-	-	-
- other	-	1 875	-
2.2. In favour of other entities (by virtue of)	2 805	8 540	287 810
- granted warranties and guarantees	2 805	4 640	283 810
- opening of the letter of credit	-	-	-
- customs warranties	-	3 900	4 000
3. Other (by virtue of)	10 000	37 681	22 400
- mortgage	10 000	12 000	12 000
- third party goods	-	5 200	3 900
- other	-	20 481	6 500
<b>Total off-balance sheet liabilities</b>	<b>25 286</b>	<b>48 680</b>	<b>312 947</b>

**Noty objaśniające do skonsolidowanego rachunku zysków i strat**

**Explanatory notes to profit and loss account**

**Note 29A**

<b>NET REVENUES FROM SALE OF GOODS (by class of business )</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Maintenance and Construction of motorways	<b>55 297</b>	<b>39 278</b>
- of which: from related companies	-	-
b. Reinforcement production for building industry	<b>29 547</b>	<b>20 287</b>
- of which: from related companies	<b>324</b>	-
c. Sale of services	<b>3 313</b>	<b>2 860</b>
- of which: from related companies	<b>226</b>	-
<b>Total net revenues from sale of goods</b>	<b>88 157</b>	<b>62 425</b>
- of which: from related companies	<b>550</b>	-

**Note 29B**

<b>NET REVENUES FROM SALE OF GOODS (by geographic area )</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Domestic sales	<b>88 157</b>	<b>62 425</b>
- of which: from related companies	<b>550</b>	-
b. Export sales	-	-
- of which: from related companies	-	-
<b>Total net revenues from sale of goods</b>	<b>88 157</b>	<b>62 425</b>
- of which: from related companies	<b>550</b>	-

**Note 30A**

<b>NET REVENUES FROM SALE OF GOODS AND MERCHANDISE (BY CLASS OF BUSINESS)</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Export	<b>162 576</b>	<b>114 604</b>
- of which: from related companies	-	-
c. Sale of imported goods	<b>10 663</b>	<b>8 350</b>
- of which: from related companies	-	-
d. Sale of goods purchased in Poland	<b>102 434</b>	<b>148 106</b>
- of which: from related companies	-	-
j. Sale of goods	<b>303</b>	<b>138</b>
- of which: from related companies	-	-
<b>Total net revenues from sale of goods and merchandise</b>	<b>275 976</b>	<b>271 198</b>
- of which: from related companies	-	-

**Note 30B**

<b>NET REVENUES FROM SALE OF GOODS AND RAW MATERIALS (by geographic area)</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Domestic sales	<b>113 400</b>	<b>156 594</b>
- of which: from related companies	-	-
b. Export sales	<b>162 576</b>	<b>114 604</b>
- of which: from related companies	-	-
<b>Total net revenues from sale of goods and raw materials</b>	<b>275 976</b>	<b>271 198</b>
- of which: from related companies	-	-

**Note 31**

<b>EXPENSES BY TYPE</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Depreciation	9 736	3 962
b) raw materials and energy used	27 341	18 238
c) third party work	30 646	30 360
d) taxes and charges	2 755	1 794
e) salaries and wages	13 566	12 949
f) social security and other employee benefits	3 099	2 870
g) other expenses:	2 518	1 783
<b>Total expenses by type</b>	<b>89 661</b>	<b>71 956</b>
- Changes in inventories, products and deferred expenses	(1 750)	1 181
- Cost of work and services for own needs (negative value)	(1)	-
- Distribution expenses (negative value)	(12 751)	(9 219)
- General administrative expenses (negative value)	(37 214)	(24 472)
<b>Manufacturing costs of products sold</b>	<b>37 945</b>	<b>39 446</b>

**Note 32**

<b>OTHER INCOMES</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Profit from disposal of non-financial fixed assets	33	34
a) provisions and allowances cancelled, of which:	4 211	13 039
- dissolved allowances updating receivables	1 891	11 681
- dissolved other updating allowances	-	-
- dissolution of reserve for contingent liabilities	1 501	900
- dissolution of other reserves	819	458
c. Other income of which:	8 606	8 280
- settlement of payment by virtue of contingent liabilities	24	3 538
- interests on receivables by virtue of supplies, works and services	75	2 853
- other	8 507	1 889
<b>Total other incomes</b>	<b>12 850</b>	<b>21 353</b>

**Note 33**

<b>OTHER EXPENSES</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. loss on sale of non-financial fixed assets	131	15
b. Revaluation of non financial assets, of which:	16 911	4 569
- established receivables updating allowances	16 392	3 370
- established other updating allowances	-	11
- established allowances for contingent liabilities	-	388
- established other provisions	519	800
c. other, of which:	1 802	3 587
- judicial fees	127	587
- rate differences	52	159
- donations	16	7
- costs of non-effective investments	214	531
- interests on liabilities by virtue of supplies, works and services	508	1 120
- prior years' costs and receivables in arrears	284	430
- other	601	753
	-	-
<b>Total other expenses</b>	<b>18 844</b>	<b>8 171</b>

**Note 34**

<b>FINANCIAL INCOMES</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Dividends and shares in profits, including:	-	-
- from related entities	-	-
b. Interests, including:	<b>2 566</b>	<b>6 292</b>
b.1. From bank accounts and investments	<b>705</b>	-
b.2. By virtue of granted loans, out of which:	<b>16</b>	-
- from related entities	-	-
b.3.other interests: out of which:	<b>1 845</b>	<b>6 292</b>
- from related entities	-	-
c. Profit on sale of investment	<b>6 758</b>	-
d. Re-valuation of the investment	<b>8</b>	<b>2 143</b>
e. other income, including:	<b>1 189</b>	<b>557</b>
e.1. Balance of positive difference in rates, of which:	<b>1 115</b>	<b>458</b>
- realized	<b>1 075</b>	<b>261</b>
- unrealized	<b>40</b>	<b>197</b>
e.2. Dissolved updating write-off (by virtue of)	<b>21</b>	<b>29</b>
- calculated interests	<b>20</b>	<b>28</b>
	-	-
	-	-
- other	<b>1</b>	<b>1</b>
e.3. Other, of which:	<b>53</b>	<b>70</b>
- bills discount	-	-
- amortised interests	-	-
	-	-
- other	<b>53</b>	<b>70</b>
<b>Total financial incomes</b>	<b>10 521</b>	<b>8 992</b>

**Note 35**

<b>FINANCIAL EXPENSES</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Interests, including:	8 248	15 270
a.1. On credits and loans, of which:	4 666	4 110
- for related entities	-	-
a.2. Other interests, of which:	3 582	11 160
- for related entities	-	-
b. Loss on sale of investment	-	-
c. Revaluation of investments	-	-
d. Other financial costs, including:	1 718	1 823
d.1. Balance of the negative differences in rates of which:	-	30
- executed	-	30
- not executed	-	-
d.2. Created other updating allowance (by virtue of)	861	1 435
- for calculated interests	861	1 434
	-	-
	-	-
- other	-	1
d.3.. Other, of which:	857	358
- payment of contingent liabilities	-	-
- expenses due to bonds redemption	-	-
-	-	-
- other	857	358
<b>Total financial expenses</b>	<b>9 966</b>	<b>17 093</b>

**Note 36**

<b>PROFIT (LOSS) ON SALE OF ALL OR PART OF SJHARES IN SUBORDINATED ENTITIES</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
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	-	-
<b>Profit (loss) on sale of all or part of shares in subordinated entities</b>	<b>-</b>	<b>-</b>

**Note 37A**

<b>CURRENT CORPORATE INCOME TAX</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
1. Gross profit (loss) consolidated	21 430	23 189
2. Consolidation adjustments	(1 533)	(960)
3. Differences between gross profit (loss) and the income tax basis (by type)	22 284	2 184
- permanent differences adjusting expenses	4 345	3 991
- transient differences adjusting expenses	25 595	10 624
- permanent differences adjusting incomes	2 322	(1 312)
- transient differences adjusting incomes	(9 978)	(11 119)
- other	-	-
4. Income tax basis	42 181	24 413
5. Corporate income tax at 19 % rate	7 893	1 338
6. Increases, reliefs, exemptions, allowances, and reductions of corporate income tax	(1 221)	598
7. Current corporate income tax as stated in the taxation statement for the period, of which:	7 956	5 724
- disclosed in the profit and loss account	7 956	5 724
- referring to items that decreased or increased the equity capital	-	-
- referring to items that decreased or increased goodwill	-	-

**Note 37B**

<b>DEFERRED CORPORATE INCOME TAX IN PROFIT AND LOSS ACCOUNT</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
- decrease (increase) due to occurrence or reversal of timing differences	(9 230)	(629)
- decrease (increase) due to change of taxation rates	-	-
- decrease (increase) due to formerly not recognized losses, tax reliefs, or timing differences of prior periods	192	-
- 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	-	-
- other components of deferred income tax, of which:	(974)	(237)
- calculated due interests included in result	-	329
- interests paid	(6)	(1)
- write-off updating receivables not being the costs of obtaining the revenues	(968)	(565)
- reserves for holiday leaves	-	-
<b>Total deferred income tax</b>	<b>(10 012)</b>	<b>(866)</b>

**Note 37C**

<b>TOTAL AMOUNT OF DEFERRED INCOME TAX</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
- disclosed in equity capital	(9 000)	(606)
- disclosed in goodwill	-	-

**Note 38**

<b>NET PROFIT (LOSS)</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. net profit (loss) of the dominant entity	(5 281)	1 012
b. net profits (losses) of subsidiary entities	28 414	18 549
c. net profits (losses) of interrelated entities	-	-
d. net profits (losses) of affiliated entities	(134)	(176)
e. Profits (losses) of minority	1 533	960
e. consolidation adjustments	(2 579)	(2 975)
<b>Net profit (loss) per shareholders of the Company</b>	<b>21 953</b>	<b>17 370</b>

**Financial result according to sectors of activity**

	<b>30.06.2006</b>	<b>30.06.2005</b>
Wholesale of metallurgical products	(17 149)	(19)
Motorway activity	27 734	19 202
Prefabrication of reinforcement for building industry	(3 514)	300
Other services	15 812	78
Consolidation adjustments	(930)	(2 191)
<b>Total:</b>	<b>21 953</b>	<b>17 370</b>

**Note 39**

<b>CALCULATION OF PROFIT (LOSS) PER ONE ORDINARY SHARE AND PER DILUTED SHARE</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
Net profit (loss)	21 953	17 370
Average weighted number of ordinary shares	107 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)	0,20	0,16
Average weighted diluted number of ordinary shares		
Diluted profit (loss) per one ordinary share (in zloty)		

**The Management Board**

**Emil Wąsacz**

**Chairman of the MB, General Director**

02.10.2006

*Date*

*Signature*

**Mieczysław Skołożyński**

**Vice-Chairman of the MB, Financial Director**

02.10.2006

*Date*

*Signature*

**Urszula Dzierżoń**

**Member of the MB, Commercial Director**

02.10.2006

*Date*

*Signature*

*Signature of person responsible for accounting book*

*Małgorzata Michalunio-Kępyś*

*Chief Accountant*

02.10.2006

*Date*

*Signature*

**Auditor's report on the review  
of the consolidated financial statements  
for the period from 1 January 2006 to 30 June 2006  
prepared in accordance with International Accounting Standards**

For the Shareholders and Supervisory Board of **"Stalexport" S.A.**

We have reviewed the attached interim consolidated financial statements of **the Capital Group of "Stalexport" S.A.** with registered offices in Katowice, consisting of:

- introduction;
- consolidated balance sheet prepared as at 30 June 2006, showing total assets and liabilities of **TPLN 862.450**;
- consolidated profit and loss account for the period from 1 January 2006 to 30 June 2006, showing a net profit of **TPLN 21.953**;
- statement of changes in consolidated shareholders' equity, showing an increase in shareholders' equity of **TPLN 20.789**;
- consolidated cash flow statement for the period from 1 January 2006 to 30 June 2006, showing a net cash increase of **TPLN 73.722**;
- notes to the consolidated financial statements.

The Management Board of the Holding Company is responsible for the preparation of the consolidated financial statements.

Our responsibility was to perform a review of these financial statements.

We conducted our review in accordance with Polish regulations and professional auditing standards issued by the Polish National Chamber of Certified Auditors. The standards require us to plan and perform the review in a manner enabling us to obtain reasonable assurance that the financial statements are free of material misstatements.

We conducted the review mainly by analyzing the data in the consolidated financial statements, examining the books of account of the Holding Company, the subsidiary and associated companies, and by using information provided by the management and employees in charge of the Holding Company's finances and accounting.

The scope and methodology of interim reviews differs significantly from that of the audits based on which opinions are issued on the truth and fairness of annual consolidated financial statements. For this reason we are unable to issue such an opinion on the accompanying financial statements.

We draw your attention to the fact that in the reviewed period the Holding Company continued to realize the provisions of the settlement and restructuring agreements concluded with its creditors. In the reviewed period the Company fulfilled its settlement and restructuring obligations. Extensive restructuring activities contain certain threats arising out of both macro and microeconomic conditions, the presence of which may lead to uncertainty as to the Group's continued operations in its present form, if not for the realization of the agreement concluded with Autostrade S.p.A. for the acquisition of a majority interest in the Holding Company.

Subject to the above, our review did not disclose the need to make any other significant changes in the accompanying consolidated financial statements in order for them to reflect truly and fairly the financial position of the Capital Group as at 30 June 2006, and its financial result for the period from 1 January 2006 to 30 June 2006, as provided for in the International Accounting Standards, International Financial Reporting Standards and the related interpretations issued by the European Commission in the form of implementing regulations.

Katowice, 27 September 2006

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

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

dr Andrè Helin  
State Authorized  
Public Accountant  
Reg. No. 90004/502  
President of BDO Polska Sp. z o.o.

**Additional information  
to the consolidated financial report of  
STALEXPORT S.A.  
as at 30.06.2006**

**1. The events which have essential influence on the change in assets and liabilities in the consolidated balance sheet and the consolidated financial result.**

The most essential , non-typical events which influenced the consolidated financial report of the Capital Group of Stalexport S.A. in 1<sup>st</sup> half 2006 are:

- a) Sale in the dominant entity Stalexport S.A., of the right of perpetual usufruct of land in Warsaw along with buildings at Obrzeźna Street and transferring the seat of the trade branch office to Ursus,
- b) Prepayment for subscription of the 2nd “tranche” of shares of F series in the dominant entity Stalexport S.A. by the strategic investor Autostrade S.p.A.,
- c) Establishing updating write-offs for non-financial assets,
- d) Dissolving the reserves for deferred tax.

Ad. a)

The dominant entity Stalexport SA while executing the programme of reducing the functioning costs, decided to sell the object in Warsaw at Obrzeźna Street, and transferring the trading activity to the cheaper object situated in Ursus. As a result of the sale transaction there was a decline in fixed assets by the amount of 7,109 thousand zloty and the decline in long-term investments in item “real estate” by the amount of 46,945 thousand zloty.

In profit and loss account this transaction positively affected the financial incomes in the amount of 6,758 thousand zloty (disposal of the right of perpetual usufruct of land) with simultaneous burdening the other operating costs in the amount of 168 thousand zloty (disposal of buildings and structures). Per balance this operation positively affected the result in the amount of 6,589 thousand zloty.

Ad. b)

Stalexport S.A. according to the resolution of the Management Board no 63 of 5.06.2006, changed by resolution no 71/2006 dated 9.06.2006 carried out the private subscription directed to bank syndicate. Within the issue of the 1<sup>st</sup> tranche of shares of F series Stalexport S.A. issued 15,840,622 shares.

According to the resolution of the Management Board of Stalexport S.A. no 82/2006 dated 26.06.2006 in regard to an increase in share capital within the issue of IInd tranche of shares of F series Stalexport issued 34,159,378 shares, which were subscribed by Autostrade S.p.A.

Both issues were registered by District Court in Katowice, Economic Department of the National Judicial Register on 6.07. and 26.07.2006.

Because the increase in capital was registered in July 2006, these events were not reflected in the balance sheet for 1st half 2006.

While the prepayment for the capital in the amount of 68,318,766 zloty contributed by the Italian investor – the company Autostrade SpA resulted in an increase in cash and other liabilities.

Ad. c)

In the reporting period in the Capital Group of Stalexport considerable write-offs updating non-financial assets were established in the amount of 16,911 thousand zloty, including write-offs for commercial debts in the dominant entity in the amount of 16,390 thousand zloty. These write-offs directly affected the reduction of the result on operating activity.

Ad. d)

The negative amount of a deferred part of this tax - 10,012 thousand zloty had a significant influence on the financial result of the Capital Group of Stalexport, including: dissolved, in dominant entity, reserve for income tax by virtue of sale of real estate at Obrzeźna Street in Warsaw, in the amount of 8,967 thousand zloty. Dissolved reserves for income tax increased the net financial result.

## **2. Financial instruments**

The companies covered by consolidated financial report for 1<sup>st</sup> half 2006 do not show the financial instruments.

## **3. Fixed assets shown off-balance sheet**

The value of not depreciated and not amortised fixed assets used on the basis of lease agreements as at 30.06.2006 amounts to 2,297 thousand zloty and concerns the rented hardware and passengers cars.

## **4. Data concerning liabilities towards the state budget or local authorities by virtue of obtaining the ownership right to buildings and structures in the capital group**

Stalexport SA and related companies covered by the consolidation as at 30.06.2006 do not indicate any liabilities towards the State Treasury or local authorities due to obtaining the title to buildings and structures, except for Stalexport Autostrada Małopolska S.A., which as on the balance sheet date according to the granted concession has got the ownership right to the buildings and structures and in connection with the above it is obliged to pay tax on real estate to the commune of Kraków Zabierzów and the town of Mysłówice.

## **5. Information on basic capital**

The detailed description of the ownership structure of basic capital as well as number and nominal value of subscribed shares, including preference ones are shown in explanatory note no 14 of the consolidated financial report.

Stock capital as at 30.06.2006 :			
share capital	value	215 524 thousand zloty	
subscribed shares	number	107 762 023 shares	
nominal value	value	2 zloty	

Main shareholders of Stalexport S. A. as at 30.06.2006 are:	
Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej	16,72%
Powszechna Kasa Oszczędności Bank Polski S.A.	5,42%
Other shareholders	77,86%

Main shareholders as at 02.10.2006 (after taking into account an increase in share capital of the Company on 06.07.2006 from the amount of 215,524,046 zloty to the amount of 247,205,290 as well as an increase in capital of the Company on 26.07.2006 from the amount of 247,205,290 to the amount of 315,524,046 zloty), are:

- Autostrade S.p.A. with seat in Rome	21,65%
- Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej	11,42%
- Powszechna Kasa Oszczędności Bank Polski SA	5,62%
- Other shareholders	61,31%

## 6. Essential data on contingent liabilities

Contingent liabilities of the Capital Group of Stalexport S.A. as at 30.06.2006 amount to 24,786 thousand zloty, of which:

• by virtue of granted guarantees and warranties, of which for:	14,786 thousand zloty
- related entities – consolidated	11,731 thousand zloty
- related entities not consolidated	250 thousand zloty
- other entities	2,805 thousand zloty
• by virtue of other liabilities, of which for:	10,000 thousand zloty
- related entities	10,000 thousand zloty
- other entities	-

Contingent liabilities of the dominant company Stalexport S.A. amount to total 14,536 thousand zloty by virtue of:

granted guarantees and warranties for the benefit of:	
- related entities	11,731 thousand zloty
- other entities	2,805 thousand zloty

The amount of guarantees granted by Stalexport S.A. in comparison with 1<sup>st</sup> half 2005 decreased by 273,386 thousand zloty. The decrease in liabilities resulted in including the guarantee in the amount of 119,208 thousand zloty, granted Walcownia Rur Jedność Sp. z o.o. in Siemianowice Śląskie among the balance sheet items.

## 7. Abandoned activity

The subsidiary company covered by consolidated financial report for 1<sup>st</sup> half 2006 did not abandon any business activity and they do not plan any abandonment in next periods.

## 8. Investment outlays

Borne and planned investment outlays were discussed in the report of the Management Board.

## 9. Data concerning related companies of the Capital Group of Stalexport S.A.

Nazwa spółki		Receivables ( in thousand zloty)	Liabilities ( in thousand zloty)	Incomes ( in thousand zloty)	Costs ( in thousand zloty)
Stalexport S.A.	Katowice	44 213	16 235	5 439	2 323
Stalexport Autostrada Małopolska S.A.	Mysłowice	131	45 644	568	13 159
Stalexport Autostrada Dolnośląska S.A.	Katowice	14 046	-	183	7
Stalexport Serwis Centrum S.A.	Katowice	939	160	1 885	4 054
Stalexport Serwis Centrum Bełchatów S.A.	Rogowiec	3	493	16	-
Stalexport Metalzbyt Sp. z o.o.	Białystok	1	1 770	13	19
Stalexport Centrostal S.A.	Lublin	317	201	537	710
Stalexport Transroute Autostrada .S.A.	Mysłowice	5 009	156	13 183	1 552
<b>Total</b>		<b>64 659</b>	<b>64 659</b>	<b>21 824</b>	<b>21 824</b>

## 10. Mutual undertakings

In 1<sup>st</sup> half 2006 the capital group did not execute mutual undertakings, which would not be subject to the consolidation via the full method or ownership rights..

## 11. Average employment

Total employment (in persons)	602
In this	
- non-manual workers	326
- manual workers	276

## **12. Information on remuneration**

Total remuneration paid to Proxies, the members of the Supervisory and Management Board for 1<sup>st</sup> half 2006 was presented in the report of the Management Board.

## **13. Information about the amounts of advances, credits, loans and guarantees given to managing and supervising persons**

In Stalexport SA and in subsidiary and associated companies in 1<sup>st</sup> half 2006 no advances, credits, loans or guarantees were given to managing or supervising persons or to other people, with whom they are personally related.

## **14. Explanation of the difference in the financial result between quarterly report SA-QSr 2/2006 and the semi-annual report SA-PS 2006.**

In quarterly report SA-QSr 2/2006 there was shown the consolidated net profit in the amount of 30,730 thousand zloty, while in the audited semi-annual report SA-PS 2006 the consolidated net profit amounts to 21,953 thousand zloty. The difference in net financial result in the amount of 8,777 thousand zloty results from the necessity to establish the additional write-offs updating commercial receivables mainly in dominant entity. Till the date of publishing the financial result for 2<sup>nd</sup> qtr 2006 the Company was undertaking appropriate actions (also in agreement with debtors) so as to recover the mentioned receivables. Unfortunately till today the debtors have not repaid majority of the liabilities, and according to the internal regulations of the Company of establishing the updating write-offs, as on the date of drawing up the semi-annual report, there was a necessity to establish such write-off. The actions are being undertaken to enforce the above receivables.

**Preliminary information and characteristic of accounting  
principles used in the financial statements  
as of 30 June 2006.**

1. The financial statement presented covers figures for the period from 1 January 2006 to 30 June 2006.  
All financial figures are expressed in PLN thousand, unless stated otherwise.  
The Company keeps the books in accordance with International Accounting Standards and International Financial Reporting Standards, and the issues not regulated in the aforementioned standards in accordance with the Accountancy Act of 29 September 1994 (Dz.U. of 2002, No 76, item 694 with later amendments).
2. The Stalexport S.A. is the parent undertaking and draws up consolidated financial statements.
3. The presented financial statement was prepared assuming the going-concern principle in the foreseeable future. The Management Board is not aware of any circumstances, which would indicate existence of serious threats to the continuation of business by the Company.
4. The financial statement and comparable financial figures were drawn up in the way ensuring their comparability at application of uniform accounting principles.
5. The auditors' opinion on financial statements examination did not contain qualifications, that would result in the necessity to make adjustments as compared with figures presented in the financial statement or in comparable financial figures.

**Accounting principles adopted by the Company**

The entity applies overriding valuation principles based on historic price of acquiring, purchase or production, excluding valuation of financial assets and investment real property, which according to IFRS principles were valued acc. to the fair value.

## **Long-term assets**

### Tangible fixed assets – Note 1

Tangible fixed assets comprise fixed assets, which:

- which are held by the Company to use them in the process of manufacturing, delivery of goods, provision of services, to hand them over to be used by others or for administrative purposes as well as in accordance with expectations they will be used by a longer period, than one accounting period.

The initial fixed asset recognition is valued acc. to purchase price or cost of production.

To value tangible fixed assets after their initial recognition, the Company uses the cost method, i.e. the purchase price or the cost of production less accumulated depreciation and impairment losses. Fixed assets are depreciated acc. to the straight line method, in accordance with anticipated useful life for individual type groups. Fixed assets are depreciated from the moment of taking a fixed asset for service.

The cost of repair does not increase the initial usable value of a given fixed asset, while it burdens the cost of the period, in which it was incurred.

Fixed assets, which are the subject of a financial leasing, are shown in the balance sheet equally to the other fixed assets and are subject to depreciation acc. to the same principles.

The anticipated useful life or the duration of contract concluded, if the latter is shorter, is taken as the useful life.

The initial value of fixed assets, which are the subject of financial leasing as well as the corresponding liabilities (Note 19A) are determined at the amount equal to the discounted value of future leasing fees.

The leasing fees incurred in the reporting period refer to the liability on financial leasing at the amount equal to principal instalments, while the surplus consisting of financial cost is charged entirely to the financial cost.

Note 1B presents changes in the balances of fixed assets by type groups. Substantial items affecting the value of those assets included the sale of buildings and structures, which are the equipment of the Trade Branch in Warsaw, in Obrzeźna street. In note 1A presenting “tangible fixed assets” there was a substantial increase in the item “fixed assets in course of construction” and in “advance payments for fixed assets”. Fixed assets in course of construction as well as advance payments make capital expenditure incurred by the Company in relation to transferring the Trade Branch operating so far in Warsaw, from Obrzeźna street to the newly established facility in the Ursus area.

### Intangible fixed assets – note 2A, 2B, 2C

Intangibles purchased from a business within a separate transaction are recorded acc. to the purchase price. Intangibles acquired within a transaction of taking over a business are recorded in the assets separately from the goodwill, if at the initial recognition it is possible to determine reliably their fair value.

Intangible fixed assets of specified useful life are subject to depreciation acc. to the straight line method in the period of their economic useful life.

Note 2C presents detailed changes in values of intangible fixed assets in the reporting period. The value of depreciation charges of intangible fixed assets is charged by the Company to the overheads.

#### Long-term accounts receivable – note 3A

Long-term accounts receivable are valued at their purchase prices, taking into account principles of conservative valuation, so less revaluation write-downs.

In the long-term accounts receivable the Company considered deposits paid to banks, which issued guarantees for execution of foreign contracts.

#### Long-term investments

In this group the Stalexport S.A. distinguishes:

- real properties – note 4A
- long-term financial assets – note 4C

The initial recognition of long-term financial assets is valued acc. to the purchase price and revaluated by permanent impairment losses. Shares of companies listed on the Stock Exchange are valued as at the balance sheet date acc. to the market price. Most of long-term investments consists of registered lien in favour of banks and refers to: shares of Stalexport Serwis Centrum Katowice S.A., Stalexport Centrostal Lublin S.A., Beskidzki Dom Maklerski and shares in Stalexport Wielkopolska.

The decline in the real property balance, presented in note 4A, is connected with the sale of perpetual usufruct of the land in Warsaw, in Obrzeżna street.

#### Assets available for sale – note 5

Asset components (or group for disposal) are classified as designated for sale, if their book value will be recovered through a sale transaction and not through their continued use.

Such assets or sets designated for disposal are not depreciated.

#### **Short-term assets**

##### Inventories – note 8

Inventories of materials and goods are valued as at the balance sheet date acc. to the purchase price. Finished products and work in progress are valued acc. to technical cost of production (determined as the direct cost and indirect cost margin determined assuming normal use of production capacity). The technical cost of production does not include activated costs of external funding.

The company adopted the *FIFO* (*first in – first out*) method as the method of inventories outgoings.

If the purchase price or the technical cost of production is higher than anticipated sale price, the Company makes revaluation write-downs, which adjust the own cost sale.

Revaluation write-downs are made also for inventories that do not show turnover above 360 days.

##### Short-term accounts receivable – note 9A

Trade accounts receivable, with maturity from 30 to 90 days, are recognised acc. to primarily invoiced amounts taking into accounts allowances for bad debts.

Accounts receivable are revaluated in cases specified in Art. 35b para 1 of the Accountancy Act, and also:

- for trade accounts receivables, if the delay in payment exceeds 180 days from the due date,
- for interest accounts receivables, if the delay in payment exceeds 360 days from the due date.

#### Short-term investments – note 10A

Securities are recognised acc. to the purchase price “first in – first out” and are subject to revaluation as at the balance sheet date acc. to the market price on the balance sheet date.

Loans extended together with due interest are shown acc. to the net value, i.e. less revaluation write-downs.

#### Cash in hand and its equivalents - note 11A

Cash in hand and its equivalents comprise cash at bank and in hand as well as short-term deposits of original maturity not exceeding three months.

The cash balance shown in the cash flow statement consists of cash in hand and its equivalents specified above.

#### Impairment of assets

In the case of occurrence of premises indicating a possibility of impairment of tangible and intangible fixed assets, an impairment test is carried out and the determined amounts of revaluation write-downs reduce the book value of relevant asset and are referred to the profit and loss account.

Allowances, which update the value of assets, subject to previous revaluation above the purchase price, adjust the revaluation reserve up to the value of amounts included in the capital, and below the purchase price are referred to the profit and loss account.

The amounts of recognised revaluation allowances (write-downs) are reversed, if the reason of their establishment no longer exists. Effects of revaluation allowances (write-downs) reversal are referred to the profit and loss account, except for amounts reducing previously the revaluation reserve, which adjust this reserve up to the amount of charges made.

#### Reserves for jubilee awards and retirement gratuities

These liabilities result from rights acquired by the Company staff in the current year and in the previous years in accordance with principles adopted in the company remuneration system.

Employee benefits are valued acc. to actuarial methods, not subject to changes in longer periods of time.

#### Income tax – note 34

The income tax shown in the profit and loss account comprises a current and deferred part. The income tax is recognised in the profit and loss account excluding amounts connected with items settled directly with the equity capital. The current tax consists of expected liability on taxed income for a given year, liable to taxation, calculated using tax rates in force as at the balance sheet date and in accordance with tax regulations.

The deferred tax value is determined acc. to the balance sheet method, based on transition differences between the assets and liabilities value shown in the books and their value for fiscal reasons. The value of deferred tax takes into account the planned method of realisation or settlement of the assets and liabilities book value using the income tax rates in force as at the balance sheet date.

For the deferred tax, the assets are determined up to the amount anticipated in the future to be deducted from the income tax due to negative transition differences, which in the future will reduce the taxable base.

Because of continuing fiscal loss the Company is not creating an asset for deferred income tax in the balance sheet.

**SECURITIES AND STOCK EXCHANGE COMMITTEE**

**Semi-annual report SA-P 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 half of the financial year covering the period from 01.01.2006 to 30.06.2006

and for the half of the financial year covering the period from 01.01.2005 to 30.06.2005

02.10.2006  
(date of publishing)

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

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

(entity entitled to carry out the examination)

The semi-annual report contains :

x The report of the entity entitled to carry out the examination of the financial reports from reviewing the semi-annual financial report

(§ 63 passage 2 and § 62 point 2 of the a/m decree)

x Semi-annual financial report

x Introduction

x List of changes in equity capital

x Balance sheet

x Cash flow account

x Profit and loss account

x Commentary

SELECTED FINANCIAL DATA	in thousand zlotys		thousand EURO	
	30.06.2006	30.06.2005	30.06.2006	30.06.2005
I. Net incomes from sale of products, goods and materials	269 740	242 707	69 191	62 257
II. Profit (loss) on operating activity	-14 360	5 429	-3 683	1 393
III. Gross profit (loss)	-14 281	407	-3 663	104
IV. Net profit (loss) per shareholders of the Company	-5 281	1 012	-1 355	260
V. Net cash flows from operating activity	-48 000	6 808	-12 312	1 746
VI. Net cash flows from investment activity	58 798	5 686	15 082	1 459
VII. Net cash flows from financial activity	54 812	-12 899	14 060	-3 309
VIII. Net cash flows in total	65 610	-405	16 830	-104
IX. Assets in total	571 774	516 137	141 409	127 649
X. Long-term liabilities	379 932	352 559	93 963	87 194
XI. Short-term liabilities	188 604	185 809	46 645	45 954
XIII. Equity capital	3 238	-22 231	801	-5 498
XIV. Stock capital	215 524	215 524	53 303	53 303
XV. Number of shares	107 762 023	107 762 023	107 762 023	107 762 023
XVI. Profit (loss) per one ordinary share (in zlotys/EUR)	-0,05	0,01	-0,01	0,00
XVII. Diluted profit (loss) per one ordinary share (in zlotys/EUR)	0,00	0,00	0,00	0,00
XVIII. Book value per one share (in zlotys/EUR)	0,03	-0,21	0,01	-0,05
XIX. Diluted book value per one share (in zlotys/EUR)	0,00	0,00	0,00	0,00
XX. Declared or paid dividend per one share (in zlotys/EUR)				

**Balance sheet**

	note	30.06.2006	• 2005	30.06.2005
--	------	------------	--------	------------

**ASSETS**

<b>I. Long-term assets</b>		<b>296 218</b>	<b>338 653</b>	<b>345 757</b>
1. Fixed assets	<b>1</b>	<b>44 941</b>	<b>49 069</b>	<b>48 846</b>
2. Intangible assets including:	<b>2</b>	<b>160</b>	<b>212</b>	<b>218</b>
3. Long-term receivables	<b>3</b>	<b>412</b>	<b>509</b>	<b>972</b>
4. Long-term investments	<b>4</b>	<b>248 506</b>	<b>286 664</b>	<b>161 394</b>
4.1 Real estates		<b>10 000</b>	<b>56 945</b>	<b>83 603</b>
4.2 Intangible assets		-	-	-
4.3 Long-term financial assets		<b>238 306</b>	<b>229 519</b>	<b>77 591</b>
a) in related entities, including:		<b>236 499</b>	<b>227 712</b>	<b>75 780</b>
- stocks or shares in subsidiary entities evaluated via the method of ownership rights		<b>32</b>	<b>32</b>	<b>32</b>
b) in other entities		<b>1 807</b>	<b>1 807</b>	<b>1 811</b>
4.4 Other long-term investments		<b>200</b>	<b>200</b>	<b>200</b>
5. Assets available for sale	<b>5</b>	<b>2 199</b>	<b>2 199</b>	<b>130 226</b>
6. Assets by virtue of the deferred income tax	<b>6</b>	-	-	<b>4 101</b>
7. Long-term interperiod settlements	<b>7</b>	-	-	-
<b>II. Short-term assets</b>		<b>275 556</b>	<b>179 926</b>	<b>170 380</b>
1. Inventories	<b>8</b>	<b>49 930</b>	<b>43 810</b>	<b>48 189</b>
2. Short-term receivables	<b>9</b>	<b>154 267</b>	<b>130 814</b>	<b>113 896</b>
3. Short-term investments	<b>10</b>	<b>165</b>	<b>235</b>	<b>271</b>
4. Cash and its equivalent	<b>11</b>	<b>70 268</b>	<b>4 658</b>	<b>6 273</b>
5. Short-term interperiod settlements	<b>12</b>	<b>926</b>	<b>409</b>	<b>1 751</b>
<b>Assets in total</b>		<b>571 774</b>	<b>518 579</b>	<b>516 137</b>

	note	30.06.2006	2005	30.06.2005
<b>LIABILITIES</b>				
<b>I. Equity capital</b>		<b>3 238</b>	<b>1 399</b>	<b>(22 231)</b>
1. Stock capital	13	215 524	215 524	215 524
2. Due payments for the stock capital (negative value)				
3. Own shares (negative value)	14	(21)	(23)	(428)
4. Inventory capital	15	38	35	-
5. Capital from updating evaluation	16	139 994	132 879	8 457
6. Other reserve capitals	17	51 016	51 016	6 147
7. Profit (loss) from previous years		(398 032)	(252 943)	(252 943)
8. Net profit (loss) per the shareholders of the Company		(5 281)	(145 089)	1 012
9. Deductions from net profit within the financial year (negative value)	18	-	-	-
<b>II. Long-term liabilities</b>		<b>379 932</b>	<b>423 271</b>	<b>352 559</b>
1. Credits and loans	19	59 775	78 040	99 373
2. Liabilities by virtue of financial leasing	19	770	995	1 216
3. Trade creditors				
4. Other liabilities	19	274 618	291 508	182 341
5. Reserve by virtue of the deferred income tax	20	31 356	38 687	9 472
6. Reserves for other liabilities	21	12 663	13 283	11 115
7. Long-term interperiod settlements	22	750	758	49 042
<b>III. Short-term liabilities</b>		<b>188 604</b>	<b>93 909</b>	<b>185 809</b>
1. Credits and loans	23	22 546	12 747	21 956
2. Liabilities by virtue of financial leasing				
3. Trade creditors	23	77 689	65 571	115 016
4. Other liabilities	23	79 475	4 360	15 825
5. Reserves for liabilities	24	3 597	5 459	10 604
6. Short-term interperiod settlements	25	5 297	5 772	22 408
<b>Liabilities in total</b>		<b>571 774</b>	<b>518 579</b>	<b>516 137</b>

<b>Book value</b>		<b>3 238</b>	<b>1 399</b>	<b>(22 231)</b>
<b>Number of shares</b>		<b>107 762 023</b>	<b>107 762 023</b>	<b>107 762 023</b>
<b>Book value per one share (in zlotys)</b>		<b>,03</b>	<b>,01</b>	<b>(,21)</b>
<b>Diluted number of shares</b>				
<b>Diluted book value per one share (in zlotys)</b>				

**Profit and loss account**

	noté	30.06.2006	30.06.2005
<b>I. Net incomes from the sale of products, goods and materials, including:</b>		<b>269 740</b>	<b>242 707</b>
1. Net incomes from the sale of products	27	31 299	21 447
2. Net incomes from the sale of goods and materials	28	238 441	221 260
<b>II. Costs of sold goods, products and materials, including:</b>		<b>244 830</b>	<b>226 063</b>
1. Cost of manufacturing sold products	29	29 613	19 618
2. Value of sold goods and materials		215 217	206 445
<b>III. Gross profit (loss) on sales (I - II)</b>		<b>24 910</b>	<b>16 644</b>
<b>IV. Other incomes</b>	30	<b>5 168</b>	<b>17 241</b>
<b>V. Sales costs</b>		<b>10 012</b>	<b>5 313</b>
<b>VI. Costs of general management</b>		<b>15 669</b>	<b>15 021</b>
<b>VII. Other costs</b>	31	<b>18 757</b>	<b>8 122</b>
<b>VIII. Profit (loss) from operating activity (III + IV - V - VI - VII)</b>		<b>(14 360)</b>	<b>5 429</b>
<b>IX. Financial incomes</b>	32	<b>9 625</b>	<b>11 144</b>
<b>X. Financial costs</b>	33	<b>9 546</b>	<b>16 166</b>
<b>XI. Gross profit (loss) (VIII + IX - X)</b>		<b>(14 281)</b>	<b>407</b>
<b>XII. Income tax</b>	34	<b>(9 000)</b>	<b>(605)</b>
a) current part		-	-
b) deferred part		(9 000)	(605)
<b>XIII. Net profit (loss) (XI - XII)</b>		<b>(5 281)</b>	<b>1 012</b>
Net profit (loss) (annualized)		<b>(151 382)</b>	<b>2 434</b>
Average weighted number of ordinary shares		<b>107 762 023</b>	<b>107 762 023</b>
Profit (loss) per one ordinary share (in zloty)	36	<b>(1,40)</b>	<b>,02</b>
Average weighted diluted number of ordinary shares			
Diluted profit (loss) per one ordinary share (in zloty)			

## Changes in equity capital

	30.06.2006	2005	30.06.2005
I. Equity capital at the beginning of the period (Opening Balance - OB)	1 399	(28 963)	(28 963)
a) changes of adopted principles of the accounting (policy)	-	-	-
b) corrections of basic errors	-	-	-
<b>I.a. Equity capital at the beginning of the period (OB), after squaring with comparabe data</b>	<b>1 399</b>	<b>(28 963)</b>	<b>(28 963)</b>
<b>1. Stock capital at the beginning of the period</b>	<b>215 524</b>	<b>215 524</b>	<b>215 524</b>
1.1. Changes of stock capital	-	-	-
a) increases (by virtue of)	-	-	-
- share issuance (issuing shares)	-	-	-
increase in basic capital	-	-	-
b) decreases (by virtue of)	-	-	-
- amortization (of shares)	-	-	-
- decrease in basic capital	-	-	-
1.2. Stock capital at the end of the period	215 524	215 524	215 524
<b>2. Due payments for stock capital at the beginning of the period</b>	-	-	-
2.1. Changes of due payments for stock capital	-	-	-
a) increases (by virtue of)	-	-	-
	-	-	-
b) decreases (by virtue of)	-	-	-
-settlement of due payments	-	-	-
	-	-	-
2.2. Due payments for stock capital at the end of the period	-	-	-
<b>3. Own shares at the beginning of the period</b>	<b>(23)</b>	-	-
3.1. Changes of own shares	2	(23)	(428)
a) increases (by virtue of)	-	(570)	(570)
- issuing for minority shareholders	-	(570)	(570)
	-	-	-
b) decreases (by virtue of)	(2)	(547)	(142)
- issuing for minority shareholders	(2)	(547)	(142)
	-	-	-
3.2. Own shares at the end of the period	(21)	(23)	(428)
4. Stock capital at the beginning of the period	35	42 343	42 343
4.1. Changes of inventory capital	3	(42 308)	(42 343)
a) increases (by virtue of)	3	35	-
- share issuing above the nominal value	-	-	-
- from the profit distribution (statutory)	-	-	-
- from the profit distribution (above the minimum value statutory required)	-	-	-
	-	-	-
- other	-	-	-
- sale, liquidation of fixed assets	3	35	-
b) decreases (by virtue of)	-	42 343	42 343
- loss coverage	-	42 343	-
- exclusion of surcharges to capital	-	-	-
	-	-	-
4.2. Inventory capital at the end of the period	38	35	-
<b>5. Capital from updating the evaluation at the beginning of the period</b>	<b>132 879</b>	<b>8 457</b>	<b>8 457</b>
5.1. Capital changes from updating the evaluation	7 115	124 422	-
a) increases (by virtue of)	8 787	153 651	-
- revaluation of the financial assets	8 787	153 651	-
	-	-	-
b) decreases (by virtue of)	1 672	29 229	-
- disposal, liquidation of fixed assets	3	35	-
- reserve for the deferred income by viture of revaluation of financial assests	1 669	29 194	-
	-	-	-
5.2. Capital from updating the evaluation at the end of the period	139 994	132 879	8 457

	30.06.2006	2005	30.06.2005
<b>6. Other reserve capitals at the beginning of the period</b>	<b>51 016</b>	<b>95 979</b>	<b>95 979</b>
<b>6.1. Changes of other reserve capitals</b>	-	(44 963)	(89 832)
a) increases (by virtue of)	-	51 016	6 147
- profit distribution	-	-	-
- executing arrangement commitments instalment re-payments	-	51 016	6 147
	-	-	-
b) decreases (by virtue of)	-	95 979	95 979
- re-booking for inventory capital	-	-	-
- loss coverage	-	95 979	95 979
- other	-	-	-
	-	-	-
<b>6.2. Other reserve capitals at the end of the period</b>	<b>51 016</b>	<b>51 016</b>	<b>6 147</b>
<b>7. Profit (loss) from previous years at the beginning of the period</b>	<b>(252 943)</b>	<b>(391 266)</b>	<b>(391 266)</b>
<b>7.1. Profit from previous years at the beginning of the period</b>	-	12 876	12 876
a) changes of the adopted principles of the accounting (policy)	-	-	-
b) corrections of basic errors	-	-	-
<b>7.2. Profit from previous years at the beginning of the period, after squaring with comparable data</b>	-	12 876	12 876
a) increases (by virtue of)	-	-	-
- profit distribution from previous years	-	-	-
- other	-	-	-
	-	-	-
b) decreases (by virtue of)	-	12 876	12 876
- transferred for inventory capital	-	-	-
	-	-	-
- payment of dividends	-	-	-
- other	-	12 876	12 876
	-	-	-
	-	-	-
7.3. Profit from previous years at the end of the period	-	-	-
<b>8.4. Loss from the previous years at the beginning of the period</b>	<b>252 943</b>	<b>404 142</b>	<b>404 142</b>
a) changes of the adopted principles of the accounting (policy)	-	-	-
b) corrections of basic errors	-	-	-
<b>7.5. Loss from the previous years at the beginning of the period, after squaring with comparable data</b>	<b>252 943</b>	<b>404 142</b>	<b>404 142</b>
a) increases (by virtue of)	145 089	-	-
- loss transfer from previous years for coverage	145 089	-	-
- other	-	-	-
	-	-	-
b) decreases (by virtue of)	-	151 199	151 199
- loss coverage from profit	-	151 199	151 199
	-	-	-
<b>7.6. Loss from previous years at the end of the period</b>	<b>398 032</b>	<b>252 943</b>	<b>252 943</b>
<b>7.7. Profit (loss) from previous years at the end of the period</b>	<b>(398 032)</b>	<b>(252 943)</b>	<b>(252 943)</b>
<b>8. Net result per shareholders of the Company</b>	<b>(5 281)</b>	<b>(145 089)</b>	<b>1 012</b>
a) net profit per Company's shareholders	-	-	1 012
b) net loss per Company's shareholders	5 281	145 089	-
b) deductions from profit	-	-	-
	-	-	-
<b>II. Equity capital at the end of the period (Closing balance)</b>	<b>3 238</b>	<b>1 399</b>	<b>(22 231)</b>

**Cash flow ( indirect method)**

	30.06.2006	30.06.2005
A. Net cash flows from operating activity - indirect method		
I. Net profit (loss) per shareholders of the Company	(5 281)	1 012
<b>II. Corrections in total:</b>	<b>(42 719)</b>	<b>5 796</b>
1. Profits (losses) of minority	-	-
2. Depreciation	1 224	1 098
3. Profits (losses) by virtue of foreign exchange rate differences	-	-
4. Interests and shares in profits (dividends)	4 092	(967)
5. Profit (loss) from investment activity	(6 651)	(366)
6. Change of the state of reserves	(7 331)	(210)
7. Change of the state of inventories	(6 120)	11 679
8. State of the state of receivables.	(23 356)	49 913
9. Change of the state of short-term liabilities, with the exception of loans and credits	424	(15 915)
10. Change of the state of interperiod settlements	(3 481)	(10 312)
11. Other corrections	(1 520)	(29 124)
<b>III. Net cash flows from operating activity (I + II)</b>	<b>(48 000)</b>	<b>6 808</b>

	30.06.2006	30.06.2005
<b>B. Net cash flows from investment activity.</b>		
<b>I. Proceeds</b>	<b>63 240</b>	<b>5 940</b>
1. Sale of intangible and tangible fixed assets	7 021	69
2. Sale of investment in the real estate and intangible assets	55 041	-
3. Sale of financial assets, including:	1 178	5 871
a) in related entities	332	1 471
- sale of financial assets	-	-
- dividends and shares in profits	-	1 471
- repayment of granted long-term loans	332	-
- interests	-	-
- other proceeds from financial assets	-	-
b) in other entities	846	4 400
- sale of financial assets	53	389
- dividends and shares in profits	-	-
- repayment of granted long-term loans	71	141
- interests	722	3 870
- other proceeds from financial assets	-	-
4. Other investment proceeds	-	-
<b>II. Expenses</b>	<b>4 442</b>	<b>254</b>
1. Purchase of intangible assets and tangible fixed assets	2 539	254
2. Investments in the real estates and intangible assets	-	-
3. For financial assets, including:	319	-
a) in related entities	319	-
- acquisition of financial assets	-	-
- granted long-term loans	319	-
b) in other entities	-	-
- acquisition of financial assets	-	-
- granted long-term loans	-	-
4. Other investing expenses	-	-
5. Other investment expenses	1 584	-
<b>III. Net cash flows from investment activity (I - II)</b>	<b>58 798</b>	<b>5 686</b>

	30.06.2006	30.06.2005
<b>C. Cash flows from financial activity</b>		
<b>I. Proceeds</b>	<b>68 319</b>	-
1. Net proceeds from the shares issuing ( issuing of shares) and other capital instruments and capital surcharges	68 319	-
2. Credits and loans	-	-
3. Issuance of indebted securities	-	-
4. Other financial proceeds	-	-
<b>II. Expenses</b>	<b>13 507</b>	<b>12 899</b>
1. Acquisition of own shares	-	428
2. Dividends and other payments in favour of owners	-	-
3. Expenses by virtue of profit distribution other than payments in favour of owners	-	-
4. Repayments of credits and loans	8 468	8 097
5. Redemption of debted securities	-	-
6. By virtue of other financial assets	-	-
7. Payments of liabilities by virtue of financial leasing agreements	225	-
8. Interests	4 814	4 374
9. Other financial expenses	-	-
<b>III. Net cash flows from financial activity (I - II)</b>	<b>54 812</b>	<b>(12 899)</b>
<b>D. Net cash flows (A.III+B.III+C.III)</b>	<b>65 610</b>	<b>(405)</b>
<b>E. Balance sheet change of the state of cash, including:</b>	<b>65 610</b>	<b>(405)</b>
- change of the state of cash by virtue of foreign exchange rate differences	16	-
<b>F. Cash at the beginning of the period</b>	<b>4 658</b>	<b>6 678</b>
<b>G. Cash at the end of the period (D+F), including</b>	<b>70 268</b>	<b>6 273</b>
- with a limited disposing capacity	-	-

## Explanatory notes to balance sheet

## Note 1A

<b>TANGIBLE FIXED ASSETS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) tangible assets, of which:	<b>41 057</b>	<b>48 225</b>	<b>48 718</b>
- land (including the right of perpetual usufruct of land)	<b>6 042</b>	<b>6 028</b>	<b>6 063</b>
- buildings, premises and land and water engineering structures	<b>30 321</b>	<b>37 189</b>	<b>37 429</b>
- machinery and technical equipment	<b>3 550</b>	<b>3 767</b>	<b>3 946</b>
- means of transport	<b>955</b>	<b>1 023</b>	<b>1 030</b>
- other tangible assets	<b>189</b>	<b>218</b>	<b>250</b>
b) tangible assets in progress	<b>2 493</b>	<b>844</b>	<b>128</b>
c) prepaid tangible assets in progress	<b>1 391</b>	-	-
<b>Total tangible fixed assets</b>	<b>44 941</b>	<b>49 069</b>	<b>48 846</b>

**CHANGES IN TANGIBLE FIXED ASSETS (by category)**

see page

## Note 1C

<b>BALANCE SHEET TANGIBLE FIXED ASSETS (BY OWNERSHIP)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) owned	<b>40 903</b>	<b>48 050</b>	<b>46 934</b>
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:	<b>154</b>	<b>175</b>	<b>1 784</b>
- passenger's car leasing	<b>154</b>	<b>175</b>	<b>233</b>
<b>Total balance sheet tangible fixed assets</b>	<b>41 057</b>	<b>48 225</b>	<b>48 718</b>

## Note 1D

<b>TANGIBLE FIXED ASSETS SHOWN OFF-BALANCE SHEET</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
used under leasing, rent, tenancy or similar contract, including lease contract, of which:	<b>2 297</b>	<b>773</b>	-
- value of land in perpetual usufruct	-	-	-
- by virtue of operating lease	<b>2 297</b>	<b>773</b>	-
<b>Total off-balance sheet tangible fixed assets</b>	<b>2 297</b>	<b>773</b>	-

## Note 1B

<b>CHANGES IN TANGIBLE FIXED ASSETS - by category</b>						
<b>SPECIFICATION</b>	<b>-land (inclusive of right perpetual usufruct of land)</b>	<b>- buildings, premises and land and water engineering structure</b>	<b>-machinery and technical equipment</b>	<b>- means of transport</b>	<b>- other tangible assets</b>	<b>Total tangible fixed assets</b>
a) gross value of tangible fixed assets at the beginning of period	6 288	46 689	20 865	1 989	1 546	77 377
b) additions of which)	76	675	117	44	19	931
- purchase	76	675	117	44	19	931
- accepted from investment	-	-	-	-	-	-
- donations	-	-	-	-	-	-
- other	-	-	-	-	-	-
c. Reductions, of which :	-	7 109	10	17	16	7 152
- sale	-	7 109	5	17	4	7 135
- liquidation	-	-	5	-	12	17
- donation	-	-	-	-	-	-
- other	-	-	-	-	-	-
d. Gross value of tangible fixed assets at the end of period	6 364	40 255	20 972	2 016	1 549	71 156
e. Accumulated depreciation (amortisation) at the beginning of period	260	9 500	17 098	966	1 328	29 152
f. Depreciation for the period (of which)	62	434	324	95	32	947
- current amortisation	62	642	328	96	44	1 172
- other	-	-	-	-	-	-
- disposal, liquidation and donations of tangible fixed assets and other deductions	-	(208)	(4)	(1)	(12)	(225)
g. Accumulated depreciation (amortisation) at the end of period	322	9 934	17 422	1 061	1 360	30 099
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	6 042	30 321	3 550	955	189	41 057

**Note 2A**

<b>INTANGIBLE ASSETS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Costs of finished research and development work	-	-	-
b) goodwill	-	-	-
c) concessions, patents, licenses and similar assets, of which:	<b>158</b>	<b>209</b>	<b>215</b>
- computer software	<b>146</b>	<b>192</b>	<b>205</b>
d) other intangible assets	<b>2</b>	<b>3</b>	<b>3</b>
e) prepaid intangible assets	-	-	-
<b>Total intangible assets</b>	<b>160</b>	<b>212</b>	<b>218</b>

**Note 2B**

<b>CHANGES IN INTANGIBLE ASSETS - by category</b>	
<i>see page</i>	

**Note 2C**

<b>INTANGIBLE ASSETS - by ownership</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) owned	<b>160</b>	<b>212</b>	<b>218</b>
b) used under leasing, rent, tenancy or similar contract, including lease contract, of which:	-	-	-
	-	-	-
<b>Total intangible assets</b>	<b>160</b>	<b>212</b>	<b>218</b>

SA-P 2006

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	-	-	1 808	1 112	970	-	2 778
b) additions, of which:	-	-	-	-	-	-	-
- purchase	-	-	-	-	-	-	-
- accepted from investment	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
c) reductions, of which:	-	-	2	2	-	-	2
- sale	-	-	-	-	-	-	-
- liquidation	-	-	2	2	-	-	2
- other	-	-	-	-	-	-	-
d) gross value of intangible assets at the end of period	-	-	1 806	1 110	970	-	2 776
e) accumulated amortisation at the beginning of period	-	-	1 599	920	967	-	2 566
f. Amortisation for the period, of which:	-	-	49	44	1	-	50
- current amortisation	-	-	51	46	1	-	52
- other	-	-	(2)	(2)	-	-	(2)
- sale of intangible fixed assets	-	-	-	-	-	-	-
g) accumulated amortisation at the end of period	-	-	1 648	964	968	-	2 616
h) write-downs due to permanent loss of value at the beginning of period	-	-	-	-	-	-	-
- additions	-	-	-	-	-	-	-
- reductions	-	-	-	-	-	-	-
i) write-downs due to permanent loss of value at the end of period	-	-	-	-	-	-	-
j) net value of intangible assets at the end of period	-	-	158	146	2	-	160

**Note 3A**

<b>LONG-TERM RECEIVABLES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) from related entities, of which:	-	-	-
- from dubsidiary entities (by virtue of)	-	-	-
- supplies and services	-	-	-
- other	-	-	-
- from associated entites ( by virtue of)	-	-	-
- supplies and services	-	-	-
- other	-	-	-
- from dominat entity (by virtu of)	-	-	-
- supplies and services	-	-	-
- other	-	-	-
b) from other entities (by virtue of)	<b>412</b>	<b>509</b>	<b>972</b>
- supplies and services	-	-	-
- other	<b>412</b>	<b>509</b>	<b>972</b>
<b>Net long-term receivables</b>	<b>412</b>	<b>509</b>	<b>972</b>
c) allowances updating receivables	-	-	<b>1 679</b>
<b>Gross long-term receivables</b>	<b>412</b>	<b>509</b>	<b>2 651</b>

**Note 3B**

<b>CHANGES IN LONG-TERM RECEIVABLES (by genre)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Balance at the beginning of period	509	50 800	50 800
b. Additions (in virtue of)	-	-	30
- reclassification	-	-	-
- other	-	-	30
c. Reductions (in virtue of)	97	50 291	49 858
- restructuring agreement	-	49 858	49 858
- deposits	-	433	-
- other	97	-	-
<b>Long-term receivables at the end of period</b>	<b>412</b>	<b>509</b>	<b>972</b>

**Note 3C**

<b>CHANGES IN ALLOWANCES UPDATING LONG-TERM RECEIVABLES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Balance at the beginning of period	-	9 638	9 638
b. Additions (in virtue of)	-	-	-
- trade accounts receivables	-	-	-
- rate differences	-	-	-
- other	-	-	-
c. Exercised (in virtue of)	-	9 638	7 959
- cession of liabilities	-	1 354	625
- restructuring agreement	-	7 334	7 334
- rate differences	-	-	-
- other	-	950	-
d. Dissolution (in virtue of)	-	-	-
- trade accounts receivables	-	-	-
- other	-	-	-
<b>Allowances updating long-term receivables at the end of period</b>	<b>-</b>	<b>-</b>	<b>1 679</b>

**Note 3D**

<b>LONG-TERM RECEIVABLES - by currency</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency (zloty)	-	-	-
b) in foreign currencies (in currencies and as restated in zloty)	412	509	972
b1. Unit/currency in thousand USD	130	156	237
in thousand zloty	412	509	972
b2. Unit/currency in thousand EUR	-	-	-
in thousand zloty	-	-	-
b3. Unit/currency in thousand GBP	-	-	-
in thousand zloty	-	-	-
b4. Other currencies in thousand zloty	-	-	-
<b>Total long-term receivables</b>	<b>412</b>	<b>509</b>	<b>972</b>

**Note 4A**

<b>CHANGES IN REAL ESTATE (BY CATEGORY )</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. balance at the beginning of period including:	<b>56 945</b>	<b>36 658</b>	<b>36 658</b>
b. Addition ( in virtue of )	-	<b>46 945</b>	<b>46 945</b>
	-	-	-
- reclassification	-	-	-
- purchase	-	-	-
- other	-	<b>46 945</b>	<b>46 945</b>
c. Reduction (in virtue of )	<b>46 945</b>	<b>26 658</b>	-
- sale	<b>46 945</b>	<b>20 643</b>	-
- updating write -off for real estate of Kościuszko	-	<b>6 015</b>	-
- other	-	-	-
<b>Balance at the end of period</b>	<b>10 000</b>	<b>56 945</b>	<b>83 603</b>

**Note 4B**

<b>CHANGES IN INTANGIBLE ASSETS (BY CATEGORY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. balance at the beginning of period	-	-	-
b. Addition (in virtue of )	-	-	-
	-	-	-
- reclassification	-	-	-
- other	-	-	-
c. Reduction (in virtue of )	-	-	-
	-	-	-
- reclassification	-	-	-
- other	-	-	-
<b>Balance at the end of period</b>	-	-	-

## Note 4C

<b>LONG-TERM FINANCIAL ASSETS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. in subsidiary and interrelated entities which are not subject to consolidation	<b>236 467</b>	<b>227 680</b>	<b>75 748</b>
- shares and stocks	<b>236 467</b>	<b>227 680</b>	<b>75 748</b>
- 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	<b>32</b>	<b>32</b>	<b>32</b>
- shares and stocks	<b>32</b>	<b>32</b>	<b>32</b>
- debt securities	-	-	-
- other securities (by type)	-	-	-
- loans granted	-	-	-
- other long-term financial assets ( by type)	-	-	-
c. in other entities	<b>1 807</b>	<b>1 807</b>	<b>1 811</b>
- shares and stocks	<b>1 807</b>	<b>1 807</b>	<b>1 811</b>
- debt securities	-	-	-
- other securities (by type)	-	-	-
- loans granted	-	-	-
- other long-term financial assets ( by type)	-	-	-
<b>Long-term financial assets in total</b>	<b>238 306</b>	<b>229 519</b>	<b>77 591</b>

**Note 4D**

<b>CHANGE IN BALANCE OF LONG-TERM FINANCIAL ASSETS (ACC. TO GENRE GROUPS)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. state at the beginning of the period	229 519	91 597	91 597
b. increase (by virtue of)	8 787	155 356	3 413
	-	-	-
- shares and stocks	-	1 704	3 413
- revaluation of shares of SAM and Stalexport Transroute		153 652	
- revaluation of shares of Stalexport Autoroute Luksemburg	8 787		
- other			
c. decrease (by virtue of)	-	17 434	17 419
	-	-	-
- shares and stocks	-	17 419	17 419
- other long-term financial assets	-	-	-
-updating write-offs	-	-	-
- reclassification		15	
- other	-	-	-
<b>State at the end of the period</b>	<b>238 306</b>	<b>229 519</b>	<b>77 591</b>

## Note 4E

SHARES IN SUBORDINATED COMPANIES												
No	a	b	c	d	e	f	g	h	i	j	k	l
	Name of the company and its legal status	location	profile of company	Nature of affiliation (subsidiary, mutually controlled, associated company incl. disclosure of direct and	applied method of consolidation /equity valuation or indication that the company is not subject to	date of taking-over control /mutual control / substantial influence	value of shares at purchase price	Total revaluation write-downs	balance sheet value of shares owned	% of the ownership in share capital	share in total number of votes at the GM	other basis of control/ mutual control / substantial influence other than specified in items j) or k)
1.	Stalexport Autostrada Dolnośląska S. A.	Katowice	Construction and operating on motorway section Katowice-Wrocław	subsidiary	full	1997	28 075	(7 547)	20 528	100,00%	100,00%	
2.	Petrostal S. A. In liquidation	Warszawa	Material s and building products trading	subsidiary	full	2005	1 727	(1 727)		100,00%	100,00%	
3.	Stalexport Metalzbyt Białystok Sp. z o.o.	Białystok	Steel products trading	subsidiary	full	2005	1 287	(1 287)		98,76%	98,76%	
4.	Stalexport Serwis Centrum S. A.	Bełchatów	Steel products trading	subsidiary	full	2005	4 723	(3 223)	1 500	95,14%	95,14%	
5.	Stalexport Zaptor S. A. Under liquidation	Olsztyn	Steel products trading	subsidiary	not consolidated	2002	173	(173)		98,69%	98,69%	
6.	Stalexport Wielkopolska Sp. z o.o.o in bankructcy B3	Komorniki	Steel products trading	subsidiary	full	1990	12 073	(12 073)		97,96%	97,96%	
7.	Stalexport Serwis Centrum S. A.	Katowice	Steel products trading	subsidiary	full	1992	22 214	(600)	21 614	97,78%	97,78%	
8.	Stalexport Centrostal S. A.	Lublin	Steel products trading	subsidiary	full	1992	501		501	66,00%	66,00%	
9.	Stalexport Autoroute S.a r.l	Luksemburg	Motorway projects servicing	subsidiary	full	2005	183 537	8 787	192 324	100,00%	100,00%	

## Ctd Note 4E

SHARES IN SUBORDINATED COMPANIES												
No	a	b	c	d	e	f	g	h	i	j	k	l
	Name of the company and its legal status	location	profile of company	Nature of affiliation (subsidiary, mutually controlled, associated company incl. disclosure of direct and	applied method of consolidation /equity valuation or indication that the company is not subject to consolidation	date of taking-over control /mutual control / substantial influence	value of shares at purchase price	Total revaluation write-downs	balance sheet value of shares owned	% of the ownership in share capital	share in total number of votes at the GM	other basis of control/ mutual control / substantial influence other than specified in items j) or k)
11.	Biuro Centrum Sp. z o.o.	Katowice	Administration of the building at 29 Mickiewicza Street	associated	method of ownership right	1 994,00	32		32	40,63%	40,63%	
12.	Centrostal Profil Sp. z o.o. under liquidation	Kraków	Production, processing, sale of steel products	associated	not consolidated	2005	14 548	(14 548)		49,15%	49,15%	
13.	Invest Centrostal Sp. z o.o.	Warszawa	General construction	associated	not consolidated	2005	297	(297)		42,00%	42,00%	
	TOTAL:						269 187	(32 688)	236 499			

## Note 4F

SHARES IN OTHER ENTITIES										
No	a	b	c	d	e		f	g	h	i
	Name of the company and its legal status	location	profile of company	balance sheet value of shares owned	equity capital of the entity, including:		percentage 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
					share capital					
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	Production of steel pipes				7,26%	7,26%		
3.	Beskidzki Dom Maklerski S. A.	Bielsko-Biała	Turnover of securities	1 171			5,10%	5,10%		
4.	Other			636						
	<b>Razem</b>			<b>1 807</b>			-	-		

**Note 4G**

<b>SECURITIES, SHARES AND OTHER LONG-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency	45 345	228 825	76 955
b) in foreign currencies (acc. to currencies and after calculating into zloty)	192 961	694	636
b1. unit/currency in thousand USD	120	117	114
in thousand zloty	383	383	383
b2. unit/currency in thousand EUR	47 627	81	63
in thousand zloty	192 578	311	253
b3. unit/currency/ thousand GBP	-	-	-
in thousand zloty	-	-	-
b4. other currencies in thousand zloty	-	-	-
<b>Securities, shares and other long-term financial assets in total</b>	<b>238 306</b>	<b>229 519</b>	<b>77 591</b>

**Note 4H**

<b>GRANTED LONG-TERM LOANS ( BY CURRENCY STRUCTURE)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency	-	-	-
b) in foreign currencies (acc. to currencies and after calculating into zloty)	-	-	-
b1. unit/currency in thousand USD	-	-	-
in thousand zloty	-	-	-
b2. unit/currency in thousand EUR	-	-	-
in thousand zloty	-	-	-
b3. unit/currency/ thousand /GBP	-	-	-
in thousand zloty	-	-	-
b4. other currencies in thousand zloty	-	-	-
<b>Total granted long-term loans</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note 4 I**

<b>OTHER LONG-TERM INVESTMENTS (ACCORDING TO GENRE)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
- surcharges to capital	200	200	200
<b>Other long-term investments</b>	<b>200</b>	<b>200</b>	<b>200</b>

**Note 4 J**

<b>CHANGE IN THE STATE OF OTHER LONG-TERM INVESTMENTS (ACCORDING TO GENRE GROUPS)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. state at the beginning of the period	200	200	200
b. increase (by virtue of)	-	-	-
- other			
c. Decrease (by virtue of)	-	-	-
- other			
<b>d. state at the end of the period</b>	<b>200</b>	<b>200</b>	<b>200</b>

**Note 4 K**

<b>OTHER LONG-TERM INVESTMENTS (CURRENCY STRUCTURE)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency	200	200	200
b) in foreign currencies (acc.to currencies and after calculating into zloty)	-	-	-
b1. unit/currency in thousand USD in thousand zloty			
b2. unit/currency in thousand EUR in thousand zloty			
b3. unit/currency: thousand GBP in thousand zloty			
b4. Other currencies in thousand zloty			
<b>Other long-term investments in total</b>	<b>200</b>	<b>200</b>	<b>200</b>

**Note 5**

<b>CHANGE IN ASSETS AVAILABLE FOR SALE</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. state at the beginning of the period	<b>2 199</b>	<b>130 211</b>	<b>130 211</b>
b. increase (by virtue of)	-	<b>15</b>	<b>15</b>
- revaluation of assets for sale	-	-	-
	-	-	-
- other	-	<b>15</b>	<b>15</b>
c. Decrease (by virtue of)	-	<b>128 027</b>	-
- sale		<b>128 027</b>	
- other	-	-	-
<b>d. state at the end of the period</b>	<b>2 199</b>	<b>2 199</b>	<b>130 226</b>

## Note 6

CHANGES IN BALANCE OF ASSETS BY VIRTUE OF DEFERRED INCOME TAX	30.06.2006	2005	30.06.2005
1. Balance of assets by virtue of deferred income tax at the beginning	-	-	-
a) assigned to financial results	-	-	-
b) assigned to equity capital	-	-	-
c) assigned to goodwill	-	-	-
2. Additions	-	4 101	4 101
a) assigned to financial results for the period due to negative timing differences:	-	-	-
- remuneration by virtue of task work contract not paid o	-	-	-
- penal interests not paid on balance sheet date	-	-	-
-other	-	-	-
b) assigned to financial results for the period due to taxation loss:	-	4 101	-
- tax taken over due to the merger	-	4 101	-
-other	-	-	-
c) assigned to equity for the period due to negative timing differences:	-	-	-
- liabilities by virtue of capital (financial leasing)	-	-	-
- by virtue of transferring to i.a.s./i.r.f.s.	-	-	-
d) assigned to equity capital for the period due to taxation loss:	-	-	-
e) assigned to goodwill due to negative timing differences:	-	-	4 101
- tax taken over due to the merger			4 101
- other			
3. Reductions	-	4 101	-
a) assigned to financial results for the priod due to negative timing differences:	-	-	-
- interests payment	-	-	-
- other	-	-	-
b) assigned to financial results for the priod due to taxation loss:	-	4 101	-
- dissolving accepted tax		4 101	
c) assigned to equity capital for the period due to negative timing differences:	-	-	-
d) assigned to equity capital for the period due to taxation loss:	-	-	-
e) assigned to goodwill due to negative timing differences:	-	-	-
4. Total deferred income tax at the end of period, of which:	-	-	4 101
a) assigned to financial results	-	-	-
b) assigned to equity capital	-	-	-
c) assigned to goodwill	-	-	4 101

**Note 7**

<b>LONG-TERM DEFERRED EXPENSES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. deferred expenses of which:	-	-	-
	-		
b) other deferred expenses of which	-	-	-
- other			
<b>Total long-term deferred expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note 8**

<b>INVENTORIES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Materials	14 284	3 327	3 699
b. Semi-finished products and products in progress	-	-	-
c. Finished products	811	1 139	775
d. Merchandise	33 712	38 117	43 055
e) prepaid supplies	1 123	1 227	660
<b>Total inventories</b>	<b>49 930</b>	<b>43 810</b>	<b>48 189</b>

**Note 9A**

<b>CURRENT RECEIVABLES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) from affiliated companies	42 593	51 318	7 333
- trade accounts receivable, with maturity of:	42 593	51 318	7 288
- less than 12 months	42 593	51 318	7 288
- over 12 months	-	-	-
- other	-	-	45
- receivables in litigation	-	-	-
b) from other companies	111 674	79 496	106 563
- trade accounts receivable, with maturity of:	71 631	51 816	68 699
- less than 12 months	67 841	47 762	64 251
- over 12 months	3 790	4 054	4 448
- by virtue of taxes, subsidies, tariffs, social and health security, or other benefits receivable	30 690	18 869	17 444
- other	9 132	8 811	18 634
- receivables in litigation	221	-	1 786
<b>Total net current receivables</b>	<b>154 267</b>	<b>130 814</b>	<b>113 896</b>
c. Receivables updating allowances	341 311	333 006	210 324
<b>Total gross current receivables</b>	<b>495 578</b>	<b>463 820</b>	<b>324 220</b>

**Note 9B**

<b>CHANGES IN BALANCE OF ALLOWANCE FOR CURRENT RECEIVABLES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Balance at the beginning of period of which:	<b>333 006</b>	<b>186 912</b>	<b>186 912</b>
b. Additions of which:	<b>17 252</b>	<b>167 469</b>	<b>26 750</b>
- by virtue of trade account receivable	<b>16 478</b>	<b>33 420</b>	<b>25 398</b>
- by virtue of guarantees and interests	<b>-</b>	<b>2 088</b>	<b>1 352</b>
- other	<b>774</b>	<b>131 961</b>	
c. Reduction of which:	<b>8 947</b>	<b>21 375</b>	<b>3 338</b>
- by virtue of trade account receivable	<b>8 471</b>	<b>-</b>	<b>-</b>
- other	<b>476</b>	<b>21 375</b>	<b>3 338</b>
<b>d. Balance of allowances for current receivables at the end of period</b>	<b>341 311</b>	<b>333 006</b>	<b>210 324</b>

**Note 9C**

<b>GROSS CURRENT RECEIVABLES - by currency</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency	<b>459 641</b>	<b>450 200</b>	<b>310 790</b>
b) in foreign currencies (acc to currencies and as restated in zlotys)	<b>35 937</b>	<b>13 620</b>	<b>13 430</b>
b1. Unit / currency in thousand USD	<b>7 149</b>	<b>2 570</b>	<b>2 706</b>
in thousand zlotys	<b>22 736</b>	<b>8 334</b>	<b>9 004</b>
b2. Unit / currency in thousand EUR	<b>3 265</b>	<b>1 370</b>	<b>1 096</b>
in thousand zlotys	<b>13 201</b>	<b>5 286</b>	<b>4 426</b>
b3. Unit /currency in thousnad GBP			
in thousand zlotys			
b4. Other currencies in thousand zlotys	<b>-</b>		
<b>Total current receivables</b>	<b>495 578</b>	<b>463 820</b>	<b>324 220</b>

**Note 9D**

<b>LONG-TERM AND SHORT-TERM CONTESTED AND OVERDUE DEBTS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Contested and overdue debts by virtue of:	<b>124 262</b>	<b>121 483</b>	<b>99 973</b>
- trade account receivable	<b>97 044</b>	<b>94 275</b>	<b>95 206</b>
- other	<b>27 218</b>	<b>27 208</b>	<b>4 767</b>
<b>Long-term and short-term contested and overdue debts in total, including:</b>	<b>124 262</b>	<b>121 483</b>	<b>99 973</b>
- from which updated write offs were not established	<b>18 602</b>	<b>16 005</b>	<b>27 539</b>
- not indicated as" receivables claimed by means of an action of law "	<b>57 416</b>	<b>58 338</b>	<b>-</b>

**Note 10A**

<b>SHORT-TERM FINANCIAL ASSETS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
<b>a. In subsidiaries</b>	-	-	-
- shares and 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	-	-	-
<b>c. In associated companies</b>	-	-	-
- shares and 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	-	-	-
<b>d. In dominant entity</b>	-	-	-
- shares and 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	-	-	-
<b>d. In other entities</b>	<b>165</b>	<b>235</b>	<b>271</b>
- shares and stocks	-	-	<b>19</b>
- receivables in virtue of dividends and shares in profits	-	-	-
- debt securities	-	-	-
- other securities ( by type)	-	-	-
- other	-	-	-
- loans granted	<b>165</b>	<b>235</b>	<b>252</b>
- other short-term financial assets (by type)	-	-	-
- interests on loans	-	-	-
<b>Total short-term investments</b>	<b>165</b>	<b>235</b>	<b>271</b>

**Note 10B**

<b>SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (BY CURRENCY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency	-	-	19
b) in foreign currencies (and as restated in zlotys)	-	-	-
b1. Unit / currency in thousand USD in thousand zlotys			
b2. Unit / currency in thousand EUR in thousand zlotys			
b3. Unit /currency in thousand GBP in thousand zlotys			
b4. Other currencies in thousand zlotys			
<b>Total securities, shares and other short-term financial assets</b>	-	-	19

**Note 10C**

<b>GRANTED SHORT-TERM LOANS (BY CURRENCY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency	165	235	252
b) in foreign currencies (and as restated in zlotys)	-	-	-
b1. Unit / currency in thousand USD in thousand zlotys			
b2. Unit / currency in thousand EUR in thousand zlotys			
b3. Unit /currency in thousand GBP in thousand zlotys			
b4. Other currencies in thousand zlotys			
<b>Total granted short-term loans</b>	165	235	252

**Note 10D**

<b>OTHER SHORT-TERM INVESTMENTS (BY CATEGORY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
<b>Total other short-term investments</b>	-	-	-

**Note 10E**

<b>OTHER SHORT-TERM INVESTMENTS (BY CURRENCY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency (zlotys)	-	-	-
b) in foreign currencies (and as restated in zlotys)	-	-	-
b1. Unit / currency in thousand USD in thousand zlotys			
b2. Unit / currency in thousand EUR in thousand zlotys			
b3. Unit /currency in thousand GBP in thousand zlotys			
b4. Other currencies in thousand zlotys			
<b>Total other short-term investments</b>	-	-	-

**Note 11A**

<b>CASH AND CASH EQUIVALENTS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
- cash at bank and on hand	70 193	4 568	6 239
- cash equivalents	75	90	34
<b>Total cash and cash equivalents</b>	<b>70 268</b>	<b>4 658</b>	<b>6 273</b>

**Note 11B**

<b>CASH AND CASH EQUIVALENTS (BY CURRENCY)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency (zlotys)	69 500	3 543	6 099
b) in foreign currencies (and as restated in zlotys)	768	1 115	174
b1. Unit / currency in thousand USD	19	196	50
in thousand zlotys	62	641	167
b2. Unit / currency in thousand EUR	175	123	2
in thousand zlotys	706	474	7
b3. Unit /currency in thousand GBP			
in thousand zlotys			
b4. Other currencies in thousand zlotys			
<b>Total cash and cash equivalents</b>	<b>70 268</b>	<b>4 658</b>	<b>6 273</b>

**Note 12**

<b>SHORT-TERM INTERPERIOD SETTLEMENTS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. deferred expenses of which:	<b>898</b>	<b>388</b>	<b>1 733</b>
- taxes and securities	<b>202</b>	<b>57</b>	<b>82</b>
- VAT to be settled next months			
- the Institutional Social Benefit Fund deduction			
- other	<b>696</b>	<b>331</b>	<b>1 651</b>
b) other interperiod settlements, of which:	<b>28</b>	<b>21</b>	<b>18</b>
- evaluation of real estate	<b>28</b>	<b>21</b>	<b>18</b>
- general overhauls			
' - costs of company's organisation			
- other			
<b>Total short-term interperiod settlements</b>	<b>926</b>	<b>409</b>	<b>1 751</b>

**Note 13**

<b>EQUITY CAPITAL (STRUCTURE)</b>								
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
<b>Total number of shares</b>				<b>107 762 023</b>				
<b>Total equity capital</b>					<b>215 524</b>			
<b>Nominal value of one share = 2,00 zloty</b>								

**Note 14A**

<b>OWN SHARES IN TREASURY</b>				
Number	Value at purchase price	Balance sheet value	Purchase purpose	Destination
10 461		21	21,00	transferred to minority shareholders of Stalexport Centrostal Warszawa S. A.
<b>10 461</b>		<b>21</b>	<b>21</b>	-

**Note 14B**

<b>ISSUER'S SHARES OWNED BY THE SUBORDINATED ENTITIES</b>			
Name of a company, location	Number	Value at purchase price	Balance sheet value
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note 15**

<b>INVENTORY CAPITAL</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. sale of shares above the nominal value			
b) capital established by law			
c) capital established due to statutory/contractual provisions, in excess of the (minimum) value required by law			
d. From surcharges of the shareholders			
e. Other	38	35	
<b>Total inventory capital</b>	<b>38</b>	<b>35</b>	-

**Note 16**

<b>REVALUATION CAPITAL</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Revaluation of tangible assets	8 418	8 421	8 457
b) gains / losses on valuation of financial instruments, of which:			
- from valuation of hedging instruments			
c) deferred income tax			
d) foreign exchange differences on foreign divisions			
e. Other (by type )	131 576	124 458	-
- revaluation of financial assets	124 458	124 458	
- other	7 118		
<b>Total revaluation capital</b>	<b>139 994</b>	<b>132 879</b>	<b>8 457</b>

**Note 17**

<b>OTHER RESERVE CAPITAL (BY APPROPRIATION)</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Investments			
b. Loss coverage			
c. Re-assessment of fixed assets			
d. partial execution of the arrangement commitments conversion			
e. Partial execution of the arrangement commitments - instalments	51 016	51 016	6 147
f. Other			
<b>Total other reserve capital</b>	<b>51 016</b>	<b>51 016</b>	<b>6 147</b>

**Note 18**

<b>NET PROFIT WRITE OFFS DURING THE FINANCIAL YEAR - specifically</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
-			
-			
-			
<b>Total net profit write-offs during the financial year</b>	-	-	-

## Note 19A

<b>LONG-TERM LIABILITIES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
<b>a. Towards subsidiaries</b>	<b>5 522</b>	<b>5 664</b>	<b>5 805</b>
- credits and loans			
- issue of debt securities			
- other financial liabilities, of which:	-		
- financial lease agreements			
- other (by type)	<b>5 522</b>	<b>5 664</b>	<b>5 805</b>
- trade creditors			
- arrangement liabilities	<b>5 522</b>	<b>5 664</b>	<b>5 805</b>
<b>b. Towards associated entities</b>	-	-	-
- credits and loans			
- issue of debt securities			
- other financial liabilities, of which:	-	-	-
- financial lease agreements			
- other (by type)	-	-	-
- other			
<b>c. Towards dominant entity</b>	-	-	-
- credits and loans			
- issue of debt securities			
- other financial liabilities, of which:	-	-	-
- financial lease agreements			
- other (by type)	-	-	-
- trade creditors			
- other			
<b>d. Towards other entities</b>	<b>329 641</b>	<b>364 879</b>	<b>277 125</b>
- credits and loans	<b>59 775</b>	<b>78 040</b>	<b>99 373</b>
- issue of debt securities			
- other financial liabilities, of which:	-	-	-
- interests			
- other			
- financial lease agreements	<b>770</b>	<b>995</b>	<b>1 216</b>
- other (by type)	<b>269 096</b>	<b>285 844</b>	<b>176 536</b>
- arrangement liabilities	<b>71 962</b>	<b>88 681</b>	<b>103 945</b>
- other	<b>197 134</b>	<b>197 163</b>	<b>72 591</b>
<b>Total long-term liabilities</b>	<b>335 163</b>	<b>370 543</b>	<b>282 930</b>

**Note 19B**

<b>LONG-TERM LIABILITIES (BY CURRENCY )</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency (zlotys)	<b>335 163</b>	<b>370 543</b>	<b>282 930</b>
b) in foreign currencies (and as restated in zlotys)	-	-	-
b1. Unit / currency in thousand USD			
in thousand zlotys			
b2. Unit / currency in thousand EUR			
in thousand zlotys			
b3. Unit /currency in thousand GBP			
in thousand zlotys			
b4. Other currencies in thousand zlotys			
<b>Total short-term receivables</b>	<b>335 163</b>	<b>370 543</b>	<b>282 930</b>

## Note 19C

LONG-TERM LIABILITIES BY VIRTUE OF CREDITS AND LOANS									
Name (company) of the entity, legal status	Seat	Amount of credit/loan acc to the agreement		Amount of credit /loan to be repaid		Interest conditions	Date of repayment	Security	Other
		zloty	currency	zloty	currency				
Bank Handlowy S. A.	Katowice	6 240		6 240		WIBOR+margin	according to the restructuring agreement	cash inflows on to account, credit on current account, mortgage	
Bank Handlowy S. A.	Katowice	12 129		12 129		WIBOR+margin	according to the restructuring agreement	credit on foreign currency account, mortgage	
Bank Handlowy S. A.	Katowice	11 874		11 874		WIBOR+margin	according to the restructuring agreement	mortgage	
BRE Bank S. A.	Katowice	4 394		4 394		WIBOR+margin	according to the restructuring agreement	cash inflows on to accounts, credit on current account, mortgage	
ING Bank Śląski	Katowice	500		500		WIBOR+margin	according to the restructuring agreement	cash inflows on credit accounts, sole bills in blanco, pledge on shares credit on current account	
PKO BP S. A.	Katowice	20 950		20 950		WIBOR+margin	according to the restructuring agreement	mortgage revolving credit, pledge on shares, sole bills in blanco	
BPH PBK S. A.	Sosnowiec	3 688		3 688		WIBOR+margin	according to the restructuring agreement	sole bill in blanco, operating credit in crediting line,pledge on shares, mortgage	
<b>TOTAL:</b>		<b>59 775</b>		<b>59 775</b>					

## Note 19D

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

## Note 20

CHANGES IN RESERVE FOR DEFERRED INCOME TAX	30.06.2006	2005	30.06.2005
1. Reserve for deferred income tax at the beginning of period, of which:	38 687	725	725
a) assigned to financial result	9 493	725	725
b) assigned to equity capital	29 194		
c) assigned to goodwill			
2. Additions	1 698	38 674	9 453
a) assigned to financial results for the period due to positive timing differences:	29	9 480	9 453
- interests included in income	29	127	100
- interests on loans included in income			
- other		9 353	9 353
b) assigned to equity capital for the period due to positive timing differences:	1 669	29 194	-
- fixed assets (financial leasing)			
- evaluation of financial assets	1 669	29 194	
c) assigned to goodwill due to positive timing differences:	-	-	-
- merger of the companies			
<b>3. Reductions:</b>	<b>9 029</b>	<b>712</b>	<b>706</b>
a) assigned to financial result for the period due to positive timing differences (of which )	9 029	712	706
- interests included in income ( paid, cancelled)	72	316	310
- change in tax rate			
- other	8 957	396	396
b) assigned to equity capital due to positive timing differences (of which )	-	-	-
c) assigned to goodwill due to positive timing differences (of which)	-	-	-
<b>4. Reserve for deferred income tax at the end of period, of which:</b>	<b>31 356</b>	<b>38 687</b>	<b>9 472</b>
a) assigned to financial result	493	9 493	9 472
b) assigned to equity capital	30 863	29 194	-
c) assigned to goodwill	-	-	-

**Note 21**

<b>CHANGES IN OTHER LONG-TERM PROVISIONS - specifically</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Balance at the beginning of period of which:	<b>13 283</b>	<b>11 557</b>	<b>11 557</b>
b. Additions (in virtue of )	-	<b>6 887</b>	<b>2 812</b>
- holiday leaves	-		
- termination pays, jubilee bonuses	-	<b>2 074</b>	<b>62</b>
- interests on bill liabilities towards State Treasury	-		
- contingent liabilities	-		
- interests on credits	-	<b>4 813</b>	
- other	-		<b>2 750</b>
c. Exercised of which	<b>104</b>	<b>2 595</b>	<b>2 654</b>
- holiday leaves	-		
- termination pays, jubilee bonuses	<b>104</b>	<b>495</b>	
- severance pays for dismissed employees	-		
- contingent liabilities	-	<b>2 100</b>	<b>900</b>
- interests on credits	-		<b>1 754</b>
- other	-		
d) reversals, of which:	<b>516</b>	<b>2 566</b>	<b>600</b>
- interests on liabilities towards State Treasury	-	<b>1 984</b>	
- interests on credits	<b>516</b>		
- contingent liabilities	-	<b>582</b>	<b>600</b>
<b>e. Balance at the end of period</b>	<b>12 663</b>	<b>13 283</b>	<b>11 115</b>

**Note 22**

<b>LONG-TERM INTERPERIOD SETTLEMENTS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) accrued expenses, of which:	-	-	-
	-		
	-		
	-		
	-		
- other	-	-	-
b) deferred income, of which:	<b>750</b>	<b>758</b>	<b>49 042</b>
- settlement of incomes	-		
	-		
- redeemed arrangement liabilities	-		<b>48 279</b>
- evaluation of shares	<b>741</b>	<b>741</b>	<b>741</b>
- other	<b>9</b>	<b>17</b>	<b>22</b>
<b>Total long-term deferred expenses</b>	<b>750</b>	<b>758</b>	<b>49 042</b>

## Note 23A

<b>SHORT-TERM LIABILITIES</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
<b>a. Towards subsidiary companies</b>	<b>10 713</b>	<b>12 415</b>	<b>81 606</b>
- credits and loans	9 200	9 400	9 200
- issue of debt securities			
- dividends			
- other financial receivables :	964	783	6 015
- interests on loans and prepayments	964	783	6 015
- prepayments for capital increase			
- trade accounts payable, with maturity of:	549	2 232	66 391
- less 12 months	549	2 232	66 391
- over 12 months			
- trade prepayments received			
- promissory notes payable			
- other ( by type )	-	-	-
- arrangement liabilities			
-other			
<b>b. Towards associated entities</b>	<b>4 093</b>	<b>4 588</b>	<b>4 138</b>
- credits and loans of which	3 340	3 340	3 340
- issue of debt securities			
- dividends			
- other financial receivables :	73	257	-
- interests on loans and prepayments	73	257	
- prepayments for capital increase			
- trade accounts payable, with maturity of:	680	991	798
- less 12 months	680	991	798
- over 12 months			
- trade prepayments received			
- promissory notes payable			
- other ( by type )	-	-	-
- penal intersts and other			
-other			
<b>e. Towards the dominant entity</b>	<b>-</b>	<b>-</b>	<b>-</b>
- credits and loans of which:			
- by virtue of debt			
- 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			
<b>f.towards other entities</b>	<b>164 904</b>	<b>65 675</b>	<b>67 053</b>
- credits and loans of which:	10 006	7	9 416
- issue of issuing debt securities			
- dividends			
- other financial receivables :	-	-	-
- interests on loans and prepayments			
- guarantees			
- trade accounts payable, with maturity of:	76 460	62 348	47 827
- less 12 months	76 460	62 348	47 827
- over 12 months			
- trade prepayments received			122
- promissory notes payable	800	350	300
- other ( by type )	77 638	2 970	9 388
- taxes, import tariffs, social security and other benefits payable, penalty interests and other	1 536	926	658
-by virtue of remuneration	19	93	
- by virtue of investments	1 600		19
- other	74 483	1 951	8 711
<b>Total short-term liabilities</b>	<b>179 710</b>	<b>82 678</b>	<b>152 797</b>

**Note 23B**

<b>SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE )</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) in Polish currency (zlotys)	174 148	81 030	150 293
b) in foreign currencies (and as restated in zlotys)	5 562	1 648	2 504
b1. Unit / currency in thousand USD	1 459	376	509
in thousand zlotys	4 642	1 227	1 702
b2. Unit / currency in thousand EUR	228	104	199
in thousand zlotys	920	403	802
b3. Unit /currency in thousand GBP			
in thousand zlotys			
b4. Other currencies in thousand zlotys		18	
<b>Total short-term receivables</b>	<b>179 710</b>	<b>82 678</b>	<b>152 797</b>

**Note 23C**

<b>SHORT-TERM RECEIVABLES by virtue of credits and loans</b>									
Name (firma) of the entity	Seat	Amount of credit/loan acc to the agreement		Amount of credit /loan to be repaid		Interest conditions	Date of payment	security	Other
		zloty	currency	zloty	currency				
Fortis Bank Polska S.A.	Katowice	10 000		10 000		WIBOR + margin	30.08.2006	sole bill in blanco, mortgage, transfer of receivables, register pledge, alienation of goods, cesion of rights from policy	
Stalexport Autostrada Dolnośląska S. A.	Katowice	8 200		8 200		WIBOR + margin	30.09.2006		
Stalexport Autostrada Śląska S. A.	Katowice	3 340		3 340		WIBOR + margin	25.07.2006		
Stalexport Transroute Autostrada S. A.	Mysłowice	1 000		1 000		WIBOR + margin	30.09.2006		
Other				6					
		<b>22 540</b>		<b>22 546</b>					

**Note 23D**

SHORT-TERM LIABILITIES IN VIRTUE OF ISSUED HEDGING INSTRUMENTS						
Hedging instruments by category	Nominal value	Interest terms	Redemption date	Guarantees/hedging	additional rights	Other
<b>TOTAL</b>	-	x	x	x	x	x

**Note 24**

<b>CHANGES IN OTHER SHORT-TERM PROVISIONS - specifically</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a. Balance at the beginning of period	5 459	11 007	11 007
b. Additions (in virtue of )	2 190	3 255	1 408
- holiday leaves	643	681	783
- termination pays, jubilee bonuses		395	16
- severance pays for dismissed employees		9	9
- contingent liabilities		582	600
- interests on credits	1 547		
- other		1 588	
c) applications, of which:	1 535	5 748	1 427
- holiday leaves			
- termination pays, jubilee bonuses	26		
- severance pays for dismissed employees	9		
- contingent liabilities	1 500		
- interests on credits		5 746	1 426
- other		2	1
d) reversals, of which:	2 517	3 055	384
- holiday leaves	681	384	384
- interests on credits	1 836	2 671	
- capital group dimishing			
<b>e. Balance at the end of period</b>	<b>3 597</b>	<b>5 459</b>	<b>10 604</b>

**Note 25**

<b>SHORT-TERM INTERPERIOD SETTLEMENTS</b>	<b>30.06.2006</b>	<b>2005</b>	<b>30.06.2005</b>
a) accrued expenses, of which:	-	-	-
-			
- other			
b) deferred income, of which:	5 297	5 772	22 408
- settlements of incomes			
- negative goodwill			658
- redeemed arrangement liabilities			21 444
- advanced payments for goods and services	5 284	5 763	297
- other	13	9	9
<b>Total short-term interperiod settlements</b>	<b>5 297</b>	<b>5 772</b>	<b>22 408</b>

**Note 26****Off-balance sheet items**

	30.06.2006	2005	30.06.2005
1. Contingent liabilities	-	-	-
1.1. From related entities (by virtue of)	-	-	-
- received warranties and guarantees			
1.2. From other entities (by virtue of)	-	-	-
- received warranties and guarantees			
2. Contingent liabilities	<b>14 536</b>	<b>4 474</b>	<b>283 922</b>
2.1. In favour of related entities (by virtue of)	<b>11 731</b>	<b>84</b>	<b>111</b>
- granted warranties and guarantees	<b>11 731</b>	<b>84</b>	<b>111</b>
- customs warranties			
- other			
2.2. In favour of other entities (by virtue of)	<b>2 805</b>	<b>4 390</b>	<b>283 811</b>
- granted warranties and guarantees	<b>2 805</b>	<b>4 390</b>	<b>283 811</b>
- opening of the letter of credit			
- customs warranties			
- other			<b>4 000</b>
3. Other (by virtue of)	-	-	-
- mortgage			
- third party goods			
- other			
<b>Total off-balance sheet liabilities</b>	<b>14 536</b>	<b>4 474</b>	<b>283 922</b>

## Noty objaśniające do rachunku zysków i strat

## Explanatory notes to profit and loss account

## Note 27A

NET REVENUES FROM SALE OF GOODS (by class of business )	30.06.2006	30.06.2005
a. Maintenance and Construction of motorways		
- of which: from related companies		
b. Reinforcement production for building industry	29 869	20 176
- of which: from related companies	645	314
c. Sale of services	1 430	1 271
- of which: from related companies	545	546
<b>Total net revenues from sale of goods</b>	<b>31 299</b>	<b>21 447</b>
- of which: from related companies	1 190	860

## Note 27B

NET REVENUES FROM SALE OF GOODS (by geographic area )	30.06.2006	30.06.2005
a. Domestic sales	31 299	21 447
- of which: from related companies	1 190	860
b. Export sales		
- of which: from related companies		
<b>Total net revenues from sale of goods</b>	<b>31 299</b>	<b>21 447</b>
- of which: from related companies	1 190	860

**Note 28A**

<b>NET REVENUES FROM SALE OF GOODS AND MERCHANDISE (BY CLASS OF BUSINESS)</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Export	<b>159 474</b>	<b>114 604</b>
- of which: from related companies		
c. Sale of imported goods	<b>10 663</b>	<b>8 363</b>
- of which: from related companies		<b>13</b>
d. Sale of goods purchased in Poland	<b>68 004</b>	<b>98 156</b>
- of which: from related companies	<b>4 826</b>	<b>12 417</b>
j. Sale of goods	<b>300</b>	<b>137</b>
- of which: from related companies		
<b>Total net revenues from sale of goods and merchandise</b>	<b>238 441</b>	<b>221 260</b>
- of which: from related companies	<b>4 826</b>	<b>12 430</b>

**Note 28B**

<b>NET REVENUES FROM SALE OF GOODS AND RAW MATERIALS (by geographic area)</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Domestic sales	<b>78 967</b>	<b>106 656</b>
- of which: from related companies	<b>4 826</b>	<b>12 430</b>
b. Export sales	<b>159 474</b>	<b>114 604</b>
- of which: from related companies		
<b>Total net revenues from sale of goods and raw materials</b>	<b>238 441</b>	<b>221 260</b>
- of which: from related companies	<b>4 826</b>	<b>12 430</b>

**Note 29**

<b>EXPENSES BY TYPE</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Depreciation	1 224	1 098
b) raw materials and energy used	24 477	15 700
c) third party work	17 377	11 775
d) taxes and charges	1 877	1 024
e) salaries and wages	7 560	6 664
f) social security and other employee benefits	1 658	1 456
g) other expenses:	791	903
<b>Total expenses by type</b>	<b>54 964</b>	<b>38 620</b>
- Changes in inventories, products and deferred expenses	330	1 332
- Cost of work and services for own needs (negative value)	-	
- Distribution expenses (negative value)	(10 012)	(5 313)
- General administrative expenses (negative value)	(15 669)	(15 021)
<b>Manufacturing costs of products sold</b>	<b>29 613</b>	<b>19 618</b>

**Note 30**

<b>OTHER INCOMES</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Profit from disposal of non-financial fixed assets	-	31
a) provisions and allowances cancelled, of which:	4 168	12 717
- dissolved allowances updating receivables	1 849	11 433
- dissolved other updating allowances	-	
- dissolution of reserve for contingent liabilities	1 500	900
- dissolution of other reserves	819	384
c. Other income of which:	1 000	4 493
- settlement of payment by virtue of contingent liabilities	-	3 282
- interests on receivables by virtue of supplies, works and services	317	664
- other	683	547
<b>Total other income</b>	<b>5 168</b>	<b>17 241</b>

**Note 31**

<b>OTHER EXPENSES</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. loss on sale of non-financial fixed assets	106	
b. Revaluation of non financial assets, of which:	17 033	3 242
- established receivables updating allowances	16 390	2 459
- established other updating allowances	-	
- established allowances for contingent liabilities	-	
- established other provisions	643	783
c. other, of which:	1 618	4 880
- judicial fees	126	288
- donations	10	7
- costs of non-effective investments	214	532
- interests on liabilities by virtue of supplies, works and services	484	2 884
- prior years' costs and receivables in arrears	283	430
- other	501	739
<b>Total other expenses</b>	<b>18 757</b>	<b>8 122</b>

**Note 32**

<b>FINANCIAL INCOMES</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Dividends and shares in profits, including:	-	1 471
- from related entities	-	1 471
b. Interests, including:	1 899	5 791
b.1. From bank accounts and investments	65	29
b.2. By virtue of granted loans, out of which:	16	
- from related entities	-	
b.3.other interests: out of which:	1 818	5 762
- from related entities	-	
c. Profit on sale of investment	6 758	324
d. Re-valuation of the investment	8	65
e. other income, including:	960	3 493
e.1. Balance of positive difference in rates, of which:	898	444
- realized	866	251
- unrealized	32	193
e.2. Dissolved updating write-off (by virtue of)	9	28
- calculated interests	9	28
	-	
	-	
- other	-	
e.3. Other, of which:	53	3 021
- bills discount	-	
- amortised interests	-	
- revaluation of investment outlays A-4 motorway	-	2 971
- other	53	50
<b>Total financial incomes</b>	<b>9 625</b>	<b>11 144</b>

**Note 33**

<b>FINANCIAL EXPENSES</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. Interests, including:	<b>7 838</b>	<b>14 599</b>
a.1. On credits and loans, of which:	<b>4 648</b>	<b>4 337</b>
- for related entities	<b>207</b>	<b>291</b>
a.2. Other interests, of which:	<b>3 190</b>	<b>10 262</b>
- for related entities	<b>23</b>	<b>272</b>
b. Loss on sale of investment	-	
c. Revaluation of investments	-	
d. Other financial costs, including:	<b>1 708</b>	<b>1 567</b>
d.1. Balance of the negative differences in rates of which:	-	-
- executed	-	
- not executed	-	
d.2. Created other updating allowance (by virtue of)	<b>861</b>	<b>1 370</b>
- for calculated interests	<b>861</b>	<b>1 370</b>
	-	
	-	
- other	-	
d.3.. Other, of which:	<b>847</b>	<b>197</b>
- payment of contingent liabilities	-	
- expenses due to bonds redemption	-	
-	-	
- other	<b>847</b>	<b>197</b>
<b>Total financial expenses</b>	<b>9 546</b>	<b>16 166</b>

**Note 34 A**

<b>CURRENT CORPORATE INCOME TAX</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
1. Gross profit (loss)	(14 281)	407
2. Consolidation adjustments		
3. Differences between gross profit (loss) and the income tax basis (by type)	14 655	2 741
- permanent differences adjusting expenses	1 711	4 076
- transient differences adjusting expenses	19 198	12 314
- permanent differences adjusting incomes		(1 471)
- transient differences adjusting incomes	(6 254)	(12 178)
- other		
4. Income tax basis	374	3 148
5. Corporate income tax at 19 % rate	71	598
6. Increases, reliefs, exemptions, allowances, and reductions of corporate income tax	71	598
7. Current corporate income tax as stated in the taxation statement for the period, of which:	-	-
- disclosed in the profit and loss account		
- referring to items that decreased or increased the equity capital		
- referring to items that decreased or increased the goodwill		

**Note 34B**

<b>DEFERRED CORPORATE INCOME TAX IN PROFIT AND LOSS ACCOUNT</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
- decrease (increase) due to occurrence or reversal of timing differences	(9 000)	(605)
- decrease (increase) due to change of taxation rates		
- decrease (increase) due to formerly not recognized losses, tax reliefs, or timing differences of prior period		
- 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		
- other components of deferred income tax, of which:	-	-
- calculated due interests included in result		
- interests paid		
- write-off updating receivables not being the costs of obtaining the revenues		
- reserves for holiday leaves		
<b>Total deferred income tax</b>	<b>(9 000)</b>	<b>(605)</b>

**Note 34 C**

<b>TOTAL AMOUNT OF DEFERRED INCOME TAX</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
- included in equity capital	(9 000)	(605)
- included in goodwill		

**Note 35**

<b>NET PROFIT (LOSS)</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
a. net profit (loss) of the dominant entity	(5 281)	1 012
b. net profits (losses) of subsidiary entities		
c. net profits (losses) of interrelated entities		
d. net profits (losses) of affiliated entities		
e. Profits (losses) of minority		
<b>Net profit (loss) per shareholders of the Company</b>	<b>(5 281)</b>	<b>1 012</b>

**Financial result according to sectors of activity**

	<b>30.06.2006</b>	<b>30.06.2005</b>
Wholesale of metallurgical products	(17 578)	634
Motorway activity		
Prefabrication of reinforcement for building industry	(3 515)	300
Other services	15 812	78
<b>Total:</b>	<b>(5 281)</b>	<b>1 012</b>

**Note 36**

<b>CALCULATION OF PROFIT (LOSS) PER ONE ORDINARY SHARE AND PER DILUTED SHARE</b>	<b>30.06.2006</b>	<b>30.06.2005</b>
Net profit (loss) (annualized)	(151 382)	2 434
Average weighted number of ordinary shares	107 762 023	107 762 023
Profit (loss) per one ordinary share (in zloty)	-1,40	0,02
Average weighted diluted number of ordinary shares		
Diluted profit (loss) per one ordinary share (in zloty)		

**The Management Board**

**02.10.2006**

Date

*Emil Wąsacz*  
Chairman of the MB, General Director

Signature

**02.10.2006**

Date

*Mieczysław Skołyński*  
Vice-Chairman of the MB, Financial Director

Signature

**02.10.2006**

Date

*Urszula Dzierżoń*  
Member of the MB, Commercial Director

Signature

**Signature of person responsible for accounting book**

**02.10.2006**

Date

*Małgorzata Michalunio-Kęps*  
Chief Accountant

Signature

**Auditor's Report**  
**on the review of the financial statements**  
**for the period from 1 January 2006 to 30 June 2006**  
**prepared in accordance with International Accounting Standards**

For the Shareholders and Supervisory Board of “**Stalexport**” S.A.

We have reviewed the accompanying interim financial statements of “**Stalexport**” S.A. with its registered office in Katowice, consisting of:

- the balance sheet prepared as at 30 June 2006, showing total assets and liabilities of **TPLN 571.774**;
- the profit and loss account for the period from 1 January 2006 to 30 June 2006, showing a net loss of **TPLN 5.281**;
- statement of changes in shareholders' equity, showing an increase in shareholders' equity of **TPLN 1.839**;
- the cash flow statement for the period from 1 January 2006 to 30 June 2006, showing a net cash increase of **TPLN 65.610**;
- notes to the financial statements.

The Management Board of the Company is responsible for the preparation of the financial statements.

Our responsibility was to perform a review of these financial statements.

We conducted our review in accordance with Polish regulations and professional auditing standards issued by the Polish National Chamber of Certified Auditors. The standards require us to plan and perform the review in a manner enabling us to obtain reasonable assurance that the financial statements are free of material misstatements.

We conducted the review mainly by analyzing the data in the financial statements, examining the books of account and using information provided by the management and employees in charge of the Company's finances and accounting.

The scope and methodology of interim reviews differs significantly from that of the audits based on which opinions are issued on the truth and fairness of annual financial statements. For this reason we are unable to issue such an opinion on the accompanying financial statements.

We draw your attention to the fact that in the reviewed period the Company continued to realize the provisions of the settlement and restructuring agreements concluded with its creditors. In the reviewed period the Company fulfilled its settlement and restructuring obligations. Extensive restructuring activities contain certain threats arising out of both macro and microeconomic conditions, the presence of which may lead to uncertainty as to the Company's continued operations in its present form, if not for the realization of the agreement concluded with Autostrade S.p.A. for the acquisition of a majority interest in the Company.

Subject to the above, our review did not disclose any indications of major misstatements in the presentation of the financial position of the Entity as at 30 June 2006 and its financial result for the period from 1 January 2006 to 30 June 2006 in the accompanying financial statements prepared in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations issued by the European Commission in the form of implementing regulations.

Katowice, 15 September 2006

**BDO Polska Spółka z o.o.**  
**ul. Postępu 12**  
**02-676 Warszawa**  
**Nr ewidencyjny 523**  
**Oddział Katowice**  
**al. Korfantego 2**  
**40-002 Katowice**

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

dr Andrè Helin  
State Authorized  
Public Accountant  
Reg. No. 90004/502  
President of BDO Polska Sp. z o.o.

## Notes to the accounts

### 1. Reasons of changes in individual assets and liabilities in the balance sheet as well as in the financial result for the first half of 2006.

Main factors, which influenced changes in individual assets and liabilities of the Company as at 30 June 2006 as against their value at the end of 2005:

- a. The sale of perpetual usufruct of land in Warsaw, including buildings, in Obrzeźna street – transfer of the Trade Branch office to the Ursus area,
- b. Prepayment for shares of the 2<sup>nd</sup> tranche of F series by the strategic investor, Autostrade SpA,
- c. Creation of revaluation write-off for non-financial assets,
- d. Reversal of reserve for deferred tax.

Re a

Within the programme of business cost cutting the company Stalexport S.A. made a decision on selling the facility in Warsaw, in Obrzeźna street and transferring the trade activities carried out there to a cheaper facility situated in the area of Ursus. As a result of this sale the value of tangible fixed assets went down by PLN 7,109,000 and long-term investments under the heading of “real property” went down by PLN 46,945,000.

In the profit and loss account this transaction had a positive impact on the financial income of PLN 6,758,000 (sale of perpetual usufruct of the land) with parallel charging the other operating costs by PLN 168,000 (disposal of buildings and structures). Overall, the operation has a positive influence on the result, equal to PLN 6,589,000.

Re b

Pursuant to provisions of the Management Board resolution no 63 of 5 June 2006, amended by resolution no 71/2006 of 9 June 2006, the Stalexport S.A. carried out a private subscription addressed to consortium banks. Within the issue of the 1<sup>st</sup> tranche of F series shares the Stalexport issued 15,840,622 shares.

Pursuant to Stalexport S.A. Management Board resolution no 82/2006 of 26 June 2006 on raising the share capital within the issue of the 2<sup>nd</sup> tranche of F series shares, the Stalexport issued 34,159,378 shares.

Both issues were registered by the District Court in Katowice, Economic Department of the National Court Register on 6 July 2006 and 27 July 2006.

As the registration of increased capital occurred in July, these events have not been reflected in the capital in the balance sheet for the first half of the year.

To the contrary, the prepayment into capital of PLN 68,318,766 contributed by the Italian investor – the Autostrade SpA – increased the cash in hand and increased the other liabilities.

Re c

In the reporting period the company made substantial revaluating write-offs on trade accounts receivable at the amount of PLN 16,390,000, which directly reduced the operating profit.

Re d

In the period discussed the company reversed the reserve for deferred tax at the amount of PLN 8,957,000, what had a positive effect on the net profit. The reversal of reserve for deferred tax was related to the transaction of sale of the real property with buildings in Warsaw, in Obrzeżna street.

## 2. Financial instruments

At the end of the reporting period the company did not held financial instruments.

## 3. The value of land under perpetual usufruct, as at 30 June 2006 (PLN '000).

Item	O.B.	C.B.
Office building and car park of company office	1 754	1 754
Panewniki facility	1 176	1 176

4. The **value of non-amortised and non-depreciated** by the Company fixed assets used under leasing agreements as at 30 June 2006 amounted to PLN 2,297,000, which comprised computer hardware and cars.
5. In the period discussed, **liabilities to the State Budget** or to local governments on obtaining the title to buildings and structures did not occur.
6. **Data on the ownership structure of the core capital** and on the number and face value of subscribed shares, including preference shares (detailed description – see Note 13 to the accounts).

Core Capital:

share capital	value	PLN 215,524,000
subscribed shares	number	107,762,023 shares
face value	value	PLN 2.

Main shareholders comprise:

Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej – (National Fund for Environmental Protection and Water Management)	16.72% shares
Powszechna Kasa Oszczędności Bank Polski S.A.	5.42% shares
The other shareholders	77.86% shares.

In the Management Board report, the capital of the Company and its structure have been presented taking into account the registration of increased capital in the KRS, which occurred in July.

**7. Specification of groups of liabilities secured on the company property (indicating its type).**

**Specification of mortgages and liens**

SUBJECT OF SECURITY	TYPE OF SECURITY	Liability group
Real property in Panewniki, KW 33944	Mortgage	credit liability
	Mortgage	credit liability
Real property in Katowice, Mickiewicza street, KW 32921	Mortgage	credit liability
Stalexport office in Katowice, KW 30094	Mortgage	credit liability
	Mortgage	credit liability
	Mortgage	credit liability
Real property in Chorzów, KW 17662	Mortgage	credit liability
Real property in Katowice, Opolska street, KW 8459	Mortgage	credit liability
Real property in Piła, KW 5722	Mortgage	liability on purchase of goods
Real property in Gostyń, KW 27409	Mortgage	liability on purchase of goods
Real property in Gniezno, KW 1658	Mortgage	liability on purchase of goods
Shares of Stalexport Serwis Centrum Katowice	Lien	credit liability
Shares in Stalexport Wielkopolska	Lien	credit liability
Shares of Stalexport Centrostal Lublin	Registered lien	credit liability
Shares of Beskidzki Dom Maklerski (Broking House)	Registered lien	credit liability
Steel products inventory in Piła Wholesalers	Registered lien	liability on purchase of goods
Steel products inventory in Gostyń Wholesalers	Registered lien	liability on purchase of goods
Steel products inventory in Gniezno Wholesalers	Registered lien	liability on purchase of goods
Steel products inventory in Krzyż Wlkp. Wholesalers	Registered lien	liability on purchase of goods
Steel products inventory in Warsaw	Registered lien	liability on purchase of goods
Steel products inventory in Warsaw	transfer of title	liability on purchase of goods
Steel products inventory in Koronowo Wholesalers	Registered lien	liability on purchase of goods

**8. Contingent liabilities, bonds and guarantees.**

Overall balance of guarantees as of 30 June 2006 amounts to PLN 14,536,000, which consists of:

- guarantee for the Huta Szczecin (Steel plant) at the amount of PLN 281,000, which is systematically repaid by the Huta,
- guarantee for the subsidiary Stalexport Bełchatów S.A. at the amount of PLN 60,000,
- (trade) guarantees in favour of Banks at the amount of PLN 2,518,000,
- guarantee for the subsidiary Transroute Autostrada, equal to PLN 11,671,000.

As compared with the previous year, the balance of guarantees has substantially increased, what was related to granting by the Stalexport S.A. a performance bond to the Stalexport Transroute S.A. in favour of the licensee (S.A.M S.A.) on obligations resulting from the Contract on A-4 Motorway, Katowice – Kraków, maintenance and operation.

## 9. Abandoned business.

In the period discussed no abandoned business occurred.

## 10. Planned capital expenditure.

Capital expenditure incurred and planned has been discussed in the "Management Board Report".

## 11. Material transactions of Stalexport S.A. – the parent company with subsidiaries covered by consolidation.

- mutual accounts receivable and payable (PLN '000)

Item		Stalexport S.A. receivables as of 30 June 2006	Stalexport S.A. payables as of 30 June 2006	Extra payments as of 30 June 2006
Stalexport Autostrada Małopolska	Mysłowice	41,693	-	-
Stalexport Autostrada Dolnośląska	Katowice		14,046	-
Stalexport Serwis Centrum	Katowice	291	906	-
- Stalexport Serwis Centrum	Bełchatów	539	3	-
- Stalexport Metalzbyt	Białystok	1773	1	-
Stalexport Centrostal	Lublin	297	275	200
Stalexport Transroute Autostrada	Mysłowice	23	1 004	-
Stalexport Autostrada Śląska S.A.	Katowice		3,412	-
Biuro Centrum Sp. z o.o.	Katowice		563	-
<b>Total</b>		<b>44,616</b>	<b>20,210</b>	<b>200</b>

- costs and income on mutual transactions (PLN '000)

Stalexport S.A. income	5,695
Stalexport S.A. costs	4,005

## 12. Joint ventures.

There were no joint ventures in the period considered.

## 13. Employment.

Average employment during 2005 amounted to:

- total jobs	284.0
- Management Board	3.0
- sales personnel	125.3
- administration-office personnel	43.2
- other employees	112.5

As compared with a similar period of last year, the total employment in the Stalexport S.A. decreased by 13.4 jobs. Slight downsizing of the employment resulted from retirements.

- 14. Total remuneration** paid to Proxies, members of the Management Board and Supervisory Board for the first half of 2006 was presented in the Management Board Report.
- 15. Persons managing**, as well as supervising the Company, did not use advance payments, loans, guarantees.
- 16. The company Stalexport S.A. did not have a legal predecessor.**
- 17. The financial statement** was not subject to the need of adjustment with the inflation rate (in the period required the inflation ratio has not exceeded 20% p.a.).
- 18. Events after the balance sheet date.**  
These have been discussed in detail in the Management Board Report.
- 19. The difference in the financial result** presented in the quarterly report SAQ 2/2006 and in the semi-annual report SAP 2006.  
In the quarterly report SAQ-2/2006 the Company presented a net profit of PLN 1,012,000, while in the audited semi-annual report SAP/2006 a loss of PLN 5,281,000.  
The difference in the net financial result equal to PLN 6,293,000 resulted from the necessity to create a revaluation write-off for trade accounts receivable.

Up to the date of publishing the financial result for Q2, the Company was undertaking relevant actions (also in agreement with debtors) to recover the accounts receivable considered. Unfortunately, up to date the debtors have not repaid majority of their liabilities and in accordance with internal Company regulations on creation of revaluation write-offs as at the date of semi-annual report drawing, there was a need to make such write-off. Actions aimed at enforcement of the above accounts receivable continue.

**MANAGEMENT BOARD  
REPORT  
ON ACTIVITY  
OF THE CAPITAL GROUP  
STALEXPORT  
for the first half of the year 2006**

**Katowice, 27<sup>th</sup> September 2006**



**MANAGEMENT BOARD REPORT ON ACTIVITY OF THE CAPITAL GROUP  
STALEXPORT  
for the first half of the year 2006**

Contents:

<b>1. INTRODUCTION .....</b>	<b>5</b>
<b>2. BASIC INFORMATION CONCERNING STALEXPORT S.A. AND THE CAPITAL GROUP. 9</b>	
2.1. Structure of the Capital Group .....	9
2.2. Significant distribution companies of the Capital Group STALEXPORT – economic and financial standing.....	10
2.2.1. STALEXPORT S.A.....	11
2.2.2. Stalexport Serwis Centrum S.A. – Katowice (SSC KATOWICE) .....	12
2.2.3. Stalexport Centrostal S.A. – Lublin (S.C. LUBLIN) .....	13
2.3. Motorway companies of the Capital Group STALEXPORT – economic and financial standing .	14
2.3.1. Stalexport Autoroute S.a.r.l. ....	14
2.3.2. Stalexport Autostrada Małopolska S.A. (SAM).....	15
2.3.3. Stalexport Transroute Autostrada S.A. (STA).....	15
2.3.4. Stalexport Autostrada Dolnośląska S.A. (SAD) .....	16
2.3.5. Stalexport Autostrada Śląska S.A. (SAŚ).....	16
<b>3. FINANCIAL ANALYSIS OF STALEXPORT CAPITAL GROUP .....</b>	<b>17</b>
3.1. Description of financial results .....	17
3.1.1. Revenue and costs of core operations (sales, costs of purchase and sales, costs of general management).....	17
3.1.1.1. Revenue from sales of goods and products.....	18
3.1.1.2. Costs of goods for resale and products sold.....	18
3.1.1.3. Costs of sales and general management.....	18
3.1.2. Other revenue and operating costs.....	18
3.1.3. Financial income and costs .....	19
3.1.4. Financial results - summary .....	19
3.2. Assessment of factors and extraordinary events influencing the result on business activity, including events after the balance sheet date.....	20
3.3. Assets and financial standing including the description of sources of finance, debt policy and risk management policy .....	21
3.3.1. Capital Group Assets.....	21
3.3.1.1. Long term assets .....	22
3.3.1.2. Short term assets.....	23
3.3.2. Capital Group Liabilities .....	24
3.3.2.1. Equity capital.....	24
3.3.2.2. Liabilities.....	25
3.3.3. The structure of finance sources and the management of financial resources.....	26
3.4. Description of investment activity.....	27
<b>4. REVIEW OF COMMERCIAL ACTIVITY OF THE CAPITAL GROUP.....</b>	<b>28</b>
4.1. Sales – Information on the core products, goods and services.....	28
4.2. Information about sales markets and suppliers .....	28
4.3. Distribution network.....	30
<b>5. OTHER INFORMATION ON STALEXPORT S.A. AND THE CAPITAL GROUP .....</b>	<b>31</b>
5.1. Changes in the composition of management and supervisory bodies of STALEXPORT S.A. and Capital Group.....	33
5.2. Remunerations of persons managing and supervising STALEXPORT S.A. ....	35
5.3. Liabilities due to loans not repaid, information on loans, pre-payments, guaranties, securities to people in management.....	36

5.4. Shares of the floating entity as well as shares or stakes in related units of the floating entity held by people managing or supervising the Capital Group (separately for each individual).....	36
5.5. List of shareholders having at least 5% of the total number of votes.....	37
5.6. Information on changes in STALEXPORT S.A. organizational or capital connections .....	38
<b>6. DEVELOPMENT PROSPECTS AND DESCRIPTION OF BASIC RISKS AND HAZARDS, CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS MATERIAL FOR STALEXPORT S.A. AND CAPITAL GROUP DEVELOPMENT.....</b>	<b>40</b>
6.1. Development prospects - introduction .....	40
6.2. Detailed description of STALEXPORT S.A. strategy.....	42
6.2.1. Hitherto strategy.....	42
6.2.2. Strategy in intermediate period.....	42
6.2.3. Target Strategy.....	46
6.4. Description Of the External and Internal Factors Essential For the Development of STALEXPORT S.A. and Capital Group .....	47
6.4.1. External Factors .....	47
6.4.2. Internal Factors .....	48
6.4.3. Other Factors.....	49
6.5. Basic Risks and Threats.....	49
6.5.1. The Risk Of Changing Concept Of Motorway Construction And Operation.....	49
6.5.2. Macroeconomic Situation Risk .....	50
6.5.3. The Risk Related with Initiating Financing of Maintenance Works On A4 Motorway Katowice-Krakow.....	50
6.5.4. The Risk Related With Concentration Of Suppliers On The Steel Products Market.....	51
6.5.5. The Risk Related To The Competitiveness On The Steel Products Distribution Market.....	51
6.5.6. Legislation Changes Risk (Polish and European Union) Influencing The Market .....	51
6.5.7. The Risk Related To Formation Of Exchange Rates.....	52
6.5.8. The Risk Related To Encumbrances By Way Of Historical Liabilities .....	53
6.5.9. The Risk Related With Final Defining of STALEXPORT S.A. Payables To The State Treasury By Way Of Credit Payment Guarantee Drawn By WRJ .....	53
6.5.10. The Risk Related With Limited Access To Current Assets.....	53
6.5.11. The Risk Related To Receiving Concession For Construction And Operation Of A4 Motorway Katowice-Krakow .....	54
6.5.12. The Risk Related To Financial Flows Control Of Toll Motorway Enterprise A4 Katowice-Krakow In Respect Of Its Compliance With The Records Of Concession Agreement.....	54
6.5.13. The Risk Related With The Seasonal Character Of Sale .....	55
6.5.14. The Risk Related With The Default Of The Investment Contract Records Between STALEXPORT S.A. And Autostrade S.p.A.....	55
6.5.15. The Risk Related With Encumbering Capital Group Assets .....	56
6.5.16. The Risk Related With Legal Proceedings Of Considerable Significance for Capital Group.....	56
6.5.17. The Risk Related With The Changes Of Issuer Statute.....	57
6.6. Conclusions.....	58
<b>7. ENCLOSURES – BOARD STATEMENTS.....</b>	<b>59</b>
7.1. Management Board’s statement, that to their best knowledge, financial statement and comparable data were prepared in accordance with binding accountancy regulations and that they reflect in true, reliable and clear manner the property and financial status of the Company and its financial result, and that Management Board Report contains the true picture of the development, achievements and Company’s situation, including the description of basic risks. ....	59
7.2. Management Board Statement stating that the entity entitled to conduct financial audit has been selected in accordance with legal regulations and that this entity and the auditors conducting the review have met conditions to present impartial and independent opinion about the audit, in accordance with the appropriate regulations of the domestic law.....	60
7.3. Management Board Statement On Applying the Principles of Corporate Order by the Company.....	61

## 1. INTRODUCTION

The Management Board Report concerning the activity of the Capital Group of STALEXPORT S.A. Company (Joint Stock Company) with its seat in Katowice for the first half of the year 2006, contains the most important information regarding the functioning of the Group in the reporting period.

The main tasks assumed by STALEXPORT S.A. to be carried out in the year 2006 result from the programme accepted in 2002 and entitled: "STALEXPORT S.A. strategy carrying out programme in the years 2002-2007 in the conditions of composition proceedings". The above mentioned tasks have covered the following issues:

- 1) payment of composition and non-composition liabilities,
- 2) running efficient trade activity on the basis of the existing as well as optimized sales network; and reconstruction of the market position at the steel trade market,
- 3) further reorganization of the Company and Capital Group leading to consolidation of its distribution part,
- 4) carrying on the motorway activity by means of :
  - § carrying out by the Company of the Capital Group (Stalexport Autostrada Małopolska S.A. – Stalexport Małopolska Motorway S.A.) the concession to exploitation of the paid motorway A4 at the section of Kraków-Katowice, including the performance of Annex 5 to the Concession Agreement and finalizing financial closing of the venture,
  - § participation in tenders concerning concessions to construct and exploit paid motorways: A1 at the section of Pyrzowice-Stryków and A2 at the sections Stryków-Konotopa and Konin-Stryków (cancelled in March 2006) by the companies of the Capital Group STALEXPORT,
- 5) development of steel processing,
- 6) maintaining costs discipline.

It was necessary to obtain financial means in order to perform the above mentioned tasks as well as for future existence of the Company.

**Due to lack of external financing in the form of credits (gradual opening of new credit lines for financing current operations was predicted at the beginning of 2004), running out of additional liabilities financing source coming from the sale of unnecessary property, and in the situation where none of the present shareholders was willing to fund the company with means necessary for further operations (either by increasing the capital or granting a credit), the only way of saving the Company and ensuring its optimal functioning from the point of view of the interested parties (employees, shareholders and creditors) – was winning a Strategic Investor.**

The Management Board of the Company undertook, over a year ago, intensive activities aimed at the above mentioned direction, and the Supervisory Board knew and approved this fact. The share price of the Company at the Warsaw Stock Exchange at that time was on the level significantly below PLN 2.0 per share. The conclusion of the Investment Agreement took place at a very last moment which still could stop further processes concerning limiting the Company activity.

Entry of AUTOSTRADE S.p.A. to STALEXPORT S.A. as well as full performance of the concluded agreement are and will be beneficial for all interested parties i.e.:

- **for employees**, as it provides working opportunity in conditions deprived of historical liabilities of STALEXPORT S.A.
- **for creditors**, as the Company gets means for paying off liabilities,
- **for shareholders**, as in the long run, it causes Company value increase and what follows is the increase of quotations at the Warsaw Stock Exchange.

In particular the following are worth underlining:

1. as a result of the Investment Agreement, already at the first stage of its performance, STALEXPORT S.A. obtained over PLN 68 million in cash. The target is to obtain almost PLN 250 million. The Company in its whole history has not had such a funding,
2. without the said cash injection STALEXPORT S.A. would have to further drain working capital in order to pay off its composition, non-composition and current liabilities,
3. the draining of that capital would cause further decrease of trade turnover leading to total cease of activity in the prospect of a few quarters,
4. lack of current servicing of trade liabilities would cause irreversible withdrawal of limits at the main suppliers – the effect would be the same as mentioned above and additionally there would be danger of filing a petition for bankruptcy of STALEXPORT S.A. by one of creditors or the Management Board themselves in accordance with law.

Moreover, apart from winning a strategic investor, there were also two important events in the first half of 2006. There were:

- conclusion of the agreement with Consortium Banks which satisfies their claims due to guarantee granted to the Tube Mill “Jedność”,
- obtaining financial closing by Stalexport Autostrada Małopolska S.A.

#### **Conclusion of the agreement with Consortium Banks and concerning the Tube Mill “Jedność”,**

On 4<sup>th</sup> May 2006 STALEXPORT S.A. concluded an agreement with consortium Banks; the banks were represented by ING Bank Śląski S.A. in Katowice. The agreement concerned satisfying by STALEXPORT S.A. the liabilities of Consortium Banks due to the guarantee granted by the Company and securing the payment of credits granted by the Consortium Banks to the Tube Mill “Jedność” Sp. z o.o. (Limited Liability Company). Consortium Banks liabilities, by force of law (Art. 67 § 1 Law on composition proceedings) were covered by composition proceedings STALEXPORT S.A., as liabilities of main creditors and were subject to 40 % reduction. Total amount of STALEXPORT S.A. liabilities, after taking into account 40% reduction and the decision of the Arbitration Court, amounted to PLN 33,447,189.48 plus interest calculated from 4<sup>th</sup> March 2005r. (the date of terminating credit agreements of the Tube Mill “Jedność” Sp. z o.o. (Limited Liability Company) by Consortium Banks) till the date of making a resolution by the Management Board of STALEXPORT S.A. concerning the increase of share capital of the Company. The satisfaction of all Consortium Banks claims, jointly with interest, by the Company took place by means of conversion into shares in share capital of STALEXPORT S.A. by paying the above mentioned liability as non cash contribution, in exchange for shares. The shares issuing was conducted with waiver of pre-emptive rights for present shareholders. **On 5<sup>th</sup> June 2006** the Management Board of STALEXPORT S.A. made a resolution (changed on 9<sup>th</sup> June 2006) concerning the increase of share capital of the Company from PLN 215,524,046.00 to PLN 247,205,290.00. **On 9<sup>th</sup> June 2006**, the agreements between STALEXPORT S.A. and Consortium Banks were signed in the scope of private subscription and concerning covering newly issued shares. The issuing took place with waiver of pre-emptive rights for present shareholders. Within the I Portion of issuing Shares Series F STALEXPORT S.A. issued in total 15,840,622 of ordinary bearer shares with numbers starting from F 107.762.024 to F 123.602.645 with face value of PLN 2 each. On the basis of the agreement the issuing price was set at the level of PLN 2.2458 for share according to market conditions binding in that particular situation, on the basis of mean share price of STALEXPORT S.A. shares at the Warsaw Stock Exchange, for the period of six months prior to conclusion of this agreement. The Registration of the above mentioned increase of capital took place as of 6<sup>th</sup> July 2006. The above mentioned solution totally exhausted the liabilities of Consortium Banks in relation to STALEXPORT S.A. due to the above mentioned title.

### **Achieving of financial closing by Stalexport Autostrada Malopolska S.A.**

Due to concluding Annex No. 5 to the Concession Agreement, STALEXPORT AUTOSTRADA MAŁOPOLSKA S.A. efficiently made a long term credit agreement with Consortium Banks for the amount of PLN 380 million. It constitutes the so called “financial closing” in the understanding of the provision of Concession Agreement, which means that the risk of withdrawing the concession (real when there in no closing) has been definitely eliminated, and it means that the value of the motorway property in assets of STALEXPORT S.A. has been defended.

In the first half of 2006 STALEXPORT S.A. paid two following instalments of the composition proceedings.

It should be taken into account that the composition proceedings of STALEXPORT S.A. covered PLN 605 million, including:

- a) about PLN 240 was reduced,
- b) almost PLN 190 million was paid by means of conversion into shares,
- c) the amount of PLN 130 million (capital + interest) was paid until the end of September 2006 r. (jointly 12 instalments).

Moreover, reorganized liabilities in relations to banks – non-composition creditors are being paid; at the moment of agreements conclusion they amounted to PLN 173 million. The payments due to it amounted, till the end of September this year, to PLN 167 million (capital + interest). While non-composition liabilities in relation to the State Treasury due to guarantees for Ostrowiec Steel Works (about PLN 78 million) will be paid starting at the beginning of 2008. Interest thereon is paid systematically. Such significant financial liabilities have impact on decrease of working capital and at the same time limiting of the Company and Capital Group trading capacities.

Jointly in the first half of 2006 the amount of PLN 34.3 million due to historical debt was paid.

The description of undertaken actions and achieved results can be found in the following chapters of this report.

The report of the Management Board contains:

- 1. Introduction,**
- 2. Basic information on STALEXPORT S.A. and the Capital Group,** including, among others: the structure of the Capital Group, information on significant distribution and motorway companies,
- 3. Financial part,** including description of financial result, description of not typical factors which have impact on the result of the operations, description of property and financial situation of the Capital Group,
- 4. Trade part,** including basic information concerning market and sales,
- 5. Other information on STALEXPORT S.A. and the Capital Group,**
- 6. A part describing development prospects as well as description of basic risks and dangers of the Capital Group STALEXPORT;** and also Management Board activities which were undertaken in order to specify the conditions of further development of STALEXPORT S.A. and Capital Group,
- 7. A part containing the statement of the Management Board** required in accordance with the Ordinance of the Minister of Finance of 19<sup>th</sup> October 2005 on up to date and periodical information handed by the issuers of securities.

The presented report covers issues specified in the Ordinance of the Minister of Finance of 19th October 2005 on up to date and periodical information handed by the issuers of securities (Journal of Laws – Dz. U. No 209, item 1744).



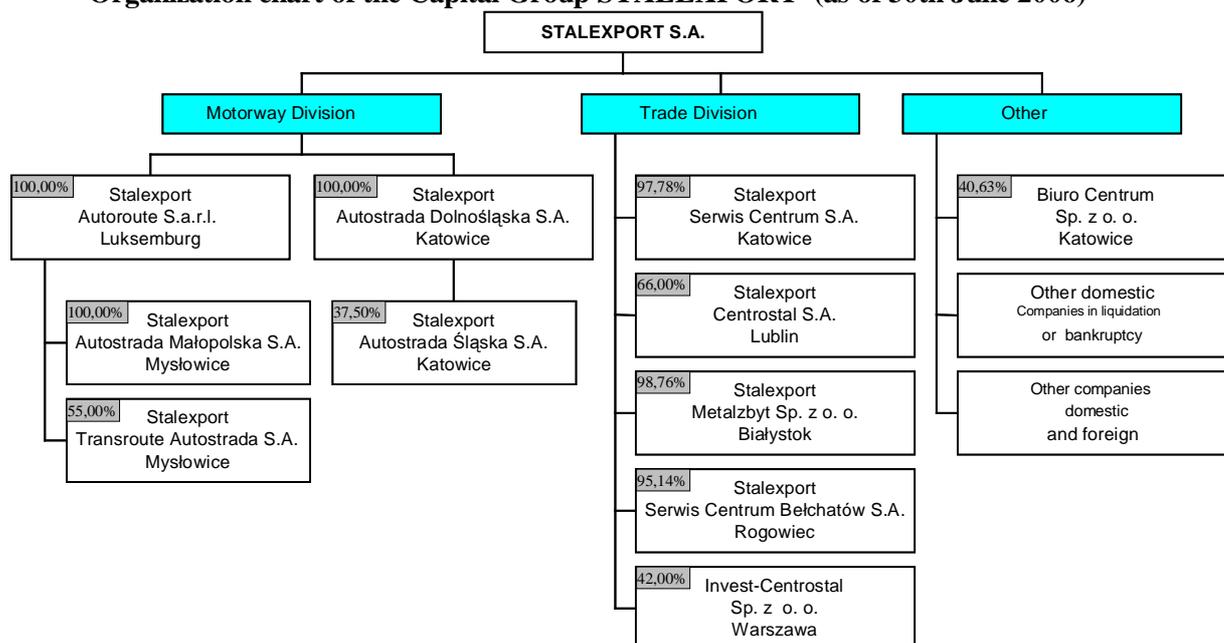
## 2. BASIC INFORMATION CONCERNING STALEXPORT S.A. AND THE CAPITAL GROUP

### 2.1. Structure of the Capital Group

STALEXPORT S.A. in the process of composition proceedings runs reorganization activities within its group; the activities consist of:

- withdrawal from production activity (the iron and steel industry),
- consolidation of distribution companies in order to use the synergy effect,
- maintaining and developing motorway activity.

#### Organization chart of the Capital Group STALEXPORT (as of 30th June 2006)



Stalexport S.A. jointly with its subsidiaries creates the Capital Group whose activity is focused mainly on two segments:

- **Trade Division** covering export, import, domestic turnover of steel products, metallurgy raw materials and processing of steel products, including production and assembling of prefabricated reinforcements,
- **Motorway Division** covers, among others, adjustment to the conditions of paid motorway and exploitation of A4 motorway at the section of Katowice-Kraków.

The trade and service activities within the Trade Division are run by the following entities from the Capital Group:

- STALEXPORT S.A., Katowice (Issuer, dominant entity),
- Stalexport Serwis Centrum S.A., Katowice,
- Stalexport Centrostal S.A., Lublin,
- Stalexport - Metalzbyt Sp. z o. o., Białystok,
- Stalexport Serwis Centrum Belchatów S.A., Rogowiec,
- Invest Centrostal Sp. z o.o. Warszawa.

The Capital Group is a significant distributor of steel products in Poland. The trade activity is carried out by a distribution network which is created by:

- 3 trade offices with seats in Warszawa, Częstochowa and Białymstok,

- 8 trade warehouses with seats in Gostyń, Gnieźno, Piła, Bełchatów, Krzyż Wielkopolski, Koszalin, Kostrzyn and Koronów,
- 4 sales points serviced by subsidiaries:
  - Stalexport Serwis Centrum S.A. with its seat in Katowice, which has trade warehouses in Katowice, Opole and Wrocław,
  - Stalexport Centrostal S.A. with its seat in Lublin.

The sales network covers most of the country and sales points are located close to the biggest recipients of steel products.

The following subsidiaries of Stalexport S.A are active in the Motorway Division.:

- Stalexport Autoroute S.a.r.l., Luxemburg, which is a shareholder of the below mentioned companies:
  - Stalexport Autostrada Małopolska S.A., Mysłowice (which has a concession for exploitation of the A4 Motorway at the section of Katowice-Kraków),
  - Stalexport Transroute Autostrada S.A., Mysłowice,
- Stalexport Autostrada Dolnośląska S.A., Katowice, which is a shareholder of Stalexport Autostrada Śląska S.A., Katowice.

On 26th June 2006 STALEXPORT S.A. concluded an Investment Agreement with Autostrade S.p.A. with its seat in Rome (Italy); in accordance with the provisions of the said agreement Autostrade S.p.A. took first of all 34,159,378 of shares Series F of II Portion, issued as the increasing of share capital within the target capital; the shares constitute 21.65% of shares in the share capital of the Issuer, after taking into account the registration of the increase of share capital by means of issuing Portion I of the Shares series F, taken by Consortium Banks. The Management Board of STALEXPORT S.A. informed by means of an up to date report of 3<sup>rd</sup> August 2006 that on 2nd August 2006 the Company received a Decision of the District Court in Katowice, Commercial Division of the State Court Register of 26<sup>th</sup> July 2006 on increasing the capital of the Company by means of shares taken by Autostrade S.p.A.

Winning a strategic investor such as Autostrade S.p.A. shall bring effects – assuming that the conditions on which the taking of STALEXPORT S.A. shares depends, and which are targeted at granting to Autostrade S.p.A. at least 50% + 1 shares in the capital of the Issuer, shall be fulfilled before the Closing Date – concerning focusing of the Issuer Group on only the activity in Motorway Sector.

## 2.2. Significant distribution companies of the Capital Group STALEXPORT – economic and financial standing

**Table No.1 Financial data of distribution companies in synthetic approach**

ITEM	STALEXPORT		SSC KATOWICE		S.C. LUBLIN	
	I h.2006	I h.2005	I h.2006	I h.2005	I h.2006	I h.2005
Long term Assets	296 218	345 757	15 344	10 423	1 940	1 860
Short term Assets	275 555	170 380	22 498	18 150	4 876	4 501
Equity	3 238	-22 231	28 752	20 968	1 488	1 540
Short term liabilities	188 604	185 809	9 028	7 464	4 617	4 081
Income on sales	269 740	242 707	37 781	32 686	8 408	11 350
General administrative expenditures	15 669	15 021	705	722	266	327
Operating profit (loss)	-14 361	5 429	290	-924	26	-241

Net profit (loss)	-5 281	1 012	371	1 048	61	-282
Sales profitability*	9.2%	6.9%	9.2%	7.7%	9.9%	6.6%
Current ratio**	1.5	0.9	2.5	2.4	1.1	1.1
Return on Equity ROE***	-	-	1.3%	5.0%	4.1%	-

Explanations to the Tables Nos 1 and 2 – if not further specified all figures in PLN thousand

\* **Sales profitability** calculated as GROSS PROFIT ON SALES/INCOME ON SALES

\*\* **Current ratio** calculated as

SHORT TERM ASSETS / SHORT TERM LIABILITIES

\*\*\* **RETURN ON EQUITY ROE** calculated as NET PROFIT / EQUITY

### 2.2.1. STALEXPORT S.A.

Income on sales for the first half of 2006 amounted to PLN 269,740 thousand and was 11% higher than in the first half of 2005.

The income on export sales was decisive as far as the positive sales result is concerned and it amounted to PLN 159,474 thousand, which constitutes about 60% of share in total income. Distribution sales performed by means of trade warehouses of the Company located in the area of the whole country amounted to PLN 51,775 thousand, and its share in total sales amounted to 19%; the production of reinforcement and domestic and export sales constituted 10 % of sales share each.

Gross profit on sales at the end of the first half of 2006 amounted to PLN 24, 910 thousand i.e. 50 % more than in the similar period of the previous year.

The sales costs increased to the amount of PLN 10, 012 which was a consequence of transportation costs and agent's commission related to bigger than planned export sales to South America.

General administrative costs for the first half of 2006 reached the level of PLN 15, 669 thousand, while during the first half of 2005 it amounted to PLN 15,021 thousand which means the increase by 4.3%.

Within other income which amounted to PLN 5,168 thousand the biggest item was the dissolving of the write-off in the amount of PLN 4,168 thousand, including PLN 1,500 thousand concerning the dissolving of the reserve for guarantee in relation to Szczecin Steel Works S.A (Joint Stock Company).

Other costs amounted to PLN 18,758 thousand and they included, first of all, costs due to the creation of write-down for non-financial assets in the total amount of PLN 17,033 thousand, including PLN 16,390 thousand concerning trade receivables write-off, and PLN 643 thousand is a reserve created for not taken employees' leaves.

At the end of the first half of 2006 the profit on operating activity of the STALEXPORT S.A. Company was negative and amounted to PLN -4,361 thousand.

The main reason for a loss on operating activity was the necessity to create write-offs for trade receivables (we give more details in section 3.2).

Financial activity balance for the first half of 2006 is slightly positive and amounts to PLN 79 thousand. Financial income amounted to PLN 9,625 thousand, and included mainly profit in the amount of PLN 6,758 thousand due to the sale of real estate in Warsaw, and income due to interest in the total amount of PLN 1,899 thousand. Under income there was also a positive balance of exchange rate differences in the amount of PLN 899 thousand.

The financial costs, at the level of PLN 9,546 thousand, included first of all costs of interest for the total amount of PLN 7,838 thousand, including PLN 4,648 thousand interest on credits and PLN 2,851 thousand interest on composition liabilities. Other financial costs concern creation of write downs for interest in the amount of PLN 861 thousand, and costs of tax and fees due to the issuing of shares series F in the amount of PLN 500 thousand.

The Company at the level of gross result revealed negative value of PLN -14,281 thousand. After taking into account the deferred income tax in the amount of PLN 9,000 thousand, the net loss at the end of the first half of 2006 amounted to 5,281 thousand.

The Company's assets as of 30th June 2006 were at the level of PLN 571,774 thousand. Within long term assets which amounted to PLN 296,218 thousand the main item was long-term investment in the amount of PLN 248,506 thousand and tangible fixed assets.

Short-term assets amounted to PLN 275,555 and included:

- short-term receivables in the amount of PLN 154,267 thousand,
- cash in the amount of PLN 70,268 thousand, (inflow of cash due to the issuing of shares series F for the New Company's investor),
- inventories in the amount of PLN 49,930 thousand,
- other items in the amount of PLN 1,090 thousand.

Under liabilities, the equity for the first time in long term revealed a positive value in the amount of PLN 3,238 thousand, mainly due to valuation of the value of possessed shares of motorway companies, which was reflected in the amount of reserve capital from the revaluation in the amount of PLN 139,994 thousand and due to one time settlement of remitted part of composition liabilities, which was revealed in other reserve capitals which amounted to PLN 51,017 thousand.

After the transaction the said capitals, jointly with share capital, covered accrued loss from previous years in the amount of PLN 398,033 thousand, and it can be assumed that currently the amount of equity is shaped by the level of current net result which is generated by the Company.

While as a result of registration in July 2006 of both issuing of series F (I Portion for Consortium Banks on 6<sup>th</sup> July 2006 and II Portion for Autostrade S.p.A. on 26<sup>th</sup> July 2006), the amount of equity was increased by the amount of PLN 103,893,624.

Long-term liabilities of the Company at the end of June this year amounted to PLN 379,932 thousand. The fixed items within the said liabilities cover: reorganised credit in the amount of PLN 59,775 thousand and composition liabilities in the amount of PLN 77,484 thousand, regularly paid in accordance with the assumed schedule of payments. Moreover, other long-term liabilities in the amount of PLN 197,133 thousand constitute liabilities due to guarantees concerning the Tube Mill "Jedność" in the amount of PLN 119,179 thousand (which after registration on 6<sup>th</sup> July 2006 of the increase of share capital taken by Consortium Banks were decreased to the amount of PLN 85,732 thousand) and liabilities due to guarantees concerning Ostrowiec Steel Works S.A. in the amount of PLN 77,955 thousand.

The short-term liabilities in the amount of PLN 188,604 thousand include first of all liabilities due to supplies and services in the amount of PLN 77,689 thousand, investors advance payment for covering shares (F series shares) in the amount of PLN 68,319 thousand and credit in Fortis Bank commenced for servicing export transactions in the amount of PLN 10,000 thousand.

### **2.2.2. Stalexport Serwis Centrum S.A. – Katowice (SSC KATOWICE)**

At the steel market – after the period of stabilisation and slow increase in the second half of 2005 – in the first quarter of 2006 there was a decrease of prices of practically all range groups, and in the second quarter there was a clear revival. After winter there was an increase of construction and assembling production growth pace, the demand for metallurgy products went up and this resulted in a systematic increase of prices. It was reflected in the trade results of the Company.

Incomes on sales for the first half of 2006 reached the value of PLN 37,781 thousand which constitutes an increase by 15.6% of the value of incomes obtained in the first half of 2005. In the sales structure 92 % of incomes were incomes due to the sales of goods, and 8 % due to the sales of goods and services.

Gross profit on sales in the first half of 2006 amounted to PLN 3,457 thousand, while in similar period of the previous year it amounted to PLN 2,526 thousand which constitutes increase by 37%. The sales gross profitability has improved and reached the level of 9.2%.

A positive trend was observed in the scope of general administrative costs, which as compared with the first half of 2005 decreased by 2.4% and at the end of June 2006 amounted to PLN 705 thousand.

First half of 2006 the Company finished with net profit in the amount of PLN 371 thousand, while in the first half of last year net profit amounted to PLN 1,048 thousand. Operating activity was closed with profit of PLN 290 thousand, while the profit of PLN 84 thousand was observed at financial operations.

During the first half of 2006 the Company tried to use the increasing profit on the market and as a result of sales profitability and profit on operating activity increased.

At the end of the first half of 2006 the balance sheet total amounted to PLN 37,842 thousand, while at the end of the first half of 2005 it amounted to PLN 28,573 thousand, which means an increase by PLN 9,269 thousand. Also the increase in long- and short-term assets was observed.

Within long term assets which amounted to PLN 15,345 thousand, fixed tangible assets had a dominant position and were evaluated at the end of the first half of 2006 for the amount of PLN 14,713 thousand.

Short term assets increased from the level of PLN 18,150 thousand (as of 30th June 2005) to the amount of PLN 22,498 thousand (as of 30<sup>th</sup> June 2006), and their age structure improved. The said growth resulted from the increase of the level of inventories and short term receivables which then can be explained by the increase of income on sales.

Receivables constituted 62 % of short-term assets and were their biggest item; the share of inventories was at the level of 33%.

At the end of the first half of 2005 the inventories were at the level of PLN 5,301 thousand while at the end of the first half of 2004 they were at the level of PLN 9,004 thousand.. Inventory turnover decreased to the level of 33 days. Similar trend occurred in the amount of short-term receivables, which at the end of the first half of 2005 amounted to PLN 12,106 thousand, while a year before they were PLN 13,84 thousand.

The value of short-term liabilities amounted at the end of the first half of 2006 to PLN 9,028 thousand, including liabilities due to supplies and services in the amount of PLN 8,220 thousand. The Company paid on time its liabilities in relation to suppliers, budget and banks and the lack of overdue liabilities proves the above.

In the first half of 2006 the inventory turnover was 42 days, turnover of receivables 67 days and the turnover of liabilities 51 days.

Due to the improvement of the structure of short-term assets and liabilities the Company improved its financial liquidity – current ratio was 2.5 – which guarantees maintaining financial security of the Company.

### **2.2.3. Stalexport Centrostal S.A. – Lublin (S.C. LUBLIN)**

The subject of Company's activities includes turnover of metallurgy products and ferroalloys, processing and sales of scrap and services in the scope of dimension cutting for clients.

In the first half of 2006 the Company performed the sales of goods and services in the amount of PLN 8,408 thousand and as compared with the first half of 2005 the sales level was smaller by almost 26%, mainly due to the working capital deficit. The increase of prices for steel products took place in the first half of 2006 and influenced the increase of sales margin – the sales profitability ratio was at the level of almost 10%. Positive trend was also observed in the general administrative costs which decreased by 18.7% as compared to the first half of 2005, and reached at the end of 2006 the level of PLN 266 thousand.

As a result of the above, the Company revealed profit on operating activities in the amount of PLN 26 thousand and its level could have been higher had the turnover not significantly fallen.

Financial activity balance was negative and amounted to PLN 37.5 thousand. After taking into account deferred income tax, net profit for the first half of 2006 amounted to 61.3 thousand.

Balance sheet total of the Company at the end of June 2006 amounted to PLN 6,816 thousand. Short-term assets in the amount of PLN 4,876 thousand had the biggest share in Company's assets; they covered first of all short-term receivables in the amount of PLN 3,190 thousand and provisions in the amount of PLN 1,597 thousand.

As far as liabilities are concerned, short term liabilities had the biggest share and at the end of the first half of 2006 they amounted to PLN 4.617 thousand, including liabilities due to supplies and services of PLN 2,909 thousand as well as credit and loans of PLN 1,419 thousand.

### 2.3. Motorway companies of the Capital Group STALEXPORT – economic and financial standing

**Table No. 2 Financial data of distribution companies in synthetic approach**

ITEM	SAM		STA	
	I h. 2006	I h. 2005	I h. 2006	I h. 2005
Long term Assets	470 292	110 235	4 263	5 126
Short term Assets	35 204	70 294	9 591	9 061
Equity	196 543	141 308	4 906	3 984
Short term liabilities	25 674	37 593	3 745	3 367
Income on sales	55 225	39 111	13 350	11 904
General administrative expenditures	18 885	6 011	1 552	1 452
Operating profit (loss)	30 664	23 715	4 421	3 725
Net profit (loss)	24 799	16 486	3 348	2 666
Sales profitability	76.3%	70.5%	44.7%	43.6%
Current ratio	1.4	1.9	2.6	2.7
Return on Equity ROE	12.6%	11.7%	68%	66.9%

Explanations – vide Table No.1

#### 2.3.1. Stalexport Autoroute S.a.r.l.

Stalexport Autoroute S.a.r.l. with its seat in Luxemburg was registered on 30<sup>th</sup> December 2005. Its creation was one of the conditions of obtaining Financial Closing, i.e. efficient conclusion of long-term credit agreement with Banks Consortium for the amount of PLN 380 million. The Company does not run any other activity apart from having shares in the following companies: Stalexport Autostrada Małopolska S.A. and Stalexport Transroute Autostrada S.A., in order to properly implement the securities package (pledge on shares) to the above mentioned credit agreement.

Share capital of the Company amounted to EUR 47,565,000 EUR. The Company in 100% depends on STALEXPORT S.A.

The Company is a shareholder of the following companies:

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

### **2.3.2. Stalexport Autostrada Małopolska S.A. (SAM)**

Stalexport Autostrada Małopolska S.A. with its seat in Mysłowice was funded on the basis of a Notarial Deed of 19<sup>th</sup> December 1997. The basic activities of the Company include motorway activity in the scope of managing motorway design, and in particular commercial activity connected with construction management by adjusting to the requirements of paid motorway and exploitation of a segment of A4 motorway Katowice-Kraków, on the basis of a concession granted originally to STALEXPORT S.A. on 15<sup>th</sup> March 1997, and transferred by means of the Infrastructure Minister at that time decision to Autostrada Małopolska S.A. on 28<sup>th</sup> June 2004.

The share capital amounted to PLN 29,553,000. The Company in 100% depends on Stalexport Autoroute S.a.r.l.

The Company collects toll fees and lease payments due to the fact that it has concession; the Company's duties cover current maintenance of the motorway and performance of investment tasks.

Negotiations conducted with GDDKiA (General Directorate for National Road and Motorways) enables signing by the Minister of Infrastructure an Annex No. 5 to the Concession Agreement on 21<sup>st</sup> March 2005 which came into force after signing all attachments – which took place on 17<sup>th</sup> October 2005. The agreement's enforcement made it possible to obtain financial closing – in the form of long-term credit from Banks Consortium - devoted to financing necessary investment works and settlements resulting from the transfer of concession into STALEXPORT Autostrada Małopolska S.A. by STALEXPORT S.A.

Balance sheet total at the end of the first half of 2006 amounted to PLN 505,497 thousand, including PLN 470,292 thousand of long-term assets and PLN short-term assets of PLN 35,204 thousand.

Transfer of concession had mainly impact on the increase of long-term assets, where fixed assets in the amount of PLN 127,000 thousand were depreciated in STALEXPORT SA. The next factor increasing long-term assets was taking into account EBOR credit costs in long-term accruals which at the end of 2006 constituted PLN 218,073 thousand. EBOR credit was taken by State Treasury in order to finance motorway construction in 1990s and in accordance with the Concession Agreement in the future it shall be subject to reimbursement by SAM SA company.

Financial result obtained by the Company in the first half of 2006 are better than as compared to the similar period of the previous year. The value of the income on sales amounted to PLN 55,114 thousand while in the similar period of the previous year it was PLN 39,111 thousand. Such an increase is mainly a consequence of the increase of traffic after the introduction of toll stickers and what followed was the increase of income due to the motorway toll fees.

The net profitability ratio reached a high level of 45 %. Net profit for the first half of 2006 amounted to PLN 24,799 thousand. The Company devoted the whole profit to the performance of needs in the scope of exploitation and investment (among others renovation of bridge objects and surfaces).

The Company carries out active marketing by means of application of discount tickets and discounts for the use of motorway, advertising and promotion activities which are to improve the image and increase the number of users.

### **2.3.3. Stalexport Transroute Autostrada S.A. (STA)**

Stalexport Transroute Autostrada S.A. with its seat in Mysłowice was incorporated under a notary deed of 14 May 1998. The Company's activities are related to the operation of A4 Katowice-

Krakow toll motorway, within the scope and in compliance with the license granted initially to STALEXPORT S.A., and subsequently transferred to Stalexport Autostrada Małopolska S.A. The Company's core activity is collecting toll on behalf of the Licensee to maintain the motorway. Stalexport Transroute Autostrada S.A. performs services for one customer, i.e. Stalexport Autostrada Małopolska S.A.

The Company's share capital amounts to PLN 500,000. The Company's main shareholder, holding 55% of its shares, is Stalexport Autoroute S.a.r.l. The remaining 45% of shares is held by Transroute International S.A., France.

Revenue from sales in the first half of 2006 amounted to PLN 13,350K, whereas the net profit reached was PLN 3,348K, which, compared to the Company's own capital of PLN 4,906K, means very high profitability: return on equity ratio (ROE) is 68%. The Company enjoys stable financial standing, and its current liquidity ratio as of the end of the first half of 2006 was 2.6.

#### **2.3.4. Stalexport Autostrada Dolnośląska S.A. (SAD)**

Stalexport Autostrada Dolnośląska S.A. with its seat in Katowice was incorporated under a notary deed of 2 July 1997. Its core activity focuses on motorway project management.

Stalexport Autostrada Dolnośląska S.A. holds 37.50% of votes in WZA Stalexport Autostrada Śląska S.A. established to obtain a license for the operation of A4 Wrocław-Katowice motorway.

The Company's share capital is PLN 40,100,000. The issuer holds 100% of shares in Stalexport Autostrada Dolnośląska S.A.

STALEXPORT Autostrada Dolnośląska S.A., through its subsidiary, STALEXPORT Autostrada Śląska (the other shareholders are STRABAG and Egis Project) has made an effort to win a contract for management and maintenance of A4 Katowice-Wrocław motorway, which was prevented by the government's cancellation of the tender procedure.

SAD S.A. entered into a consortium with an Italian company, Autostrade SpA (the biggest licensee in Europe). At the end of 2005 they submitted bids in pre-qualification tenders announced by GDDKiA [General Directorate for National Roads and Motorways] for the construction and operation of: A1 Stryków-Pyrzowice (180 km), A2 Stryków-Konotopa (95 km) as well as operation of A2 Konin-Stryków motorway (103 km), with the latter of the tender procedures having been recalled.

#### **2.3.5. Stalexport Autostrada Śląska S.A. (SAŚ)**

Stalexport Autostrada Śląska S.A. with its seat in Katowice was incorporated under a notary deed of 24 August 2000. Its core activity is motorway project management.

Stalexport Autostrada Śląska S.A. made an effort to obtain a license for the operation of A4 Wrocław – Katowice motorway; however, the tender procedure was cancelled by the Minister of Infrastructure on 27 February 2006.

The Company's share capital amounts to PLN 44,000,000. Its shareholders are: Stalexport Autostrada Dolnośląska S.A. (37.5% of shares), Egis Project S.A. (37.5%) and Strabag AG (25%).

### 3. FINANCIAL ANALYSIS OF STALEXPORT CAPITAL GROUP

#### 3.1. Description of financial results

Consolidated financial results for the first half of 2006 are as follows:

Thousand PLN	Half of 2006	Half of 2005	Difference	Dynamics First half 2006 / First half 2005	Structure 2006	Structure 2005
<b>I. Net revenue from sales of products, goods and materials, including</b>	<b>364 133</b>	<b>333 623</b>	<b>30 510</b>	<b>9%</b>	<b>100%</b>	<b>100%</b>
1. Net revenue from sales of products	88 157	62 425	25 732	41%	24%	19%
2. Net revenue from sales of goods and materials	275 976	271 198	4 778	2%	76%	81%
<b>II. Costs of goods, products and materials sold, including:</b>	<b>287 166</b>	<b>281 649</b>	<b>5 517</b>	<b>2%</b>	<b>79%</b>	<b>84%</b>
1. Costs of production of the products sold	37 945	39 446	-1 501	-4%	10%	12%
2. Value of goods and materials sold	249 221	242 203	7 018	3%	68%	73%
<b>III. Gross profit (loss) on sales (I - II)</b>	<b>76 967</b>	<b>51 974</b>	<b>24 993</b>	<b>48%</b>	<b>21%</b>	<b>16%</b>
IV. Other revenue	12 850	21 353	-8 503	-40%	4%	6%
V. Costs of sales	12 751	9 219	3 532	38%	4%	3%
VI. Costs of general management	37 214	24 472	12 742	52%	10%	7%
VII. Other costs	18 844	8 171	10 673	131%	5%	2%
VIII. Subordinate entities' share in net profit (loss) established by equity method	-133	-176	43	-	-	-
<b>IX. Profit (loss) on operations (III+IV-V-VI-VII+/-VIII)</b>	<b>20 875</b>	<b>31 289</b>	<b>-10 414</b>	<b>-</b>	<b>6%</b>	<b>-</b>
X. Financial income	10 521	8 992	1 529	17%	3%	3%
XI. Financial costs	9 966	17 093	-7 127	-42%	3%	5%
XII. Profit (loss) on sales of all or part of shares in subordinate entities	0	0	0	-	-	0%
<b>XIII. Gross profit (loss) (IX + X - XI +/- XII)</b>	<b>21 430</b>	<b>23 188</b>	<b>-1 758</b>	<b>-</b>	<b>6%</b>	<b>7%</b>
XIV. Income tax	-2 056	4 858	-6 914	-142%	-1%	1%
XV. Net profit (loss) (XIII - XIV)	23 486	18 330	5 156	-	6%	5%
XVI. Profit (loss) of minority	-1 533	-960	-573	-	-	-
<b>XVII. Net profit (loss) to Company's Shareholders (XIV +/- XVI)</b>	<b>21 953</b>	<b>17 370</b>	<b>4 583</b>	<b>-</b>	<b>6%</b>	<b>5%</b>

#### 3.1.1. Revenue and costs of core operations (sales, costs of purchase and sales, costs of general management)

### **3.1.1.1. Revenue from sales of goods and products**

In the first half of 2006 the revenue from sales of goods and products of Stalexport Capital Group was PLN 364,133 thousand and it was higher by PLN 30,510 thousand (i.e. 9%) compared to the first half of the preceding year. The chief factors affecting the growth of income from sales was the increase of export sales and the sales of products (reinforcement elements)

The territorial structure of sales income is as follows:

- Domestic turnover	PLN 201,557 thousand
- Export sales	PLN 162,576 thousand

Domestic turnover in the first half of 2006 was lower by PLN 17,462K (i.e. 8 %) when compared to the sales achieved by Stalexport Capital Group on the domestic market in the first half of 2005. The export sales in the said period increased by PLN 47,972K (i.e. 42 %).

With respect to the type of goods sold, the sales structure is as follows:

- Revenue from the sales of goods and materials	PLN 275,976 thousand
- Revenue from the sales of products	PLN 88,157 thousand
Including:	
- revenue from motorway operations	PLN 55,297 thousand
- production of reinforcement for the building industry	PLN 29,547 thousand
- sales of services	PLN 3,313 thousand

### **3.1.1.2. Costs of goods for resale and products sold**

The costs of goods and products sold in the first half of 2006 was PLN 287,166 thousand including:

- Value of goods sold at purchase price	PLN 249,221 thousand
- Costs of manufacturing of products sold	PLN 37,945 thousand

The gross profit obtained on sales was PLN 76,967 thousand and was higher by PLN 24,993 thousand (i.e. 48 %) when compared to the same period of the preceding year.

### **3.1.1.3. Costs of sales and general management**

The costs of sales equaled PLN 12,850 thousand and were higher by PLN 3,532 thousand (i.e. 38%) in comparison to the first half of 2005. The increase of the costs was a consequence of 48% growth dynamics in the sales of metallurgical products for export.

The costs of general management in the capital group was PLN 37,214 thousand and was higher by PLN 12,472 thousand (i.e. 52%) compared to the first half of 2005. The increase of general management costs applies to the entire Stalexport Autostrada Małopolska S.A. and was caused by various one-off payments (commissions, and long term credit charges, financial legal and technical consulting) related to obtaining long term credit for the so-called "financial closure" of a motorway. The costs of general management incurred in the first half of 2006 in other subsidiaries were slightly lower when compared to the first half of 2005.

### **3.1.2. Other revenue and operating costs**

Other revenue obtained amounted to PLN 12,850 thousand, whereas other operating costs were PLN 18,844 thousand.

The main items of other revenue are:

- released allowances and provisions, Including:	PLN 4,211 thousand
a) released allowances for uncollectible accounts	PLN 1,891 thousand
b) released provision for contingent liability	PLN 1,500 thousand
c) other provisions released	PLN 819 thousand
- compensation obtained by SAM S.A. from insurance companies for performance guarantees with respect to construction contracts	PLN 5,077 thousand
- SAM S.A.'s income from leasing of passengers service areas and optical fibers	PLN 2,029 thousand

Major items among other operating costs are as follows:

- allowances and provisions established including:	PLN 16,911 thousand
- allowance for uncollectible liabilities In the parent company	PLN 16,390 thousand
- interest on trade liabilities	PLN 508 thousand
- overdue debts charged in costs	PLN 284 thousand
- costs of investment with no effects	PLN 214 thousand
- Court fees	PLN 127 thousand
- Other	PLN 800 thousand

### 3.1.3. Financial income and costs

The financial income obtained amounted to PLN 10,521k, whereas the financial costs incurred amounted to PLN 9,966k.

Major items of financial income are as follows:

- profit from the sales of perpetual usufruct right for land at Obrzeźna Street in Warsaw	PLN 6,758 thousand
- interest obtained Including: from bank accounts and deposit accounts	PLN 2,566 thousand PLN 705 thousand
- balance of positive currency translation differences	PLN 1,115 thousand

Major items of financial costs are:

- interests to be paid Including:	PLN 8,248 thousand
a) from credits	PLN 4,666 thousand
b) from liabilities related to composition	PLN 2,848 thousand
- other financial costs Including: allowances for interest accounts	PLN 1,718 thousand PLN 861 thousand

### 3.1.4. Financial results - summary

Consolidated gross profit of Stalexport Capital Group for the first half of 2006 is PLN 21,430k.

Negative value of income tax, i.e. PLN 2,056k had a significant impact on the financial result of STALEXPORT Capital Group, including the current part of the income tax in the amount of PLN

7,956 thousand and negative value of the deferred part of the tax, i.e. PLN 10,012 thousand, including a released allowance for the sale of real estate at Obrzeżna Street in Warsaw amounting to PLN 8,967 thousand.

Consolidated net profit in the first half of 2006 was PLN 23,486 thousand.

Minority profits captured by minority shareholders were PLN 1,533 thousand.

Consolidated net loss assigned to the Company's shareholders for the first half of 2006 was PLN 21,953 thousand. In the first half of 2005 Stalexport Capital Group reached the net profit of PLN 17,370 thousand.

The following factors affected the net profit obtained by Stalexport Capital Group in the first half of 2006:

- financial results of trading companies under consolidation	PLN 429 thousand
- financial results of motorway operations companies under consolidation	PLN 27,985 thousand
- financial result of the parent company STALEXPORT S.A.	PLN -5,281 thousand
- consolidation adjustments on balance	PLN -1,180 thousand

### **3.2. Assessment of factors and extraordinary events influencing the result on business activity, including events after the balance sheet date**

The most important extraordinary events affecting the consolidated financial statements of STALEXPORT S.A. Capital Group in the first half of 2006 are as follows:

- a) Sale by the parent company, STALEXPORT S.A., the right of perpetual usufruct to the land in Warsaw at Obrzeżna street together with buildings attached, and moving the trade branch head offices to Ursus
- b) Prepayment for the subscription of 2<sup>nd</sup> block of stocks, F series, in the parent company, STALEXPORT S.A., by the strategic investor Autostrade S.p.A.,
- c) Creating allowances for non-financial assets
- d) Release of provisions for deferred tax

Ad. a)

The parent company, STALEXPORT S.A., as part of the cost reduction program, made a decision to sell the facility in Warsaw at Obrzeżna Street and to move the activity from there to a more cost-effective facility located in Ursus. The sale resulted in a decrease of tangible fixed assets by PLN 7,109 thousand, and a decrease of long term investment item, "real property", by PLN 46,945 thousand.

In the profit and loss account the said transaction positively affected the financial income at PLN 6,758 thousand (disposal of the right of perpetual usufruct of land) while at the same time the other operating costs were increased by PLN 168 thousand (sale of buildings and structures). The transaction had a positive effect on the results in the amount of PLN 6,589 thousand.

Ad. b)

STALEXPORT S.A., as provided in the Resolution no. 63 adopted by the Management Board on 5 June 2006 and amended by Resolution no. 71/2006 of 9 June 2006, performed a private subscription for consortium banks. As the first block of stocks, "F" series, STALEXPORT S.A. issued 15,840,622 stocks.

In accordance with the STALEXPORT S.A.'s Management Board Resolution no. 82/2006 of 26 June 2006 concerning the increase of share capital, STALEXPORT S.A. issued 34,159,378 stocks as the second block of "F" series stocks.

In both cases, the issuance was registered by the Regional Court in Katowice, Commercial Division of the National Court Register on 6 July and 27 July 2006.

Due to the fact that the registration of the increased capital took place in July 2006, the balance sheet for the first half of 2006 does not reflect the events in capital.

However, the prepayment for capital in the amount of PLN 68,318,766 made by the Italian investor Autostrade S.p.A. caused an increase of cash and other liabilities.

Ad. c)

Significant allowances for non-financial assets in the amount of PLN 16,390 thousand were made in the reporting period in STALEXPORT S.A. as the parent company. The said allowances influenced the decrease in the result of operating activity. The company expects that a part of the liabilities for which the said allowances were made will be returned within the next two quarters, in particular the secured liabilities (e.g. Rur-Stal Sp. z o.o.). STALEXPORT S.A. has undertaken legal actions aimed at collecting the liabilities.

Ad. d)

Negative value of deferred part of the tax, i.e. PLN 10,012 thousand had a significant impact on the financial result of STALEXPORT S.A. Capital Group, including: provision for income tax from the sale of real property at Obrzeźna Street in Warsaw released in the parent company, amounting to PLN 8,967 thousand. The released provision for income tax increased net financial result.

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

#### 3.3.1. Capital Group Assets

The total assets of Stalexport Capital Group as of 30 June 2006 were increased by PLN 79,564 thousand when compared to the balance as of the end of 2005. A decrease of long term assets by 37,247 thousand (i.e. 6%) was noted, whereas short-term assets increased by 116,811 thousand (i.e. 62%).

The structure of consolidated balance sheet assets is shown below:

ASSETS (k PLN)	As of 30.06. 2006	As of 31.12. 2005	Difference	Dynamics half 2006/ 2005	Structure 30.06. 2006	Structure 31.12. 2005
<b>I. Long term assets</b>	<b>557 754</b>	<b>595 001</b>	<b>-37 247</b>	<b>-6%</b>	<b>65%</b>	<b>76%</b>
1. Tangible fixed assets	304 381	307 310	-2 929	-1%	35%	39%
2. Intangible assets	339	413	-74	-18%	0%	0%
3. Goodwill of subordinate entities	0	0	0			
4. Long term receivables	412	509	-97	-19%	0%	0%
5. Long term investments	25 634	62 780	-37 146	-59%	3%	8%
6. Assets held for sale	2 199	4 231	-2 032	-48%	0%	1%
7. Assets from deferred income tax	6 716	6 064	652	11%	1%	1%
8. Long term prepayments	218	213	4 379	2%	25%	27%

	073	694				
	<b>304</b>	<b>187</b>				
<b>II. Current assets</b>	<b>696</b>	<b>885</b>	<b>116 811</b>	<b>62%</b>	<b>35%</b>	<b>24%</b>
1. Inventories	61 303	53 151	8 152	15%	7%	7%
	133					
2. Short-term receivables	981	97 418	36 563	38%	16%	12%
3. Short term investments	164	235	-71		0%	0%
4. Cash and equivalents	99 936	26 214	73 722	281%	12%	3%
5. Short term prepayments	9 312	10 867	-1 555	-14%	1%	1%
	<b>862</b>	<b>782</b>				
<b>Total assets</b>	<b>450</b>	<b>886</b>	<b>79 564</b>	<b>10%</b>	<b>100%</b>	<b>100%</b>

### 3.3.1.1. Long term assets

The decrease of fixed asset balance at the end of first half of 2006 by PLN 2,929 thousand (i.e. 1%) when compared to the balance at the end of 2005 was caused by the following factors:

- the increase of fixed assets by PLN 1,512 thousand as a result of purchase of ready-made investment goods, including: land and buildings at PLN 760 thousand, machinery and technical equipment at PLN 192 thousand and means of transport at PLN 527K thousand,
- the increase of fixed assets under construction (ongoing investments) by PLN 10,773 thousand, including: PLN 9,131 thousand of ongoing investments in Stalexport Autostrada Małopolska S.A. comprising the retrofit of bridges, surfaces and emergency passages
- the advance payment granted to STALEXPORT S.A. in the amount of PLN 1,391 thousand for the purchase of real property in Warsaw at Gierdziejewski Street, which is used as new head offices for the Branch of Steel Product Trading in Warsaw,
- the decrease of fixed assets related to their sales and settlement in the amount of PLN 7,572 thousand, including the sales in STALEXPORT S.A. of buildings and structures at Obrzeźna Street in Warsaw at PLN 7,109 thousand,
- the decrease of fixed asset value due to semi-annual depreciation at PLN 9,033 thousand.

The decrease of intangible assets (balance) by PLN 74 thousand was related to their increase through computer software purchase at PLN 31 thousand and decrease due to semi-annual depreciation of PLN 103 thousand as well as computer software write-off at PLN 2 thousand.

Long term receivables comprise the deposits paid by the parent company for bank guarantees on performance of contracts in the parent company STALEXPORT S.A. The decrease of long term receivables by PLN 97 thousand applies to the repayment of part of the deposits paid.

The decrease in long term investment of PLN 37,146 thousand was caused by: increased long term investment in Stalexport Autostrada Małopolska S.A. by PLN 10,000 thousand and a decrease of real property by PLN 46,946 thousand in the parent company, i.e. STALEXPORT S.A. The increase of PLN 10,000 thousand in long term financial assets in Stalexport Autostrada Małopolska S.A. is connected with the establishment of a long term deposit account frozen to secure long term credit liabilities.

The decrease of real property by PLN 46,946 thousand in the parent company, STALEXPORT S.A., is related to the purchase price of the perpetual usufruct of land in Warsaw at Obrzeźna Street sold in the first half of 2006. The value of the investment property at the end of the first half of 2006, i.e. PLN 10,000 thousand, refers to the value of Kościuszko Steel Works real property owned by the company.

The decrease by PLN 2,032 thousand in the assets held for sale is connected with the sales by Stalexport Serwis Centrum S.A. in Katowice of perpetual usufruct right to the plot in Wroclaw. The assets held for sale in the amount of PLN 2,199 thousand at the end of the first half of 2006 include the value of land for sale in Katowice, at Mickiewicza Street.

The deferred income tax assets increased by PLN 652 thousand. The total value of deferred income tax assets are recorded for the following companies:

- |   |                    |
|---|--------------------|
| • Stalexport Autostrada Małopolska S.A. Myslowice | PLN 5,303 thousand |
| • Stalexport Transroute Autostrada S.A. Myslowice | PLN 1,056 thousand |
| • Stalexport Serwis Centrum S.A. Katowice         | PLN 189 thousand   |
| • Stalexport Centrostal S.A. Lublin               | PLN 168 thousand   |

The parent company, STALEXPORT S.A., does not show the income tax in assets due to high tax loss.

The amount of long term deferred charges as of the end of first half of 2006 at PLN 218,073 thousand applies to Stalexport Autostrada Małopolska S.A. Myslowice.

The amount includes:

- Long term prepayment and accrued income from State Road Fund for EBOR credit taken by the State Treasury for construction of Katowice-Krakow A-4 Motorway amounting to PLN 211,150 thousand. The said events result from signing by SAM S.A. Annex no. 5 to the License Agreement with the Minister of Infrastructure, and concluding a credit agreement with a consortium of banks for up to PLN 380M to achieve the financial closure.
- Long term settlement of commission on the credit taken for the construction and repair of a section of Katowice-Krakow A-4 motorway at PLN 6,923 thousand.

### **3.3.1.2. Short term assets**

The inventories in Stalexport Capital Group increased by PLN 8,152 thousand. The increase was caused by: increased stock of materials for reinforcement prefabrication for the construction industry by 10,959 thousand and a decrease of goods-for-resale stock by PLN 2,369 thousand.

Additionally, the increase of short term receivables by PLN 36,563 thousand (i.e. 38%) was noted in the first half of 2006, including: increased trade receivables by PLN 20,089 thousand and increased receivables from the State Budget by PLN 12,575 thousand. The increase applies mainly to the parent company, i.e. STALEXPORT S.A. The increase of trade receivables is partly related to sales increase, whereas budget receivables apply to the refund of value added tax not adjusted at the end of the period.

The amount of cash as of 30.06.2006 increased by PLN 73,722 thousand when compared to the end of 2005, including: PLN 68,319 thousand in the form of prepayment by the Italian Autostrade S.p.A. for new issuance of STALEXPORT S.A.'s shares to increase the share capital.

The decrease of short term prepaid expenses by PLN 1,555 thousand applies mainly to decreased prepayments and accrued income from rental charges for passenger service areas and rental of fiber optical cables to Stalexport Autostrada Małopolska S.A.

### 3.3.2. Capital Group Liabilities

The structure of consolidated balance sheet is shown in the following table:

LIABILITIES (K PLN)	As of 30.06.2006	As of 30.06.2005	Difference	Dynamics Half of 2006/ 2005	Structure 30.06. 2006	Structure 31.12. 2005
<b>I. Equity capital</b>	<b>54 194</b>	<b>33 405</b>	<b>20 789</b>	<b>62%</b>	<b>6%</b>	<b>4%</b>
<b>I.1. Equity capital per shareholders</b>	<b>50 772</b>	<b>29 357</b>	<b>21 415</b>	<b>73%</b>	<b>6%</b>	<b>4%</b>
1. Share capital	215 524	215 524	-	-	25%	28%
2. Unpaid contributions to share capital (negative amount)	-	-	-	-	-	-
3. Own shares (stocks) (negative value)	-72	-73	1	-	-	-
4. Supplementary capital	148 909	101 675	47 234	46%	17%	13%
5. Revaluation capital	16 389	16 393	-4	0%	2%	2%
6. Other reserve capital	51 507	51 017	490	1%	6%	7%
7. Retained profit (loss)	-403 438	-252 791	-150 647	60%	-47%	-32%
8. Net profit (loss) per shareholders	21 953	-102 388	124 341	-121%	3%	-13%
<b>I.2. Minority capital</b>	<b>3 422</b>	<b>4 048</b>	<b>-626</b>	<b>-15%</b>	<b>-</b>	<b>1%</b>
<b>II. Long term liabilities</b>	<b>600 656</b>	<b>637 009</b>	<b>-36 353</b>	<b>-6%</b>	<b>70%</b>	<b>81%</b>
1. Credits and loans	69 775	78 040	-8 265	-11%	8%	10%
2. Liabilities for financial leasing	770	6 302	-5 532	-88%	0%	1%
3. Trade liabilities	0	0	-	-	-	-
4. Other liabilities	497 599	509 714	-12 115	-2%	58%	65%
5. Provisions for deferred income tax	1 848	11 209	-9 361	-84%	0%	1%
6. Provisions for other liabilities	12 781	13 418	-637	-5%	1%	2%
7. Long term accrued liabilities	17 883	18 326	-443	-2%	2%	2%
<b>III. Short term liabilities</b>	<b>207 600</b>	<b>112 472</b>	<b>95 128</b>	<b>85%</b>	<b>24%</b>	<b>14%</b>
1. Credits and loans	15 112	5 528	<b>9 584</b>	173%	2%	1%
2. Liabilities for financial leasing	0	0	-	-	-	-
3. Trade liabilities	92 636	74 126	<b>18 510</b>	25%	11%	9%
4. Other liabilities	89 411	19 761	<b>69 650</b>	352%	10%	3%
5. Provisions for liabilities	4 398	6 282	<b>-1 884</b>	-30%	1%	1%
6. Short term accrued liabilities	6 043	6 775	<b>-732</b>	-11%	1%	1%
<b>Total liabilities</b>	<b>862 450</b>	<b>782 886</b>	<b>79 564</b>	<b>10%</b>	<b>100%</b>	<b>100%</b>

#### 3.3.2.1. Equity capital

Consolidated equity capital of Stalexport Capital Group as of 30 June 2006 was PLN 54,194 thousand and was higher by PLN 20,789 thousand compared to the end of 2005.

The following factors influence the increase in equity capital of Stalexport Capital Group:

- the increase by PLN 21,415 thousand of equity capital per shareholders
- the decrease of minority capital by PLN 626 thousand

Equity capital assigned to the Company's shareholders, increased mainly due to the net profit obtained in the first half of 2006. Significant changes were noted in the structure of particular components of equity capital.

The share capital of Stalexport Capital Group is the share capital of the parent company. In the periods concerned, the value of the share capital did not change. The share capital of the parent company is PLN 215,524,046.00, and is divided into 107,762,023 common bearer shares of PLN 2.00 nominal value.

Chief shareholders in STALEXPORT S. A. as of 30.06.2006 are:

- The National Fund for Environmental Protection and Water Management 16.72%
- Powszechna Kasa Oszczędności Bank Polski S. A. 5.42%
- Other shareholders 77.86%

Own shares of the parent company in the amount of PLN 72 thousand concern: -the balance of the remaining amount of PLN 22 thousand purchased shares but not issued to minority shareholders of the former Stalexport Centrostal Warszawa S.A. and - PLN 50 thousand of shares held by the subsidiary Stalexport Serwis Centrum Bełchatów S.A.

The increase of supplementary capital of the capital group by the balance of PLN 47,234 thousand was caused by: - increase of profit division for 2005 in the amount of PLN 47,275 thousand (including: Stalexport Autostrada Małopolska S.A. in the amount of PLN 46,923 thousand) and – increase due to revaluation differences of sold and settled fixed assets in the amount of PLN 4 thousand. The amount of decreases was PLN 45 thousand: in the part for minority shareholders amounting to PLN 37 thousand and the paid loss carry forward (in SSC Bełchatow) in the amount of PLN 8 thousand.

A decrease of revaluation capital by PLN 4 thousand is connected with the revaluation differences of sold and settled fixed assets intended to increase the supplementary capital.

The increase of other reserve capitals by PLN 490 thousand is a consequence of allocating the amount of PLN 891 thousand from the profit for 2005 to the reserve capital in Stalexport Transroute Autostrada S.A. and decreasing by PLN 401 thousand the reserve capital connected with capturing a part of this capital by minority shareholders.

The increase of losses carry forward by PLN 150,647 thousand is connected with taking over the consolidated net loss for 2005 for payment.

Consolidated net profit for the first half of 2006 assigned to STALEXPORT S.A.'s shareholders amounts to PLN 21,953 thousand. In the first half of 2005, Stalexport Capital Group obtained consolidated net profit of PLN 17,370 thousand.

A decrease of minority capitals by the balance of PLN 626 thousand consists of: on the increase side – the amount of PLN 1,536 thousand, i.e. the part of profit for the first half of 2006 captured by minority shareholders (including: in Stalexport Transroute Autostrada S.A. PLN 1,506 thousand), whereas on the decrease side: the amount of PLN 2,162 thousand which constitutes a part of loss for 2005 taken over by minority shareholders and the dividend paid to minority shareholders in Stalexport Transroute Autostrada S.A.

### **3.3.2.2. Liabilities**

Long-term liabilities decreased by PLN 36,353 thousand compared to the end of 2005, and at the end of the first half of 2006 they amounted to PLN 600,656 thousand.

Other liabilities amounting to PLN 497,599 thousand and related to the parent company, STALEXPORT S.A., and the subsidiary Stalexport Autostrada Małopolska S.A. have been of crucial importance with respect to this group of liabilities.

The main long term liabilities in the parent company STALEXPORT S.A. were as follows:

- Long-term liabilities due to the State Treasury for the endorsements on bills related to Huta Ostrowiec (to be paid from 2008, i.e. after the composition installments have been paid up) as well as towards the State Treasury and the Consortium of Banks for warranties granted with respect to Jedność Tube Rolling Mill to the total amount of PLN 197,134 thousand.
- Liabilities related to composition, in the amount of PLN 71,962 thousand (in the first half of 2006 the amount of PLN 16,719 thousand was paid)
- Credits in the amount of PLN 59,774 thousand (in the first half of 2006 the amount of PLN 18,266 thousand was paid)

They are systematically decreased as a result of their payment in accordance with the approved payment schedules.

The long-term liabilities of PLN 256,194 thousand incurred at the end of 2005 by the subsidiary Stalexport Autostrada Małopolska S.A. follow from the license contract signed, taking into account the recognition in books (under balance sheet liabilities) of long-term liabilities towards the State Treasury, the so-called license payments (repayment of EBOR credit incurred by the state Treasury in the pre-license period). The said events result from signing Annex no. 5 to the License Contract by SAM S.A. with the Minister of Infrastructure, as well as concluding the Credit Agreement with the Consortium of Banks to the amount of PLN 380M to obtain financial closure. The decrease of long-term liabilities was caused to a significant extent by the repayment of financial lease liabilities in Stalexport Transroute Autostrada S.A. to the amount of PLN 5,307 thousand.

The structure of short term liabilities, which increased by PLN 95,128 thousand (85%) at the end of first half of 2006 when compared to the end of 2005, was mainly affected by:

- Increase of credits by PLN 9,584 thousand, related to granting to STALEXPORT S.A. the credit of PLN 10,000 thousand by Fortis Bank Polska S.A.
- The increase of trade liabilities by PLN 18,510 thousand
- The increase of the remaining liabilities by 69,650 thousand

### **3.3.3 The structure of finance sources and the management of financial resources**

Assets in the parent company were almost exclusively financed by liabilities, as the amount of own capitals was only insignificantly positive in the first half of 2006.

Cash flows were substantially influenced by the required repayments of credits not related to composition (PLN 12.7M including interest) as well as the repayments to major creditors under the implementation of the rules of composition proceeding (PLN 19,4M). The factors resulted in the reduction of working capital and hence limited the achievable level of revenue from sales. In the first half of 2006, the Company in fact had no access to financing in the form of bank credits, which prevented the increase of revenue from sales. The only exception was a short term credit to the amount of PLN 10M obtained to finance the purchase of goods for export.

The increase of share capital in STALEXPORT S.A. by PLN 68M as a result of concluding the Investment Contract and admission of a new shareholder, Autostrade S.p.A., had a definite positive impact on the financial situation of the Company. The said capital increase was registered on 26 July 2006.

Apart from commitments related to the composition and agreements with banks connected with the repayment of restructured credits, also the commitments connected with warranties for the State Treasury related to credits granted to Huta Ostrowiec and credit guarantees for the investment in

Jedność Tube Rolling Mill constituted a substantial financial burden for the Company. Taking into account limited financial capabilities, the Company's Management Board has undertaken actions aimed at final specification of the value of contingent liabilities and repayment thereof through conversion or shifting of cash payments outside the repayment period for liabilities related to composition and arranging convenient deadlines for their repayment over a longer period of time.

To that end, an agreement was signed with the State Treasury in 2004 with respect to the warranties for Huta Ostrowiec in the amount of PLN 72.6M, as well as resolving the issue of warranties for Jedność Tube Rolling Mill, which, in its part related to commitments towards banks, was specified by the Conversion Agreement of 4 May 2006.

#### **3.4. Description of investment activity**

The value of investment outlays in fixed and financial assets in Stalexport Capital Group in the first half of 2006 was PLN 27,503 thousand.

The biggest item in the investment outlays are ongoing investments in Stalexport Autostrada Małopolska S.A. at PLN 16,001 thousand. The investment costs apply to the construction and assembly work related to modernization of bridges, surfaces and emergency passages.

The outlays in the parent company, STALEXPORT S.A., amounted to PLN 684 thousand for modernization of a production hall in Katowice Panewniki.

Under the investment outlays, Stalexport Capital Group purchased ready-made investment goods to the amount of PLN 818 thousand, including:

- purchase of perpetual usufruct right to land in Krzyż Wielkopolski PLN 76 thousand
- machinery and equipment PLN 192 thousand
- means of transport PLN 527 thousand
- other fixed assets PLN 23 thousand

The outlays incurred for intangible assets amounted to PLN 31 thousand, and concerned the purchase of computer software.

Investments in financial assets were made in the form of a long-term deposit account to the value of PLN 10,000 thousand in Stalexport Autostrada Małopolska S.A.

## 4. REVIEW OF COMMERCIAL ACTIVITY OF THE CAPITAL GROUP

### 4.1. Sales – Information on the core products, goods and services

The revenue from sales in Stalexport Capital Group increased by 9% in the first half of 2006 when compared to the first half of 2005

The structure of sales by type is shown in the following table:

#### Major goods and services in STALEXPORT Capital Group in the first half of 2006

Goods/Services	Value in millions PLN	% share in turnover
Sections	109.08	30.0%
Motorway	55.30	15.2%
Flat products	43.42	11.9%
Rods and rolled wire	37.04	10.2%
Tubes	30.48	8.4%
Prefabricated reinforcement	29.55	8.1%
Semi-products	20.96	5.7%
Non-ferrous metal products	20.15	5.5%

Invariably over the past three years, the sale of sections constituted the biggest share in Stalexport Capital Group total sales in the first half of 2006. Their sales increased by 28% when compared to the first half of 2005.

In the first half of 2006 the sales of tubes increased by 26%, the sales of semi-products by 17% and the sales of non-ferrous metal products by 26% when compared to the first half of 2005.

The decrease in the value of sales in the comparable period was noted in case of flat products (by 30%) and rods and rolled wire (by 7%)

### 4.2. Information about sales markets and suppliers

In the first half of 2006, the greatest share in sales revenue was allocated to export sales, which constituted 45% of the total revenue, the share in domestic sales was 37%, imports 3%. The remaining 15% was income on motorway activity.

#### Sales markets - export sales

The turnover of Stalexport Capital Group in the area of export and import was nearly in total achieved by the parent company, i.e. STALEXPORT S.A.

The income from export sales increased in the comparable period by 41%. Approximately 86% of Stalexport Capital Group's exports were allocated to steel products, whereas the remaining 14% is ascribed to metallurgical material supplies.

### Major exports in STALEXPORT Capital Group in the first half of 2006

Goods	Value in millions PLN	% share in exports
Sections	87,13	53.6%
Tubes	24.08	14.8%
Semi-products	20.96	12.9%
Non-ferrous metal products	19.08	11.7%

In the first half of 2006, like in previous years, the biggest share of exports in Stalexport Capital Group was allocated to sections, whose sales increased by 39%.

The increase of sales was noted for semi-products (by 18%), non-ferrous metal products (by 26%), and tubes (by 175%).

In the first half of 2006, the structure of export sales broken down into countries of destination was as follows: Europe – 34%, North America – 14%, South America – 52%.

#### Sales markets – sales to domestic market

The value of income on sales to domestic market (excluding revenue from motorway activity) amounted to 40% of turnover in the Capital Group in the first half of 2006.

Ninety one percent of domestic sales was achieved through steel product trading, and the remaining 9% was allocated to metallurgical supplies and other goods and services.

### Major goods sold domestically by Stalexport Capital Group in the first half of 2006

Goods/Services	Value in millions PLN	% share in domestic market
Flat products	42.91	29.3%
Rods and rolled wire	31.56	21.6%
Prefabricated reinforcement	29.55	20.2%
Sections	21.95	15.0%
Tubes	6.39	4.4%

In the first half of 2006, the biggest share of income from sales achieved by Stalexport Capital Group was allocated to flat products, whose sales decreased by 30% when compared the first half of 2005. A drop in sales was also noted in case of rolled wire and rods (by 15%), sections (by 6%) and tubes (by 58%).

An important item in the domestic sales in the first half of 2006 was prefabricated reinforcement, the share of which increased to 20%.

#### Major suppliers

Mittal Steel was the main supplier (above 10% of purchases) for Stalexport Capital Group in the first half of 2006.

Purchases from other suppliers of Stalexport Capital Group did not exceed 10% of all supplies in the first half of 2006.

### **Main customers**

In the first half of 2006 there was no single customer to whom the Capital Group would sell 10% of total sales. The biggest customers of the Capital Group, constituting about 25%, are export customers; around 6% of sales is allocated to prefabricated reinforcement customers, and over 10% of sales income came from sales to steel product distributors.

### **4.3. Distribution network**

At the end of the first six months of 2006 the distribution network of STALEXPORT S.A. was made of:

- 3 trade offices (Warszawa, Częstochowa, Białystok).
- 8 trading warehouses (Gostyń, Gniezno, Piła, Bełchatów, Krzyż Wielkopolski, Koszalin, Kostrzyn, Koronowo),
- 4 points of sale operated by Subsidiary Companies, namely:
  - STALEXPORT SERWIS CENTRUM S.A. (Wrocław, Opole, Katowice),
  - STALEXPORT CENTROSTAL LUBLIN S.A. (Lublin),

The analysis of sales profile, as well as the profile of customers served indicates that despite the fact of having individual warehouses in bigger and almost homogeneous geographic areas, each point of sale is specific in its own way. This is a big advantage, indicating well-developed individual needs, but it is also a drawback, as it proves not easy to apply the economies of scale in sales.

In a consequent manner the company strives to simplify customer service procedures and those concerning the acquisition of goods, the company also tries to increase its flexibility and speed in reacting to processes and phenomena occurring at the steel market

The CENTRAL WAREHOUSE, established in 2005 to serve all points of sale allows to minimise the cost of transport as well as to optimise stock turnover.

## 5. OTHER INFORMATION ON STALEXPORT S.A. AND THE CAPITAL GROUP

<i>Name:</i>	STALEXPORT S.A.
<i>Subject of activities:</i>	Export, import of metals and ores, PKD 51 52 Z
<i>Legal form:</i>	Joint-stock company
<i>Registering entity:</i>	District Court in Katowice, Department of Businesses of the National Court Register
<i>Seat of the Company:</i>	40-085 Katowice, ul. Mickiewicza 29
<i>KRS (national register of companies):</i>	0000016854 registered with the District Court in Katowice, VIII KRS, ul. Lompy 14
<i>Regon (business statistical number):</i>	271936361
<i>NIP (tax identification number) :</i>	634-013-42-11
<i>NKP:</i>	38-10454
<i>Equity:</i>	315,524,046 Polish zloty
<i>Bank account:</i>	FORTIS BANK POLSKA S.A. O/Katowice No. 78 1600 1055 0002 3211 5570 2001
<i>www:</i>	<a href="http://www.stalexport.com.pl">Http://www.stalexport.com.pl</a>
<i>e-mail:</i>	<a href="mailto:Stalex@stalexport.com.pl">Stalex@stalexport.com.pl</a>
<i>Telephones – head office:</i>	(032) 251 22 11, 251 32 21, 207 30 90
<i>Fax:</i>	(032) 251 12 64
<i>Social Insurance institution (ZUS) for the company:</i>	ZUS Oddział Chorzów ul. Dąbrowskiego 45, 41-500 Chorzów
<i>Inland revenue office:</i>	Pierwszy Śląski Urząd Skarbowy ul. Braci Mieroszewskich 97, 41-219 Sosnowiec

STALEXPORT S.A. started its activities on January 1, 1963 as Foreign Trade Enterprise specialising and getting placed on the market of export and import of metallurgy products, and import of raw materials for Polish metallurgy. In 1993 the firm was turned into Joint Stock Company, having State Treasury as its sole shareholder, and subsequently privatised. At present, it has the legal form of a joint stock company, the shares of which were given permission to be traded at the Warsaw Stock Exchange on October 26, 1994.

In 1997 STALEXPORT S.A. became the successful bidder, and for the period of 30 years was awarded the licence to build by adjusting and to operate the toll motorway section of A4, between Katowice and Kraków.

Thus, the activities of the company and the Capital Group focus upon two main segments:

**Trade segment**, comprising export, import, domestic trade in steel products, raw materials for metallurgy, as well as processing of steel products,

**Motorway services segment**, comprising adjusting to toll motorway conditions/standards and operation of the motorway section A4 Katowice-Kraków, as well as participation in selected tenders for the construction and/or operation of further motorway projects.

The reliability and trustworthiness in customer service allowed the company to obtain, in 1998, the Quality Assurance Certificate in accordance with the norm PN-ISO 9002, while in 2004 acc. to EN ISO 9001:2000, granted by Rheinisch Wesfalischer TUV e.V.

At present STALEXPORT S.A. is in the process of executing the settlement arrangement with creditors, approved by District court in Katowice of 27.06.2002. In line with the conditions of the arrangement, the repayment of liabilities shall be in 20 quarterly instalments. By September 30, 2006 STALEXPORT S.A. paid 12 such instalments.

STALEXPORT S.A., implementing restructuring process for the Capital Group withdrew from production activities in the steel sector, has been carrying out the process of consolidating and optimising the distribution network, has been developing processing activities, it has also been focusing upon maintaining and developing the motorway activities.

Boosted chances to implement the strategy of developing activities in the motorway sector should result from obtaining strategic investor, Autostrade S.p.A. with seat in Rome (Italy), leader of the European market of motorway management, with whom on STALEXPORT S.A. concluded Investment Agreement on June 26, 2006. In accordance with its stipulations, Autostrade S.p.A. first became the holder of 34 159 378 shares Series F Tranche II, issued to increase the equity capital, within the limits of target capital, accounting for 21.7% of the equity capital of the Issuer, after taking into account the registration of increase of equity capital by means of issuing part of the shares of F series, taken by Syndicate Banks.

Moreover, Autostrade S.p.A. shall take shares of the next issue, with the target to have at least 50% +1 share in the total number of votes, in the equity capital of the Company.

The above, however, is related with meeting, among others, the following conditions before:

1. that the General Assembly of Shareholders of STALEXPORT S.A. should make resolutions concerning:
  - increase of the equity capital of the Company, by issuing shares having face value of 2.00 zloty each, at the issue price of 2.00 zloty per share, with exclusion of share taking right for the existing shareholders, meant to be held by Autostrade S.p.A.,
  - declaration of acceptance for selling the Trade Segment of Capital Group to a credible purchaser, on conditions satisfactory for shareholders of STALEXPORT S.A.,
2. that the President of the Office for Protection of Competition and Consumers, on the basis of art. 12 item 3 point 1 of the Act of December 15, 2000 on protection of competition and consumers, agrees for:
  - purchase of Trade Segment of Capital Group STALEXPORT by a selected, credible purchaser,
  - holding by Autostrade S.p.A. at least 50% +1 share in the total number of votes, in the equity capital of STALEXPORT S.A.,
3. that there shall not be substantial changes which may negatively influence the motorway activities of Capital Group STALEXPORT, in particular changes in the legislation in Poland, which result in substantial modifications of conditions for bidding for foreign entities, as regards activities in the motorway sector.

The Investment Agreement states that the sale of Trade Segment and taking of the new issue of shares by Autostrade S.p.A. shall take place simultaneously.

If any of the above conditions is not met, the Investment Agreement may not be executed, thus STALEXPORT S.A. shall not obtain means for repayment of its historic liabilities, as well as additional financial means for further development of activities in the motorway sector.

The possible execution of the above mentioned agreements means for STALEXPORT S.A. and the Capital a completely new situation, enabling them to settle its historic debts and to create a basis for further efficient development of activities in the motorway sector, and – outside the Group this time– of trade activities.

Autostrade S.p.A. manages a network of over 3 400 km of toll motorways in Europe and the USA, it is also a leader in systems of automatic toll collection on motorways.

Autostrade S.p.A. is listed at the stock exchange in Milan, its market value is over 12 billion EUR. In spring 2006 the Autostrade Group announced plans of merging with Spanish Abertis. The execution of the merger shall imply the emergence of the biggest capital group in road infrastructure world-wide, managing over 6 700 km of motorways. The market capitalisation of the group after merging shall be about 25 billion EUR. In early August 2006 the Italian government blocked the plans of merging Autostrade S.p.A. with Spanish Abertis, which does not imply a definite discontinuation of talks, but perhaps entails the willingness negotiate better conditions for the shareholders of Autostrade S.p.A.

### **5.1. Changes in the composition of management and supervisory bodies of STALEXPORT S.A. and Capital Group**

#### **a) Management Board**

The composition of the Management Board did not change over the six months of the year 2006 and was as follows, as of June 30, 2006:

- 1) Emil Wąsacz, President of the Board – General Manager,
- 2) Mieczysław Skołożyński, Vice-President of the Board – Financial Manager,
- 3) Urszula Dzierżoń, Member of the Board – Trade Manager.

#### **b) Supervisory Board**

The composition of the Supervisory Board changed over the six months of the year 2006, and was the following, as of March 29, 2006:

- |    |            |              |   |                |
|----|------------|--------------|---|----------------|
| 1. | Tadeusz    | Włudyka      | - | Chairman       |
| 2. | Przemysław | Majka        | - | Vice- Chairman |
| 3. | Krystyna   | Strzelecka   | - | Secretary      |
| 4. | Robert     | Bender       |   |                |
| 5. | Jacek      | Legutko      |   |                |
| 6. | Bohdan     | Wyźnikiewicz |   |                |

On 29.03.2006 Mr Robert Bender resigned from his position in the Supervisory Board.

Thus, in the period between 29.03.2006 and 24.05.2006 the composition of the Supervisory Board was as follows:

- |    |            |              |   |                |
|----|------------|--------------|---|----------------|
| 1. | Tadeusz    | Włudyka      | - | Chairman       |
| 2. | Przemysław | Majka        | - | Vice- Chairman |
| 3. | Krystyna   | Strzelecka   | - | Secretary      |
| 4. | Jacek      | Legutko      |   |                |
| 5. | Bohdan     | Wyźnikiewicz |   |                |

On 24.05.2006 the Extraordinary General Assembly of Shareholders brought about changes in the composition of the Supervisory Board, revoking from its members Ms Krystyna Strzelecka and Mr Bohdan Wyźnikiewicz, and appointing three new members, namely: Ms Katarzyna Galus and two gentlemen: Tadeusz Sadowski and Jerzy Zieliński.

After those changes, over the period 24.05.2006 – do 13.07.2006 the Supervisory Board had the following composition:

1. Tadeusz Włudyka - Chairman
2. Przemysław Majka - Vice- Chairman
3. Katarzyna Galus - Secretary
4. Jacek Legutko,
5. Tadeusz Sadowski
6. Jerzy Zielinski

On July 13, 2006 the Company was informed that Mr Jacek Legutko resigned from the position of Member of Supervisory Board on July 10, 2006.

In connection with the above, after July 10, 2006 the composition of the Supervisory Board was as follows:

1. Tadeusz Włudyka - Chairman
2. Przemysław Majka - Vice- Chairman
3. Katarzyna Galus - Secretary
4. Tadeusz Sadowski
5. Jerzy Zielinski

On August 24, 2006 at the Supervisory Board meeting its Chairman, Tadeusz Włudyka, resigned from membership in the Supervisory Board of STALEXPORT S.A.

The composition of Supervisory Board was supplemented during the Extraordinary General Assembly of Shareholders, held on September 8, 2006, that assembly appointed a new Supervisory Board. The Supervisory Board was set up at its first meeting on September 15, 2006 and has the following composition:

1. Galliano Di Marco - Chairman,
2. Bogusław Leśnodorski - Vice- Chairman,
3. Jerzy Sroka - Secretary,
4. Dario V. Cipriani,
5. Katarzyna Galus,
6. Przemysław Majka
7. Christopher Melnyk,
8. Giuseppe Palma,
9. Tadeusz Sadowski.

**c) Authorised managers (Signing clerks)**

Throughout the first six months of 2006 the authorised managers of the Company were:

1. Marek Bury - Director of the Office for Financial Management and Controlling,
2. Barbara Boś, - Director of the Distribution Networki,
3. Małgorzata Michalunio-Kępys - Chief Accountant, Director of the Accounting Office.

**d) Changes in the Management Boards and Supervisory Boards of subsidiary companies in the first six months of 2006 concerned:**

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

Changes in the first six months of 2006 concerned the composition of Supervisory Board. Mr Józef Blokisz resigned from membership in the Supervisory Board. After those changes, the composition of Supervisory Board is as follows:

1. Urszula Dzierżoń – Chairperson,
2. Zbigniew Grabara – Vice-Chairperson,
3. Jan Czaja – Secretary,
4. Katarzyna Merta.

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

On September 27, 2006 at the meeting of the Supervisory Board, the resignation of Jerzy Ożana from the position of the President of the Board got accepted, and Andrzej Kluba was appointed the new president. Thus, after changes, the composition of the Management Board as of 1.10.2006 is as follows:

1. Andrzej Kluba – President of the Board,
2. Zbigniew Czaplą-Nowicki – Vice-President of the Board.

In the remaining subsidiary companies there were no changes in the management or supervisory boards.

### 5.2. Remunerations of persons managing and supervising STALEXPORT S.A.

The principles of remuneration for Members of the Management Board, in line with the Statutes (Articles of Association) of the Company are determined by the Supervisory Board.

The total remuneration resulting from employment contracts of persons managing the Company STALEXPORT S.A., that is Management Board and Authorised Managers (Signing Clerks) for the first six months of 2006 amounted to 1,175,083.32 zloty, of which:

No.	Name and surname	Position in STALEXPORT S.A.	Remuneration resulting from employment contract in STALEXPORT S.A. (in Polish zloty)	Bonuses and awards in STALEXPORT S.A. (in Polish zloty)	Remuneration for being a functionary in Supervisory Boards of subsidiary units	TOTAL (in Polish zloty)
1	Emil Wąsacz	President of the Board, Director General	373,998.00	54,000.00	-	427,998.00
2	Mieczysław Skołożyński	Vice-President of the Board, Financial Manager	318,198.00	43,200.00	21,727.74	383,125.74
3	Urszula Dzierżoń	Member of the Board, Trade Manager	236,205.20	35,000.00	21,727.74	292,932.94
4	Marek Bury	Authorised manager	72,540.00	-	15,519.81	88,059.81
5	Małgorzata Michalunio-Kepys	Authorised manager	83,301.92	8,900.00	-	92,201.92
6	Barbara Boś	Authorised manager	90,840.20	-	-	90,840.20
<b>X</b>	<b>TOTAL</b>	<b>X</b>	<b>1,175,083.32</b>	<b>141,100</b>	<b>58,975.29</b>	<b>1,375,158.61</b>

The total remuneration of persons managing the Company, resulting from their membership in supervisory boards of subsidiary companies in the first six months of 2006 amounted to 58,975.29 zloty.

The principles of remuneration for Members of the Supervisory Board, in line with the Statutes (Articles of Association) of the Company are determined by the General Assembly of Shareholders. The total remuneration of the members of Supervisory Board in the first six months of 2006 amounted to 65,075.21 zloty, of which:

No	Name and surname	Position in Supervisory Board of STALEXPORT S.A.	Remuneration for the first half of 2006 (zloty)
1	Tadeusz Włudyka	Chairman (until 24.08.2006)	16,015.08
2	Przemysław Majka	Vice-Chairman (until 08.09.2006)	12,812.10
3	Krystyna Strzelecka	Secretary (until 24.05.2006)	8,968.72
4	Bohdan Wyżnikiewicz	Member (from 23.06.2005 to 24.05.2006)	8,968.72
5	Robert Bender	Member (until 29.03.2006)	-
6	Jacek Legutko	Member (from 23.06.2005 to 10.07.2006.)	11,210.58
7	Katarzyna Galus	Secretary (from 24.05.2006 to 08.09.2006)	2,366.67
8	Tadeusz Sadowski	Member (since 24.05.2006 )	2,366.67
9	Jerzy Zieliński	Member (from 24.05.2006 to 08.09.2006)	2,366.67
10	Jerzy Sroka	Member (since 08.09.2006), Secretary (since 15.09.2006)	-
11	Bogusław Leśnodorski	Member (since 08.09.2006), Vice-Chairman ( since 15.09.2006)	-
12	Dario V. Cipriani	Member (since 08.09.2006)	-
13	Galliano Di Marco	Member (since 08.09.2006), Chairman (since 15.09.2006)	-
14	Christopher Melnyk	Member (since 08.09.2006)	-
15	Giuseppe Palma	Member (since 08.09.2006)	-
X	TOTAL	X	65,075.21

Robert Bender resigned from receiving remuneration on the day of his appointment as member of Supervisory Board.

### 5.3. Liabilities due to loans not repaid, information on loans, pre-payments, guaranties, securities to people in management

There are no liabilities due to loans not repaid by people in management. The company did not grant loans, pre-payments, guaranties, securities to people in management.

### 5.4. Shares of the floating entity as well as shares or stakes in related units of the floating entity held by people managing or supervising the Capital Group (separately for each individual)

In accordance with submitted statements, the number and face value of shares in STALEXPORT S.A., held by people managing and supervising companies in the Capital Group, as of 30.06.2006, was as follows:

<b>Name and Surname</b>	<b>No. of shares</b>	<b>Face value (Polish zloty)</b>
1. Emil Wasacz	59.000	118.000
2. Urszula Dzierżoń	23.430	46.860
3. Krystyna Strzelecka	4.075	8.150
4. Katarzyna Bijał	2000	4000
5. Jan Czaia	1	2
6. Zbigniew Grabara	928	1856
7. Anna Górska-Ucinyk	100	200
8. Jerzy Ożana	250	500
9. Stanisław Kaizer	10	20
10. Tomasz Niemczyński	30	60

After the above date, in accordance with statements submitted, the following persons additionally hold shares of STALEXPORT S.A.:

<b>Name and Surname</b>	<b>No. of shares</b>	<b>Face value (Polish zloty)</b>
11. Dario V. Cipriani	10	20
12. Bogusław Leśnodorski	30.000	60.000

**The number of shares or stakes in other units belonging to the Capital Group, held by people managing or supervising is as follows:**

Mr Ryszard Niedziela, President of the Board of Stalexport Centrostal S.A. Lublin holds 180 shares of Stalexport Centrostal S.A. Lublin with face value of 18,000 Polish zloty,

Mr Leszek Niedziałkowski, President of the Board of Stalexport Serwis Centrum Bełchatów S.A. holds 22,250 shares of Stalexport Serwis Centrum Bełchatów S.A. with face value of 44,500 Polish zloty.

People managing or supervising STALEXPORT S.A. do not hold shares or stakes in related entities.

#### **5.5. List of shareholders having at least 5% of the total number of votes**

On the basis of the list of shareholders registered at the General Assembly of Shareholders (June 30, 2006), the shareholders having at least 5% of total votes (107,762,023) were:

<b>Name of the subject</b>	<b>Number of ordinary bearer shares held</b>	<b>Share in equity capital (%)</b>	<b>Number of votes at the General Assembly of Shareholders</b>	<b>Share in the total number of votes at the General Assembly of Shareholders (%)</b>
National Fund for Environmental Protection and Water Management plc (NFOŚiGW S.A.) with seat in Warszawa	18,022,835	16.72	18,022,835	16.72
PKO Bank Polski S.A. with seat in Warszawa	5,842,547	5.62	5,842,547	5.42

On the basis of the list of shareholders registered at the Extraordinary General Assembly of Shareholders (September 8, 2006), the shareholders having at least 5% of total votes (157,762,023) were:

Name of the subject	Number of ordinary bearer shares held	Share in equity capital (%)	Number of votes at the General Assembly of Shareholders	Share in the total number of votes at the General Assembly of Shareholders (%)
AUTOSTRADE S.p.A. with seat in Rome	34,159,378	21.65	34,159,378	21.65
National Fund for Environmental Protection and Water Management plc (NFOŚiGW S.A.) with seat in Warszawa	18,022,835	11.42	18,022,835	11.42
PKO Bank Polski S.A. with seat in Warszawa	8,870,385	5.62	8,870,385	5.62

#### 5.6. Information on changes in STALEXPORT S.A. organizational or capital connections

1. **On 2<sup>nd</sup> January 2006** the Company received a notice on “STALEXPORT Autoroute S.a.r.l.” Societe a responsabilite limitee with its registered seat in Luxemburg an entry to the register by Notary Public in Luxemburg on 30<sup>th</sup> December 2005. The Company’s initial capital amounts to EUR 15,000 (in words: fifteen thousand EURO, only) and is divided into 600 shares of EUR 25 nominal value each. One share authorizes to one vote at the Partners’ General Meeting. The capital of the above mentioned company was covered entirely in cash and subscribed by STALEXPORT S.A. in 100%. The establishment of the company is an element of holding structure foreseen under a contract for loan to finance a payable highway at Kraków-Katowice section (financial closure).
2. **On 24<sup>th</sup> February 2006** the Company received from its plenipotentiary in Luxemburg the original documents referring to the registration of increase of capital owned by „STALEXPORT Autoroute S.a.r.l.” with its registered seat in Luxemburg depended in 100% on TALEXPORT S.A. The initial capital was increased from EUR 15,000 up to EUR 42,765,000, i.e. of EUR 42,750,000 due to the emission of 1,710,000 shares of EUR 25 each. Total number of votes after registration of initial capital change amounts to 1,710,600. The increase of the initial capital was affected through non-cash contribution in kind by STALEXPORT S.A. in a form of 100% shares of STALEXPORT Autostrada Małopolska S.A. company.
3. **On 22<sup>nd</sup> March 2006** the Company received from its plenipotentiary in Luxemburg the information on the registration of increase of capital owned by „STALEXPORT Autoroute S.a.r.l.” company with its registered office in Luxemburg depended in 100 % on STALEXPORT S.A. The initial capital was increased from the amount of EUR 42,765,000 up to EUR 47,565,000, i.e. of the amount of EUR 4,800,000 through the emission of 192,000 shares of EUR 25 each. Total number of votes after the change of capital amount was

registered amounts to 1,902,600. The capital increase was effected through contribution in kind in a form of 55 % shares of STALEXPORT TRANSROUTE Autostrada S.A. company.

4. **On 26<sup>th</sup> June 2006** the Investment Contract was concluded by and between STALEXPORT S.A. and Autostrade S.p.A. (an company established and conducted on the grounds of the Law of Italy with its registered seat in Rome entered into the register of Companies in Rome at No. 1023691). In virtue of the provisions of the Investment Contract Autostrade S.p.A. subscribed in the first turn 34,159,378 pieces of STALEXPORT S.A. shares of new emission emitted within a range of the aimed initial capital increase. The value of new emitted shares amounted to PLN 68,318,756. Besides, pursuant to the contract, Autostrade S.p.A. will subscribe shares of the succeeding emission emitted in virtue of the resolution of the STALEXPORT S.A. Partners' General Meeting reaching as a purpose after complying with particular conditions under the contract, at least 50%+1 share of total number of votes in the initial capital.
5. **On 10<sup>th</sup> July 2006** the Company received a decision by the District Court in Katowice, Economic Division of the National Court Register of 6<sup>th</sup> July 2006 referring to the increase of the Company's initial capital of shares subscribed by Consortium Banks under I Shares Tranche of F Series. As a consequence, the STALEXPORT S.A. initial capital increased up to the amount of PLN 247,205,290 and number of the Shares up to 123,602,645 pieces, respectively,
6. **On 2<sup>nd</sup> August 2006** the Company received a decision by the District Court in Katowice, Economic Division of the National Court Register of 26<sup>th</sup> July 2006 regarding the registration of the increased Issuer's capital of shares subscribed by Autostrade S.p.A. under II Shares Tranche of F Series. As a consequence, the STALEXPORT S.A. initial capital increased up to the amount of PLN 315,524,46 and number of the Shares up to 157,762,023. As a result of two increases registered, the initial capital increased of PLN 103,893,624 in comparison to the position as of 30<sup>th</sup> June 2006,
7. **On 30<sup>th</sup> August 2006** the Company informed that entered into the contract of sale with ZFI HAVRE Sp. z o.o. w organizacji [ZFI HAVRE Ltd under organization] with its registered seat in Cracow, of the right to perpetual usufruct of undeveloped plots of 14,701 m<sup>2</sup> located in Katowice at a cross-roads of Sobieskiego, Zabrska and Dąbrówki Streets for net amount of 6.5 million PLN.
8. **On 12<sup>th</sup> September 2006** the Company was given the information that the Court Decision on striking off Centrostal Profil Sp. z o.o. w likwidacji [Centrostal Profil Ltd under liquidation] with its registered seat in Cracow of an entry in the National Company's Register on 28<sup>th</sup> July 2006.
9. **On 14<sup>th</sup> September 2006** the Company informed on signing a contract with Belgian Polish Investment Sp. z o.o. with its registered seat in Wrocław for purchasing the right to perpetual usufruct of land and house property for net amount of 5.7 million PLN. The purchased real estate is located in Warsaw, in Ursus quarter at Gierdziejewskiego Street No. 3 and its total area includes 14,481 m<sup>2</sup> of land including manufacturing hall of 7,290 m<sup>2</sup> area, as well.

## **6. DEVELOPMENT PROSPECTS AND DESCRIPTION OF BASIC RISKS AND HAZARDS, CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS MATERIAL FOR STALEXPORT S.A. AND CAPITAL GROUP DEVELOPMENT**

### **6.1. Development prospects - introduction**

As a result of realization by STALEXPORT S.A. in nineties years of previous century, the strategy of establishing the steel holding integrated vertically incorporated plants gaining and processing scrap, steel plants, metallurgical processing plants, as well as network of sale, the then Capital Group found themselves in a very difficult financial situation.

To save the firm „STALEXPORT S.A. strategy programme to be realized 2002-2007 – under composition agreement proceedings” accepted by the Management Board’s resolution of 14<sup>th</sup> February 2002 was carried out. The principle elements of the programme were, as follows:

- A) Financial transformation, including agreements with creditors relating to reduction and conversion of debts/liabilities,
- B) Transformation of the Capital Group scope activity and STALEXPORT S.A. itself, including resignation of activities provided with high capital-intensity and low efficiency, as well,
- C) Internal transformation of the Capital Group and STALEXPORT S.A. in order to improve financial efficiency,
- D) Continuation of activity within highway scope,
- E) To undertake activities to maintain financial solvency in a period of the repair programme.

The time to end the performance of the repair programme is assumed in July 2008.

Currently the following preliminary elements of the repair programme have been carried out:

#### Area A:

- in 2002 the court composition agreement with not secured creditors was concluded and hitherto 12 composition instalments of assumed 20 has been repaid,
- the composition agreement with secured creditors was concluded, repayment of liabilities is agreed up till the half of 2008 year and liabilities resulting from those agreements are repaid systematically.

#### Area B:

- resignation of business activity involving steel production, scrap gaining and processing, as well as trade of goods providing losses,
- the assets not connected with the basic Issuer’s business activity were sold systematically (business activity connected with rendering lease and hotel services, etc.)

#### Area C:

- the general costs of the Capital Group STALEXPORT S.A. were completely reduced,
- most of dependable companies involved in trade became consolidated with STALEXPORT S.A. (among others Stalexport Centrostal Warszawa S.A.)

#### Area D:

- there were conducted activities counteracting not to admit to take the concession back for A4 Katowice – Kraków highway section,
- the financial closure for the above specified highway section was affected,
- there were undertaken activities to widen the STALEXPORT S.A. activity within a range of the Highway Segment through the participation at new tender procedures announced by the Government,

- there was gained a strategic investor who is Autostrade S.p.A. and whose experience at the highway branch should enforce the STALEXPORT S.A. position in that segment of the business activity.

Area E:

- the agreement with not secured creditors on conversion of 35% of the debt into the STALEXPORT S.A. initial capital was concluded,
- all assets not connected with the preliminary business activity (excluding the ones where purchasers in adequate price was not found) were sold,
- the activities intending to restart financing of current business activity by the bank sector in compliance with the repair programmed approved by those banks
- in 2004 the public offer was prepared to gain capitals through the emission of 50 million shares within a range the aimed capital, and the offer did not succeed due to the execution of payment by the State Treasury against banks financing the investment projects of Huta Ostrowiec S.A. [Ostrowiec Steel Plant Joint Stock Company] that became bankrupt, and such payment was put as a claim to STALEXPORT S.A.,
- the agreement with the Ministry of Finance was concluded, the agreement refers to postpone the term of repayment of the liability resulting from a bill of exchange guaranteed for the State Treasury and connected with the State Treasury guarantee for the banks financing the bankrupted Huta Ostrowiec S.A.,
- due to very good opinion on trade staff skills there were gained merchant's loans for the Stalexport Group granted by the most serious suppliers of metallurgical goods, such as Mittal Steel Polska S.A., CMC Zawiercie S.A., Huta Batory S.A. and Złomrex Sp. z o.o.,
- there was concluded the agreement with the banks financing the investment project realized by Walcownia Rur Jedność Sp. z o.o. relating to the subject-matters resulting from the STALEXPORT S.A. guarantee for granting loans/credits for Walcowni Rur Jedność Sp. z o.o.,
- on 26<sup>th</sup> July 2006 the Investment Contract was concluded with Autostrade S.p.A. (Italy) relating to the increase of the initial capital of approximately 246 million PLN provided in two tranches: the first one amounting to approximately 68 million PLN and the other one for approximately 180 million PLN,
- on 26<sup>th</sup> July 2006 the increase of the Issuer's initial capital of approximately 68 million PLN (subscription of the Shares of F Series of II Tranche by Autostrade S.p.A.) was registered.

Investment Contract with Autostrade S.p.A. consists of two preliminary elements:

- increase of STALEXPORT S.A. capital in two stages, what will cause Autostrade S.p.A. to become strategic investor with share of increased capital equal at least 50%+1 share,
- resignation of providing trade activity of steel goods by STALEXPORT S.A. and sale Trade Segment of the Capital Group to a reliable purchaser.

Performance of Investment Contract with Autostrade S.p.A. means, as follows:

- to gain financial sources by STALEXPORT S.A. to repay all and any Historical Liabilities completely,
- absolute modification of STALEXPORT S.A. activity strategy for the future.

## 6.2. Detailed description of STALEXPORT S.A. strategy

### 6.2.1. Hitherto strategy

**Before STALEXPORT S.A. signed the Investment Contract with Autostrade S.p.A. (26<sup>th</sup> June 2006) the sphere of the Company's business activity were two segments:**

- Trade Segment,
- Highway Segment.

In both segments STALEXPORT S.A. realized a particular strategy that, what was obvious, resulted from the realized repair programmed whose main elements were specified above.

Considering the above the Capital Group's strategy concentrated on two preliminary spheres:

- Development of trade business activity, both on domestic market based on network of trade stores and dependable distribution companies, and foreign market (export, import), as well, and development of process business,
- Development of highway business activity.

Development of trade business activity was mainly focused:

- To increase economical efficiency of distribution network,
- To develop processing and prefabrication of reinforcements.

The above spheres make the grounds of the realized “**STALEXPORT S.A. Marketing-Trade Strategy**”. It is aimed to coordinate marketing-trade and retransformation activities in a manner to limit working capital that is at the Issuer Group's disposal to generate the margin enabling repayment of composition liabilities, increase of the Company's Goodwill for the shareholders, as well as the increase of profits.

The Management Board was focused at the highway business activity, mainly:

- To realize liabilities resulting from the concession contract at A4 Katowice – Kraków section, including particularly the performance of the investment programme regarding overhauls and modernization of the route till the end of 2009 year,
- To prepare to participate at further stages of procurement procedure connected with construction and operation of A1 Stryków-Pyrzowice and A2 Stryków-Konotopa highways in partnership with Autostrade S.p.A.,
- To prepare to possible tender procedure for maintenance and operation of A4 Wrocław-Katowice highway,
- To promote public-private partnership within a range of highway projects,
- To undertake activities to gain strategic investor.

### 6.2.2. Strategy in intermediate period

**Until the second increase of the initial capital under the Investment Contract and subscription of at least 50%+1 share in the Company's initial capital by Autostrade S.p.A. the STALEXPORT S.A. Management Board assumes:**

- a) To continue earlier strategy at Trade Segment, i.e.:
  - To conduct effective trade activity on the grounds of the existing and subject to optimization sale network and re-building the market position at steel trade,
  - To conduct effective production activity and service rendered within a range of processing and prefabrication of reinforcements for building industry,
  - To keep expenditure discipline,
  - To conduct process to provide the investor for trade sphere,
  - To sell Trade Segment to a reliable purchaser on a day of the second increase of the STALEXPORT S.A. initial trade for Autostrade S.p.A.
  
- b) The Highway Segment:
  - To conduct investment projects in the accordance with the Concession Agreement at A4 Katowice – Kraków section aiming to make the highway complying with any and all current standards for highways binding,
  - To participate at government tenders (procurement procedure) to gain construction, operating and maintaining company at highway sections: Stryków - Konotopa (Warszawa) and Stryków - Pyrzowice,
  - To participate at government tenders or prepared by other government authority (procurement procedure) for maintaining sections of other highways,
  - To recognize and possibly to participate at highway development projects of Middle-East Europe.

### **Strategy at Trade Segment**

One of the conditions to further engagement by Autostrade S.p.A. in STALEXPORT S.A. is to sell the Trade Segment of the Group till the Day of Closure defined in the Investment Contract to the reliable investor after obtaining the Company's Shareholders' General Meeting consent to perform such transaction. Taking that into consideration, the STALEXPORT S.A. management Board and management boards of the Capital Group companies incorporated in the Trade Segment continue the undertaking determined under the strategy provided by the Company's Management Board for the Trade Segment of the Capital Group. The effect is value maximization for the Company due to the assumed sale on the Day of Closure.

Marketing-trade strategy elaborated for the Trade Segment of the Capital Group assumes the activities to reach the above goal, i.e.:

- To increase economic efficiency of the distribution network through:
  - Optimization of sale network,
  - Fastening of organizational structure,
  - Simplification of managing rules,
- Development of processing and fabrication of reinforcements for building industry,
- Searching alternative procurement sources.

As the Investment Contract stipulates that the STALEXPORT S.A. Historical Liabilities stay with the Company, then the Trade Segment of the Capital Group free of debts shall have the opportunity to recover its strong position on the domestic market of steel sale and to enforce within in a scope of reinforcement services and trade activity at export sphere. The purpose will be carried out due to began activities aiming to gain a reliable investor for the Trade Segment of the Capital Group, such investor will guarantee the Segment to be fed with capital, to obtaining the effect of synergies having the possibility to take use absolutely of the company, trade mark, its power and employees' skill of the Capital Group, both on the domestic and foreign market, as well.

The tramps of the Trade Segment of the Capital Group include among other things:

- In the sphere of metallurgical goods sale:
  - Very good knowledge of the steel market and well placed market position,
  - More than forty years experience,
  - Excellent knowledge of foreign markets,
  - Well placed position of STALEXPORT trade mark,
  - Properly developed distribution network with special store-servicing background,
  - Wide assortment offer,
  - Reliability at organizing goods deliveries to any point in the country and abroad,
  - Professional trade staff,
  - Certificate EN ISO 9001:2000.
  
- Reinforcement sphere for building industry:
  - High production output (active manufacture plants and reinforcement prefabrication in Katowice and Warsaw and starting-up plant in Krzyż Wielkopolski),
  - To computerize production lines,
  - Approvals and quality certificates: ITB, BDM, metallurgical licenses, quality management system EN ISO 9001:2001,
  - Qualified and skilled team of workers to guarantee high level of services rendered,
  - Long-term contracts for deliveries and contracts on cooperation.

### **Strategy In Motorway Segment**

STALEXPORT S.A. has started its activity in motorway sector in 1997, when it was granted concession for adaptation and operation of the toll motorway A4 Katowice-Kraków. It was at that time the first concession of the type granted in Poland. Operational activity has been initiated in April 2000 together with starting toll collection on the above mentioned section. At the same time STALEXPORT has undertaken efforts to acquire the next concession for construction and operation of toll motorway A4 Wrocław-Katowice in Consortium with foreign partners. Financial problems STALEXPORT S.A. which were revealed in 2001 and which resulted in reorganisation proceedings compelled the Company to assume conservative strategy in motorway sector, which in its nature is characterised by high capital absorbency of the enterprises. Based on the approved strategy for the years 2002-2007 involving the continuation of motorway operation, the activities in motorway segment concentrated on:

- Continuation of conducted project, i.e. A4 motorway Krakow-Katowice,
- Continuation of participation in tender procedure for concession on the section A4 Wrocław-Katowice (though with the increased participation of joint consortium participants)
- Retaining the possibility of participating in successive tender procedures for motorway concessions (*inter alia* by co-operation with the potentates on the European motorway markets Vinci Concessions S.A. and Autostrada S.p.A.)

The most important task from the strategic point of view, was securing the realisation, including financing of A4 Katowice-Krakow motorway project. This required adapting the signed Concession Agreement to the standards applied for this type of enterprises on the international financial markets, which in turn required statutory changes, as well as the renegotiations of the Concession Agreement. The task was accomplished after 5 years of endeavours in 2005 when STALEXPORT S.A. dependent company, Stalexport Autostrada Malopolska S.A., – present Concessionaire – achieved Financial Closure of the project. It needs to be emphasised that the above actions were conducted at the time of changing conceptions of motorways construction in Poland and the related legal solutions.

In the scope of the subsequent concession procedures STALEXPORT succeeded, owing to the organisation of international consortiums, in participating in the most important, from its point of view, concession procedures for the realisation of the projects: A4 Wroclaw-Katowice, A2 Konin-Strykow, A2 Strykow-Konotopa, A1 Pyrzowice-Strykow, while the first two proceedings were annulled by the Government in 2006.

Successful accomplishment of the above strategy in the motorway sector has allowed to preserve Company's knowledge and experience capability and its attractiveness for the potential branch investors, which was confirmed by Autostrade S.p.A capital entry to STALEXPORT S.A.

Polish Government plans presented at the beginning of 2006 provide for expanding motorways network in Poland from the present 570 km to respectively 1.072 km in the year 2009, 1.728 km in the year 2013 and ultimate 2.085 km of motorways, and moreover 1.800 km of express roads. Governmental plans anticipate simultaneous raising private resources for this purpose in the amount of PLN 6,3 billion (of the overall amount of PLN 38 billion indispensable for project realisation). Confirmation of Polish Government plans as to the continuation of private bodies participating in motorway network expansion plans in Poland is maintaining tender procedures for construction and operation of A1 Strykow-Pyrzowice and A2 Strykow – Konotopa motorways in the system of public-private partnership.

STALEXPORT S.A. shall continue development strategy of motorway activity through continuing actions aimed at concluding further contracts for construction and operation of motorways, also outside Poland. Together with Autostrade S.p.A it has submitted at the end of 2005 offers for construction and operation of A1 Strykow-Pyrzowice (180 km), A2 Strykow-Konotopa (95 km) motorways sections and operation of A2 Konin-Strykow (103 km) motorway section, while the latter public tender was annulled. The important unknown issue from the point of view of extending motorway activity in Poland is future policy of Polish Government on construction model, and then operation of the individual sections of the motorway as well as the entire system of motorways.

Acquiring the new strategic investor, Autostrade S.p.A with its seat in Rome (Italy), the leader on the European motorway management market, with whom STALEXPORT S.A. has concluded Investment Agreement on 26 June 2006, should increase the chances of executing the strategy of activity development in motorway segment. In accordance with its provisions Autostrade S.p.A has acquired 34 159 378 Shares F Series of the II Tranche in the first place, emitted as part of increasing the share capital of the company within the confines of target capital, constituting 21,7% of STALEXPORT S.A. share capital, having considered registration of capital increase by way of emitting part of F Series Shares encompassed by the Consortium of Banks. Then it shall acquire shares of next emission, issued under the resolution of STALEXPORT S.A. Shareholders Meeting, acquiring ultimately at least 50% +1 shares in the overall number of votes in the Company's share capital.

Autostrade S.p.A. is governing the network of more than 3 400 km of toll motorways in Europe and in the United States and is the leader of automatic toll collection system on motorways.

Autostrade S.p.A. is listed on the Stock Exchange in Mediolan, and its market value amounts above EUR 12 billion. In Spring 2006 Autostrade Group has announced merger plans with the Spanish company Abertis. Execution of the above plans shall mean formation of the biggest capital group in the scope of road infrastructure in the world managing over 6 700 km of motorways. Capitalisation value of the merged group shall amount about EUR 25 billion. At the beginning of August 2006 Italian Government has stopped Autostrade S.p.A with the Spanish Abertis merger plan, which does not imply definite breaking of conducted talks, and may indicate the wish to negotiate more advantageous conditions for the shareholders of Autostrade S.p.A. On 22

September 2006 the European Committee issued positive opinion as to the planned merger of both companies.

Autostrade S.p.A. intends to increase the territorial range of its activity, which is part of the strategic plan of group development. Taking over control over STALEXPORT S.A. shall ensure the access to know-how and the technologies applied by Autostrade S.p.A in other countries, thus increasing its competitiveness against other operators. STALEXPORT S.A. is to become the stronghold for further development of motorway activity in Poland and in the region. Autostrade S.p.A. and STALEXPORT S.A. have undertaken co-operation in the scope of the ongoing tender procedures, and implementation of equity relationships of both companies shall allow for their closer co-operation and establishing more effective economic relations between them. Capital strengthening of STALEXPORT S.A. shall allow to participate in bigger number of tender procedures, and owing to the nationalised resources economy it shall allow for more effective competition with other, mainly foreign entities present on motorway market in Poland. Having finalised the transaction STALEXPORT S.A. will be able to appear not only as an operator, but also as an investor and provider of infrastructure solutions, equipped with considerable financial support and know-how of the main shareholder. Owing to the planned development of this activity STALEXPORT S.A. has the chance to become a significant player on Polish motorway market.

Capital Group and Autostrade S.p.A have already been partners in two motorway tenders in Poland, assuming designing, construction, financing and operation of A1 motorway between Stryków and Pyrzowice (180 km) and A2 motorway section between Konotopa and Stryków (96 km).

Capital Group assets include:

- the longest experience in project management of toll motorway on Polish market,
- managing of the economically effective section of motorway, from the point of view of the traffic flow level - requiring no public subsidies,
- experience in participating in motorway public tenders in Poland,
- knowledge of Polish construction market indispensable to execute motorways construction projects in Poland (Issuer Group is the leader on the market of processing and prefabrication of reinforcements in Poland and the supplier for the number of leading construction companies such as: Strabag Polska, Warbud Polska, Grupa Bilfinger, Skanska),
- the knowledge of Polish and foreign financial markets required for financing investment needs,
- the ability to manage and operate motorway including toll collection in Poland,
- high quality of services and safety,
- in-depth cost control and thorough selection of co-partners for the realisation of the enterprise,
- co-operation of the individual companies of Stalexport Capital Group,
- support of strategic investor, Autostrade S.p.A., the leader on motorway concession market and toll collection system in Europe.

### **6.2.3. Target Strategy**

**After final accomplishment of all Investment Agreement records, i.e. in particular after simultaneous second increase of company's share capital and acquiring by Autostrade S.p.A at least 50%+1 share in the Company's share capital as well as the sale of Commercial Segment in favour of the reliable purchaser, STALEXPORT S.A. shall concentrate on Motorway Segment activity in, i.e.:**

- realisation of the ongoing project of toll motorway A4 on Krakow-Katowice section,
- continual participation in tender procedure for motorway concessions for A1 section Strykow-Pyrzowice and A2 Strykow-Konotopa,
- participation in successive tenders for motorway concessions or in tenders organised by the special purpose companies for construction and operation of new sections of toll motorways *inter alia* by co-operation with the potentate on European motorway market - Autostrade S.p.A,
- expansion in the region owing to the experience in realisation of motorway projects and financial potential held by the strategic investor, Autostrade S.p.A.

Therefore having sold the Commercial Segment, the Capital Group shall be executing operational activity in Motorway Segment as described above.

#### **6.4. Description Of the External and Internal Factors Essential For the Development of STALEXPORT S.A. and Capital Group**

The development of the Capital Group is conditioned by the external factors, independent of the companies forming the Group, as well as the internal factors – closely bound with its activity. The factors mentioned below are of greater importance for the development of Capital Group in the perspective at least till the end of current business year.

##### **6.4.1. External Factors**

###### **Macroeconomic Situation in Poland and Abroad On the Markets Where Capital Group is Operating**

Capital Group incomes come from operation in Commercial Segment and in Motorway Segment. For that reason its financial results are dependant on the factors related to macroeconomic situation of Poland and the selected foreign markets, and in particular from the rate of growth (GDP), the increase of investment level and shaping the inflation ratio, budget deficit and unemployment.

###### **New Government Policy In The Scope Of Construction And Operation Of Motorways**

In the scope of motorway activity Polish law is the essential external factor influencing the development of Capital Group. There is no published official Polish Government program on construction and operation of motorways at the moment. Government has in turn prepared the draft act on special purpose companies, which assumes appointment of State Treasury Companies, which would be taking up financing, construction and operation of motorways. Despite the fact that the introduction of motorway construction system organised and co-financed by the Treasury does not exclude the possibility of realisation of new motorway enterprises in the system of „concessions’, the possible change of Government policy shall have an important meaning for Capital Group.

###### **Prosperous Economy On The Steel Market**

Growing, advantageous tendency, from the point of view of Capital Group, both in terms of prices and the demand for ironworks products could be observed in the first half of 2006.

In the opinion of Company’s Board the prices and demand shall maintain the increasing tendency in the second half of 2006.

###### **Competition On The Part Of Other Entities On The Ironworks Products Distribution Market**

Development perspectives of the Capital Group depend on the intensity of competitiveness activities of domestic and foreign companies operating on Polish market of ironworks products

distribution. There is competition on prefabrication and reinforcement production market as well, particularly considerable in the areas, where biggest construction and infrastructure investments are executed, (Warsaw, Krakow and Silesia market). In the opinion of the Board there shall be further consolidation and concentration of companies' equity on the steel products distribution market (including production of the reinforcements).

#### **Changes Of Exchange Rate**

Owing to the fact that considerable part of revenues from Capital Group sale are constituted by export sale, the changes of exchange rate and in particular USD/PLN rates can influence the financial results of Capital Group.

In order to avoid the unfavourable influence of exchange rates on the achieved results, Capital Group shall undertake the following actions:

- concluding exchange risk security transactions (forward business and currency options),
- constant situation analysis on the exchange rate market based on data obtained, among other things, from co-operating banks,
- constant monitoring of transactions of high exchange risk.

#### **6.4.2. Internal Factors**

##### **Acquiring Branch Investor**

Under the Investment Agreement signed between STALEXPORT S.A. and Autostrade S.p.A., Autostrade S.p.A. assumed 21,65% shares in company share capital, becoming the biggest shareholder of STALEXPORT S.A. at the same time.

Investment Agreement concluded by STALEXPORT S.A. on 26 June 2006 with Autostrade S.p.A. came into force on the date it was signed by both parties. Investment Agreement includes assuming next emission of STALEXPORT shares by Autostrade S.p.A. as a result of which its target participation in STALEXPORT S.A. share capital shall amount at least 50% +1 share. It however involves the necessity of meeting the following conditions:

1. WZA STALEXPORT S.A. adopting resolutions on:
  - Increasing Company's share capital by way of emitting shares of nominal value of PLN 2,00 each, of emission price PLN 2,00 per each share excluding the right of subscription for former shareholders, destined to be assumed by Autostrade S.p.A.,
  - agreeing to dispose of Commercial Segment of Capital Group to the reliable purchaser on conditions satisfactory for STALEXPORT S.A. Shareholders,
2. obtaining permit from the Chairman of Office of Competition and Consumer Protection pursuant to art. 12 par. 3 pt. 1 of the Act dated 15 December 2000 on Competition and Consumer Protection for:
  - the purchase of Capital Group Commercial Sector by the selected, reliable purchaser,
  - assuming by Autostrade S.p.A. at least 50% +1 share in the share capital STALEXPORT S.A.,
3. no essential changes which can negatively influence motorway activity of the Capital Group, and in particular changes of Polish law in the scope of motorway activity resulting in the essential modification of conditions of participating in tender procedures for foreign entities in the process of conducting activity in motorway sector.

Investment Agreement determines, that the sale of Commercial Sector and taking over new emission of Shares by Autostrade S.p.A. shall ensue simultaneously.

In case of failing to meet any of the above conditions the Investment Agreement shall not come to terms and therefore the Capital Group shall not acquire the means for payment of its Historical

Liabilities and the additional financial means for further development of activity in the motorway sector.

#### **Realisation Of Investment Plans In Commercial Segment Of Capital Group**

Timely realisation of the entire investment plans and in particular those related with the realisation of investment plans concerning Warsaw market (settlement of transferring activity in Warsaw from Mokotow to Ursus area) and Wielkopolski market (construction of reinforcement prefabrication plant for building industry in Krzyz Wielkopolski) shall influence the position of competition, development dynamics and profitability of Commercial Sector of Capital Group.

#### **Realisation Of Commitment Resulting From Investment Agreement Concerning The Sale Of Capital Group Commercial Sector**

In accordance with the Investment Agreement STALEXPORT S.A. has committed itself to the sale of all steel assets from the Capital Group balance. Following the declaration of Company's Board the assets of Commercial Segment of Capital Group shall be subject to sale together with commercial liabilities resulting from its current commercial activity. The final object of the sale and its conditions is at present the subject of STALEXPORT S.A. works. Adopting the appropriate resolution by WZA STALEXPORT S.A. allowing for the sale is the necessary condition for the disposal of Commercial Segment, which at the same time conditions further capital engagement of Autostade S.p.A. in Company Shares.

#### **6.4.3. Other Factors**

At present there are no other known factors, above the ones mentioned above, which, to any probability can have considerable influence on the perspectives of the development of the Capital Group till the end of 2006.

#### **6.5. Basic Risks and Threats**

##### **6.5.1. The Risk Of Changing Concept Of Motorway Construction And Operation**

There is no official Polish Government published program on construction and operation of motorways at present. It appears from the statements given in public by Government members as well as the officials of the appropriate transportation department, that the Government intends to abandon motorway construction and its operation under „concession” system based on public-private partnerships (PPP), replacing it with the “traditional” system, i.e. organised and co-financed by State Treasury based on financing from the European structural funds. The Government prepared draft act on special purpose companies, implying the appointment of State Treasury owned Companies, which would be dealing with financing, construction and operation of motorways, by themselves or by commissioning the above mentioned duties to external subjects.

Nevertheless, following information given by Government representatives, introduction of „traditional” system does not exclude the possibility of realisation of the new, as well as continuing currently conducted motorway enterprises under PPP system. If however the Government body, as a result of the introduced regulations, would take a decision on terminating Concession Agreement with Stalexport Autostrada Malopolska S.A., which would de facto mean withdrawing concession, the company would be entitled to compensation, pursuant to Annex no 5 of 2005 to Concession Agreement, at the amount equalling the lost incomes and refund of payables towards the banks as a result of drawn credit.

The change of the concept of construction and operation of motorways connected with withdrawal of Concession from Stalexport Autostrada Malopolska S.A., would result in deteriorating financial results generated by Capital Group Stalexport compelling Stalexport Autostrada Malopolska S.A. to apply for remuneration in the amount of lost incomes and refund of its liabilities to banks resulting from the drawn credit, which would be besides related to the necessity of bearing the additional costs of legal services.

### **6.5.2. Macroeconomic Situation Risk**

Among the macroeconomic factors influencing the activity of Stalexport Capital Group the rate of growth of gross domestic product should be indicated, and in particular of industry sectors, which are the recipients of steel products (building industry, car industry, shipbuilding industry, machine industry, domestic equipment and appliances producers etc.), the level of interest and inflation rate, the exchange rate as well as the customs policy.

The negative changes of main macroeconomic factors, including the decrease of gross national product, the rate of commercial exchange and inflation rate increase, can negatively affect the dynamics of sale incomes and financial results achieved by the Capital Group.

### **6.5.3. The Risk Related with Initiating Financing of Maintenance Works On A4 Motorway Katowice-Krakow**

The undertaking of toll motorway A4 on Katowice-Krakow section, is being executed by Stalexport Autostrada Malopolska S.A., in accordance with the premises and the schedule anticipated in Annexe no 5 to Concession Agreement signed by Stalexport Autostrada Malopolska S.A. and the officials of the appropriate transportation department. Annexe no 5 came into force in October 2005. On 28 December 2005 Stalexport Autostrada Malopolska S.A. signed credit agreement with the Consortium of Banks for the amount of PLN 380 mln, meeting at the same time Concessionaire obligation to achieve Financial Closure. On march 2006 Stalexport Autostrada Malopolska S.A. fulfilled conditions for distributing first tranche of the above mentioned credit, again meeting timely the obligations of Concessionaire. At present there is ongoing tender procedure aimed at appointing the contractor of main construction works (Contract no F2a-6-2006) determined in Annexe no 5. The works are to be financed both from project incomes as well as from the above mentioned credit.

In order to distribute further tranches of credit enabling the realisation of construction works defined by the Agreement no F2a-6-2006, the Consortium of Banks reserved the right in its favour, acting at its own discretion, to revoke any of conditions out of Stalexport Capital Group control, including:

- carrying out consultations between Ministry of Finance and the appropriate transportation department MP on financial conditions of Concession Agreement altered by Annexe no 5,
- obtaining standard legal opinion from legal department of the appropriate transportation ministry in the scope of compliance with the law concluded between the Concessionaire and the Government Body,

and provide financing up to the amount of PLN 380 mln.

Up till the present moment Stalexport Autostrada Malopolska S.A. (Stalexport Capital Group) has not received any information from the Government body on the above mentioned issue.

In case of failing to meet the above mentioned conditions and the lack of Consortium of Banks approval for its revoking the Board of STALEXPORT S.A. shall undertake attempts to receive financial support from the strategic investor – Autostrade S.p.A.

STALEXPORT S.A. expects that the remaining initial conditions to be met in order to make the above mentioned credit available, as determined in Credit Agreement, shall be fulfilled by the end of current year. The most important is signing agreement on construction works with the selected winner of tender procedure for the maintenance of bridges and surfaces on the concession section of A4 motorway.

#### **6.5.4. The Risk Related With Concentration Of Suppliers On The Steel Products Market**

The main source of incomes for Stalexport Capital Group is the activity realised by Commercial Sector, of which the chief source of supply are the private entities of production sector in Poland. Mittal Steel Poland, controlling 75% of the market, holds the dominant position among producers present on Polish ironworks market.

As a result of the considerable scale of STALEXPORT S.A. turnovers coming from Mittal Steel Poland S.A. (almost 40% participation in supplies for Capital Group in the first part of 2006) the change of the current company's trade policy, could entail deterioration of conditions of ironworks products supply for Capital Group in determining the accessibility and ironworks products prices and at the same time negatively influence the financial results obtained by the Group. The risk related with the concentration of suppliers on the steel products market shall continue until the sale of Capital Group Commercial Sector.

#### **6.5.5. The Risk Related To The Competitiveness On The Steel Products Distribution Market**

The Board of STALEXPORT S.A. anticipates, that the level of competitiveness on Polish market of steel distributors shall increase, which shall result in the change of distributors' role, from the traditional, i.e. merely the agent between the producer and client, into more complex – operator, which converts the material purchased from the producer into the product completely adjusted to the needs of the client. In consequence the operator takes over part of duties executed so far by the producer and receiver, and its role on the market shall be strengthening.

It can be this expected that such changes on the steel distribution market in Poland shall increase competition contest between the distributors and can be additionally strengthened by the expected consolidating activities, which can result in the decrease of the margins reached by the distributors, including the Stalexport Capital Group and influence the results obtained by the Group in the future. This risk shall exist till the moment of the sale of the Commercial Sector of Stalexport Capital Group.

#### **6.5.6. Legislation Changes Risk (Polish and European Union) Influencing The Market**

Changing legal regulations and its various interpretations pose a threat for the activity of Capital Group. Present regulations of Polish law undergo intensive changes connected with the implementation of the European Union law. These changes can have a serious influence on legal surroundings of economic activity, including the activity of Stalexport Capital Group. The new regulation, essential for business relations, coming into effect can involve

interpretation problems, unambiguous judicial decisions, unfavourable interpretations by the public administration organs, etc.

The activity of Capital Group can also be effected by statutory changes, not related with implementation of the European Union law, the appearance of which can be currently anticipated. Such changes include, probable changes of some tax regulations, labour law and social security regulations.

Polish tax system is characterised by frequent change of regulations. Many of them have not been carefully phased and there is lack unambiguous interpretation. Interpretations of tax regulations undergo frequent changes, and both the policy of inland revenues as well as judicial decisions in the sphere of taxes are not uniform. As a result of divergent interpretations of tax regulations there appears bigger risk in case of Polish company than in case of the company operating in more stable tax systems.

One of risk elements resulting from tax regulations are the regulations connected with the period of limitation of tax liabilities, which result in the possibility of verification of charging taxes accuracy for the given period. Tax declarations determining the amount of tax liability and the amount of payments can be verified by Inland Revenue authorities control within 5 years from the end of year, when the tax payment date expired. In case Inland revenue authorities adopt different interpretation, from the ones posing the base for calculating tax liability by Capital Group, of tax regulations the situation can have a significant negative influence on Group's activity, its financial situation, results and development perspectives.

As a result of Capital Group scope of activity, potential changes of regulations in the scope of motorway activity will have significant meaning for its functioning, resulting in the essential modification of conditions of foreign investors participation in tenders for operational activity in motorway sector or failing to perform activities by the appropriate administrative organs, for which these organs are obliged in the context of issuing the appropriate permits, agreements or decisions. In such case further development of Stalexport Capital Group activity in motorway sector could be restricted.

#### **6.5.7. The Risk Related To Formation Of Exchange Rates**

As a result of the fact that considerable part of revenues from Stalexport Capital Group sale are constituted from the export sale (44% revenues from net sale in the first part of year 2006), financial results of the Capital Group are susceptible to the unfavourable changes of exchange rates in relation to Polish Zloty.

In order to avoid the unfavourable influence of exchange rates on the results, STALEXPORT S.A. is undertaking the following actions:

- conclude transactions securing against exchange risk (forward business and currency options),
- constant situation analysis on the exchange market based on data coming from *inter alia*, co-operating banks,
- constant monitoring of transactions exposed to exchange risk.

#### **6.5.8. The Risk Related To Encumbrances By Way Of Historical Liabilities**

Continuation of Capital Group activity is dependent on the successful financial restructuring and resulting realisation of provisions of reorganisation proceedings with creditors, approved on 27 June 2002 by the District Court in Katowice and the arrangements made with the so called creditors outside reorganisation proceedings. On the day of 30 June 2006 the value of reorganisation proceeding payables due amounted almost PLN 76 mln, and the outside reorganisation proceedings payables amounted above PLN 141 mln, including payments in favour State Treasury by way of guarantee given to Ostrowiec Ironworks S.A., of above PLN 78 mln. Further PLN 22,9 mln were paid by 31 August 2006.

STALEXPORT S.A. has been systematically paying reorganisation and out of reorganisation instalments in accordance with the arrangement and the signed agreements concluded in 2002. Payment of reorganisation and out of reorganisation proceedings instalments, with Capital Group having no access to the possibility of acquiring debt financing, despite the sale of redundant assets, caused the significant decrease of operating assets and at the same time influenced the limited commercial activity of ironworks products and Capital Group financial results.

The Capital Group is planning to limit the risk by acquiring financial means from Autostrade S.p.A. by way of emitting Shares F Series II Tranche. Moreover fulfilment of Investment Agreement conditions by the parties and in particular the sale of Capital Group Commercial Segment with further capitalisation of STALEXPORT S.A. by Autostrade S.p.A. shall result in eliminating the risk. Default of any of these conditions, the realisation of which is essential for further capitalisation of STALEXPORT S.A., shall result in deteriorating financial situation of Capital Group and increasing this risk.

#### **6.5.9. The Risk Related With Final Defining of STALEXPORT S.A. Payables To The State Treasury By Way Of Credit Payment Guarantee Drawn By WRJ**

The final amount of potential STALEXPORT S.A. payables to State Treasury by way of guaranteeing credits drawn by Walcownia Rur Jedność sp. z o.o. which, to the best knowledge of Company Board, amounts maximum about PLN 87 mln, is not known at the moment. The method of its payment has not been finally determined, i.e. whether they are subject to reorganisation reductions, what amount could be subject to conversion into STALEXPORT S.A. Shares or whether, in what amount and within what time they would be paid by STALEXPORT S.A.

Capital Group intends to limit the risk of deteriorating financial situation connected with the necessity of paying liabilities to State Treasury by way of guaranteeing payments of credit drawn by Walcownia Rur Jednosc sp. z o.o. by acquiring financial means from Autostrade S.p.A. from future emission of STALEXPORT S.A. shares addressed to Autostrade S.p.A. and future incomes from the sale of Commercial Segment to the reliable investor.

#### **6.5.10. The Risk Related With Limited Access To Current Assets**

Starting from 2002 owing to the considerable encumbrance of Historical Liabilities, STALEXPORT S.A. and most Capital Group companies was taking a very limited advantage from external sources of financing (working capital credits). It has been taking advantage from trade credits given by Capital Group suppliers, which were destined for financing the additional commercial contracts for the sale of ironworks products executed both on the domestic as well as on the foreign markets.

After a difficult period caused by the significant encumbrances by way of payment of Historical Liabilities, the Capital Group has been rebuilding its relations with the banks in the scope of financing ironworks products trade, which influences gradual increase of working capital. Ultimately the Capital Group intends to eliminate the risk by the sale of Commercial Segment to the reliable investor.

Failure of started sale process of Commercial Section before Closing Day can result in the necessity of searching financial means by the Capital Group for increasing the value of working capital for Commercial Segment remaining in Stalexport Capital Group structures.

#### **6.5.11. The Risk Related To Receiving Concession For Construction And Operation Of A4 Motorway Katowice-Krakow**

In August 2006 NIK (Supreme Chamber of Control) finished control of GDDKiA (General Directorate For National Roads and Motorways) and Stalexport Autostrada Malopolska SA in the scope concerning the enterprise of toll motorway A4 Katowice-Krakow from the point of view of the realisation of the Concession Agreement. In its post control report NIK issued few charges of Concession Agreement events of default towards Stalexport Autostrada Malopolska S.A. including: failure to achieve Financial Closure within the appointed term and failure to execute construction works in accordance with the predicted schedule. NIK control was held in the period between signing the Annexe no 5 to Concession Agreement (March 2005) and its coming into force (October 2005), i.e. in the period of renegotiating both the term of Financial Closure and the schedule of construction works. It is worth mentioning that the Government body was at that time aware (participating in good faith in the negotiations) of the reasons for delays of the realisation of Concession Agreement, which were often not on the part of the Concessionaire, including the changes of act on toll motorways introducing fundamental change in the system of toll collection, consisting in the replacement of the actual toll collection from road users into the refund in favour of the Concessionaire from the means of National Road Fund.

Stalexpoert Autostrada Malopolska S.A. presented NIK with its post control explanations which remained unanswered. Besides with Annexe no 5 to Concession Agreement entering into force in October 2005 and as a result of subsequent events, i.e. Financial Closure in December 2005 and activating the first tranche of credit in March 2006, the important NIK charges were outdated.

At present, in the opinion of Stalexport Autostrada Malopolska S.A. Board, there are no formal-legal grounds for revoking Concession through the Concessionaire fault, i.e. without the need of compensation payment by State Treasury in the amount of lost incomes and credits.

Revoking the Concession for construction and operation of toll motorway A4 Katowice-Krakow can result in the considerable deterioration of financial situation of Capital Group, though the need to pay compensation in favour of State Treasury in the amount covering lost profits and drawn credits would result in bearing the additional costs of legal services.

#### **6.5.12. The Risk Related To Financial Flows Control Of Toll Motorway Enterprise A4 Katowice-Krakow In Respect Of Its Compliance With The Records Of Concession Agreement**

In June 2006 GDDKiA, through auditor company, started financial flows control of the enterprise of constructing toll motorway A4 Katowice-Krakow in respect of compliance with the records of Concession Agreement. If the conducted control would reveal irregularities of the enterprise

financial flows and the Concessionaire would bear the responsibility for this state, then the result would be introduction of, anticipated by the Concession Agreement, the reorganisation program, aimed at „healing” the situation. The possible motion for revoking concession from Stalexport Capital Group for operation of this section of the motorway, could be submitted after concluding the entire legal procedure anticipated by Concession Agreement which in turn could influence the financial situation of Stalexport Group.

In the opinion of the Board of STALEXPORT S.A. the risk is scarce since three controls of enterprise financial flows conducted earlier have not indicated any essential irregularities.

#### **6.5.13. The Risk Related With The Seasonal Character Of Sale**

The activity on the market of steel products trade is characterised by the seasonal character of the acquired sale incomes, resulting from changeable atmospheric conditions in the annual weather cycle. The seasonal nature particularly influences the sale of the prefabricated reinforced concrete in I and IV quarter of the year, which is related to ceasing construction works during this period.

Stalexport Capital Group counterbalances the declines in sales on the domestic and European ironworks products distribution market with export sale, in particular to its clients in North America.

The seasonal character concerning Capital Group sale incomes, appears also in the motorway activity. The incomes from the activity are traditionally higher during the summer months (June – September), and usually decrease in winter seasons.

#### **6.5.14. The Risk Related With The Default Of The Investment Contract Records Between STALEXPORT S.A. And Autostrade S.p.A.**

Investment Agreement concluded by STALEXPORT S.A. on 26 June 2006 with Autostrade S.p.A. came into force on the day it was signed by both parties. At present Autostrade S.p.A. participation amounts 21,65% votes in favour of WZA STALEXPORT S.A. The Investment Agreement anticipates further assuming, by Autostrade S.p.A., of the next tranche of STALEXPORT S.A. Shares as a result of which its ultimate participation in share capital shall amount at least 50%+1 share. It is however related with the necessity of meeting the following conditions:

- 1) adopting resolutions by WZA STALEXPORT S.A. on:
  - increasing share capital by issuing shares of nominal value PLN 2,00 each by emission price PLN 2,00 per each share excluding the right of subscription for present shareholders, destined to be taken over by Autostrade S.p.A,
  - agreeing to sell the Commercial Section of Issuer’s Capital Group to the reliable purchaser on conditions satisfactory for the Shareholders of STALEXPORT S.A.,
- 2) obtaining permit from the Chairman of Office of Competition and Consumer Protection pursuant to art. 12 par. 3 pt. 1 of the Act dated 15 December 2000 on Competition and Consumers protection for:
  - purchase of Commercial Section of Capital Group by the selected, reliable purchaser,
  - assuming by Autostrade S.p.A. at least 50% + 1 share in STALEXPORT S.A. share capital,
- 3) no significant changes which can negatively influence the motorway activity conducted by Capital Group, and in particular the changes of law in Poland in the scope of motorway activity resulting in the considerable modification of conditions of participation in tenders of foreign subject in the process of conducting activity in the motorway sector.

The Investment Agreement determines, that the sale of Commercial Segment and assuming the new Shares emission by Autostrade S.p.A. shall ensue simultaneously.

In case of failing to meet any of the above conditions the Investment Agreement shall not be brought to effect and at the same time the Capital Group would not acquire the means for payment of its Historical Liabilities and the additional financial means for further development of activity in the motorway sector.

#### **6.5.15. The Risk Related With Encumbering Capital Group Assets**

There is at present the risk of considerable encumbrance of essential assets owned by the Issuer Group. It can lead to Capital Group losing control over these assets, which indicates the possibility of opening compulsory execution of the encumbered assets in case of delays in payment of due liabilities, especially property secured liabilities of these assets. The risk was limited by acquiring means from Autostrade S.p.A. in the amount of PLN 68,3 mln as a result of emitting the II Tranche of Shares F Series. Ultimately in the opinion of STALEXPORT S.A. Board the risk shall be diminished by assuming the next emission of STALEXPORT S.A. Shares by Autostrade S.p.A. and the financial means obtained from the sale of the Commercial Segment of Stalexport Capital Group.

#### **6.5.16. The Risk Related With Legal Proceedings Of Considerable Significance for Capital Group**

There is ongoing arbitrary proceeding, started from 15 November 2005, held by Kapsch TrafficCom AG against Stalexport Autostrada Malopolska S.A. for payment for toll collection equipment provided to STALEXPORT S.A. (former Concessionaire and at present indirect Shareholder of Stalexport Autostrada Malopolska S.A.). Payment due has been encompassed by STALEXPORT S.A. reorganisation procedure. The overall value of Kapsch TrafficCom AS claim towards the Issuer Group amounts about PLN 20 mln. The plaintiff justifies his demand claiming that STALEXPOTR S.A. and Stalexport Autostrada Malopolska S.A. bear common responsibility by way of payment for the delivered equipment, while the plaintiff addressed its claim against Stalexport Autostrada Malopolska S.A.

In case arbitrary court acknowledges Kapsch TrafficCom AG claim as legitimate as a whole, STALEXPORT S.A. shall be entitled to the claim against the plaintiff for the return of all amounts obtained within the confines of the reorganisation procedure, i.e. for the Prospectus Date the amount of PLN 7 mln (PLN 5,5, mln of the principal amount + PLN 1,5 mln interests).

Considering the maximum amount of claim, the potential failure of arbitrary proceeding should not have a considerable influence on the long term realisation of toll motorway project A4 on the section Katowice-Krakow.

### **6.5.17. The Risk Related With The Changes Of Issuer Statute**

The Shareholders Meeting of STALEXPORT S.A. started on 30 June 2006 and continued on 21 July 2006 adopted the resolutions no 20 and 21 concerning the change of Company's Statute on the strength of which the records were introduced to the Statute, that the resolutions of the Board of Shareholders on:

- the disposal and lease of the enterprise or its organized part and setting up the limited rights in property law,
- the changes of Company's statute including the changes of the subject of Company's activity, increasing or decreasing the company's share capital, as well as redemption of stock,
- merging, dividing and transforming the Company,

can be adopted only in case when the National Fund for Environmental Protection and Water Management (NFOŚ) shall vote in favour of its adoption, and the above reservation shall be binding so long as NFOŚ owns at least 5% of Company's Shares.

Besides,

- so long as the National Fund for Environmental Protection and Water Management owns at least 10% of company shares, it is entitled to appoint and dismiss 2 (two) members of the Supervisory Board, if the Supervisory Board is composed of less than 9 (nine) members or 3 (three) if the Supervisory Board is composed of 9 (nine) members,
- so long as the National Fund for Environmental Protection and Water Management owns at least 5% of Company's Shares, it is entitled to the appoint and dismiss 1 (one) member of the Supervisory Board, if the Supervisory Board is composed of less than 9 (nine) members or 2 (two) if the Supervisory Board is composed of 9 (nine) members.

On 16 August 2006 STALEXPORT S.A. was informed that an action was brought in District Court in Katowice by the Concordia sp. z o.o. with its seat in Warsaw, STALEXPORT S.A. Shareholder voting against the resolutions no 20 and 21, for ascertaining the invalidity and repealing the resolutions of STALEXPORT S.A. Ordinary Shareholders Meeting adopted on 21 July 2006 together with the measures for conservation of a claim.

STALEXPORT S.A. submitted the motion to the Register Court on 18 August 2006 for registering changes in the Statute resulting from the above mentioned resolutions together with the motion for abatement of registration suit till the issue of resolutions invalidity is settled by the District Court in Katowice.

## 6.6. Conclusions

The strategic aim of Capital Group is strengthening its position in motorway branch in Poland, as well as enabling its expansion in the region thanks to the experience in the realisation of motorway projects, of the acquired strategic investor, Autostrade S.p.A. with the simultaneous payment of the Historical Liabilities by STALEXPORT S.A.

Assuming by Autostrade S.p.A. at least 50% + 1 share in STALEXPORT S.A. share capital is dependent on meeting the following conditions:

1. adopting the resolutions by WZA STALEXPORT S.A. on:
  - increasing company share capital by emitting shares of nominal value of PLN 2,00 each, by the emission price PLN 2,00 per each share excluding the right of subscription for present shareholders, destined to be assumed by Autostrade S.p.A.,
  - agreeing to dispose of Capital Group Commercial Segment to the reliable purchaser on conditions satisfactory for STALEXPORT S.A. Shareholders,
2. obtaining permit by Chairman of Office of Competition and Consumer Protection pursuant to art. 12 par. 3 pt. 1 of the Act dated 15 December 2000 on Protecting Competition and Consumers for:
  - purchase of Capital Group Commercial Segment by the selected reliable purchaser,
  - assuming by Autostrade S.p.A. at least 50% + 1 share in STALEXPORT S.A. share capital,
3. No significant changes which can negatively influence the motorway activity conducted by Capital Group, and in particular the changes of Polish Law in the scope of motorway activity resulting in the considerable modification of the conditions of participating in tenders by foreign subjects in the process of conducting activity in the motorway section.

Investment Agreement defines that disposal of commercial part and assuming the new emission of Shares by Autostrade S.p.A. shall ensue simultaneously.

With the assumption that the Commercial Segment of Capital Group will be sold by Closure Day, financial means for the realisation of the above Capital Group strategy shall come from:

- further increase of STALEXPORT S.A. share capital assumed by Autostrade S.p.A. in accordance with the Investment Agreement,
- the sale of STALEXPORT S.A. Commercial Segment,
- Consortium Credit acquired by Stalexport Autostrada Malopolska S.A.

In accordance with the declarations of branch investor, Autostrade S.p.A. is planning that STALEXPORT S.A. shall maintain the status of stock company quoted on the Stock Exchange in Warsaw.

Member of the Board  
Commercial Director  
/Urszula Dzierżoń/

Deputy Chairman of the Board  
Financial Director  
/Mieczysław Skołożyński/

Chairman of the Board  
General Director  
/Emil Wąsacz/

Katowice, 27 September 2006

## 7. ENCLOSURES – BOARD STATEMENTS

In accordance with the Minister of Finance Decree dated 19 October 2005 on current and periodic information provided by the issuer of securities report contains:

- 7.1. Management Board's statement, that to their best knowledge, financial statement and comparable data were prepared in accordance with binding accountancy regulations and that they reflect in true, reliable and clear manner the property and financial status of the Company and its financial result, and that Management Board Report contains the true picture of the development, achievements and Company's situation, including the description of basic risks.**

### Statement

We hereby declare that to our best knowledge the extended financial statement for the I half of 2006 and comparable data were prepared in accordance with binding accountancy regulations and they reflect in a true, reliable and clear manner the property and financial status as well as the financial result of STALEXPORT S.A. and STALEXPORT Capital Group.

We also declare that the six-month Management Board report contains the true picture of development and achievements and the situation of the STALEXPORT Capital Group, including the description of the basic risks and threats.

Member of the Board  
Commercial Director  
/Urszula Dzierżoń/

Deputy Chairman of the Board  
Financial Director  
/Mieczysław Skołożyński/

Chairman of the Board  
General Director  
/Emil Wąsacz/

Katowice, 27 September 2006

**7.2. Management Board Statement stating that the entity entitled to conduct financial audit has been selected in accordance with legal regulations and that this entity and the auditors conducting the review have met conditions to present impartial and independent opinion about the audit, in accordance with the appropriate regulations of the domestic law.**

### **Statement**

We hereby declare that BDO Polska sp. z o.o. with its seat in Warsaw, entitled to conduct the audit of annual financial report for the year 2006 has been selected in accordance with legal regulations i.e. pursuant to § 18 par. 18 sec. 2 pt. 11 of STALEXPORT S.A. in Katowice Statute. The Company has also conducted the review of the extended financial report for I half of 2006.

At the same time we declare that the above mentioned subject and the auditors conducting the review of this report have met the conditions of impartial and independent opinion about the report, in accordance with Polish legal regulations.

Member of the Board  
Commercial Director  
/Urszula Dzierżoń/

Deputy Chairman of the Board  
Financial Director  
/Mieczysław Skołożyński/

Chairman of the Board  
General Director  
/Emil Wąsacz/

Katowice, 27 September 2006

### **7.3. Management Board Statement On Applying the Principles of Corporate Order by the Company.**

#### **Statement**

We hereby declare that STALEXPORT S.A. in 2006 has been applying and abiding in its activity the Principles of Corporate Order, which were adopted by the resolution XII ZWZA no 21 on 23.06.2005.

On 8 September 2006 the Extraordinary Shareholders Meeting of the Company selected Members of Supervisory Board composed of: Galliano Di Marco, Bogusław Leśnodorski, Jerzy Sroka, Dario V. Cipriani, Katarzyna Galus, Przemysław Majka, Christopher Melnyk, Giuseppe Palma and Tadeusz Sadowski. As a result of the above selection there is no required number of independent members of the Supervisory Board required pursuant to 20<sup>th</sup> principle of Corporate Order. Therefore the Company is not meeting one of the criteria qualifying it to be noted in the PLUS segment.

By way of the letter dated 25 September 2006 STALEXPORT SA informed the Board of Stock Exchange in Warsaw S.A. about the fact.

Member of the Board  
Commercial Director  
/Urszula Dzierżoń/

Deputy Chairman of the Board  
Financial Director  
/Mieczysław Skołożyński/

Chairman of the Board  
General Director  
/Emil Wąsacz/

Katowice, 27 September 2006