

the Half-Year Report SA-P 2004

(current year)

(In accordance with §57, section 1, point 2 of the Decree of the Council of Ministers dated October 16, 2001 - Dz.U. No 139, point 1569; and from 2002 No 31, item 280)

(for issuers of securities involved in production, construction, trade or services activities)

For the period from 1 January 2004 to 30 June 2004,
and for the period from 1 January 2003 to 30 June 2003

Publication date: 23 September 2004

| | | | |
|---|--|--|--|
| KGHM Polska Miedź Spółka Akcyjna (name of the issuer) | | | PROCESSED SEP 28 2004 INOMSON FINANCIAL |
| KGHM Polska Miedź S.A. (short name of the issuer) | | METALS INDUSTRY (issuer branch title according to the Warsaw Stock Exchange) | |
| 59-301 (postal code) | | Tubin (city) | |
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PricewaterhouseCoopers.
(Entity entitled to audit financial statements)

The half-year report includes:

- Auditor's report on the review of the half-year financial statements
- Auditor's opinion and auditor's report on the audit of the financial statements (§62, section 6, point 2 of the above Decree)
- The half-year financial statements:
 - Introduction
 - Balance Sheet
 - Income Statement
 - Statement of Changes in Equity
 - Cash Flow Statement
 - Additional Informations and Explanations
- Management's Report (Report on the Company's Activities)
- The half-year financial statements per IAS/US GAAP in the case of an issuer being a leasing type enterprise, together with
 - Audit report on the review of the half-year financial statements
 - Auditor's opinion about these financial statements (§59, section 2 and §62, section 6, point 2 of the above Decree)

SUPPL

| SELECTED FINANCIALS ITEMS | in '000 PLN | | in '000 EUR | |
|--|-------------|-------------|-------------|-------------|
| | H1/2004 | H1/2003 | H1/2004 | H1/2003 |
| I. Net revenue from the sale of products, goods for resale and materials | 3 220 507 | 2 215 934 | 680 710 | 514 019 |
| II. Operating profit (loss) | 913 082 | 126 825 | 192 996 | 29 419 |
| III. Profit (loss) before taxation | 1 191 847 | 275 279 | 251 918 | 63 859 |
| IV. Net profit (loss) | 977 160 | 215 396 | 206 540 | 49 964 |
| V. Net cash flow from operations | 800 348 | 239 265 | 169 167 | 55 501 |
| VI. Net cash flow from investing activities | (76 607) | (141 510) | (16 192) | (32 825) |
| VII. Net cash flow from financing activities | (553 870) | (50 927) | (117 070) | (11 813) |
| VIII. Total net cash flow | 169 871 | 46 828 | 35 905 | 10 862 |
| IX. Total assets | 8 640 191 | 7 795 727 | 1 902 204 | 1 749 097 |
| X. Liabilities and provisions for liabilities | 4 001 021 | 4 073 735 | 880 855 | 914 008 |
| XI. Long term liabilities | 939 677 | 9 126 | 206 877 | 2 048 |
| XII. Short term liabilities | 1 545 226 | 2 487 850 | 340 193 | 558 189 |
| XIII. Equity | 4 639 170 | 3 721 992 | 1 021 349 | 835 089 |
| XIV. Share capital | 2 000 000 | 2 000 000 | 440 315 | 448 732 |
| XV. Shares outstanding | 200 000 000 | 200 000 000 | 200 000 000 | 200 000 000 |
| XVI. Net profit (loss) per ordinary share (in PLN/EUR) | 4.89 | 1.08 | 1.03 | 0.25 |
| XVII. Diluted net profit (loss) per ordinary share (in PLN/EUR) | | | | |
| XVIII. Net assets per share (in PLN/EUR) | 23.20 | 18.61 | 5.11 | 4.18 |
| XIX. Diluted net assets per share (in PLN/EUR) | | | | |
| XX. Declared or paid dividend per ordinary share (in PLN/EUR) | | | | |

This report is a direct translation from the original Polish version. In the event of differences resulting from the translation, reference should be made to the official Polish version.

2009/28

KGHM POLSKA MIEDŹ S.A.

**AUDITOR'S REPORT ON ITS REVIEW
OF THE COMPANY'S FINANCIAL
STATEMENTS FOR THE FIRST HALF OF 2004**

Lubin, September 2004

**Independent registered auditor's report
on the review of the financial statements
for the period from 1 January to 30 June 2004**

To the Shareholders and the Supervisory Board of KGHM Polska Miedź S.A

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's report of the above-mentioned Polish company. In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland.

The accompanying translated report has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish language version is binding.

We have reviewed the attached financial statements of KGHM Polska Miedź S.A. (hereinafter called *the Company*), Lubin, Marii Curie-Skłodowskiej 48, comprising:

- (a) the introduction to the financial statements;
- (b) the balance sheet as at 30 June 2004, showing total assets and total liabilities & equity of PLN 8,640,191 thousand;
- (c) the income statement for the period from 1 January to 30 June 2004, showing a net profit of PLN 977,160 thousand;
- (d) the statement of changes in equity for the period from 1 January to 30 June 2004, showing an increase in equity of PLN 632,668 thousand;
- (e) the cash flow statement for the period from 1 January to 30 June 2004, showing a net increase in cash and cash equivalents of PLN 169,871 thousand;
- (f) additional notes and explanations.

The Company's Management Board is responsible for preparing financial statements which comply with the applicable regulations. Our responsibility was to present a report on these financial statements based on our review.

We conducted the review in accordance with auditing standards issued by the National Council of Registered Auditors in Poland, applicable in the Republic of Poland. These auditing standards require that we plan and perform our review to obtain reasonable assurance that the financial statements are free of any material misstatement. We have performed the review by analysing the said financial statements, inspecting the accounting records, and making use of information obtained from the Company's Management Board and employees.

The scope of the work performed was significantly narrower than the scope of an audit of the financial statements, because the review was not aimed at expressing an opinion on the truth and fairness of the financial statements. This report does not constitute an audit opinion within the meaning of the Accounting Act of 29 September 1994 (uniform text, *Journal of Laws* of 2002, No. 76, item 694 with further amendments, hereinafter called *the Act*).

In its balance sheet, the Company has presented bonds issued by DIALOG S.A., a subsidiary, which are stated at their purchase cost of PLN 1,379,800 thousand. The unaudited financial statements of DIALOG S.A. as at 30 June 2004, which were reviewed by us as part of our review of the KGHM Polska Miedź S.A. financial statements for the period from 1 January 2004 to 30 June 2004, show net assets, including liabilities in respect of the above-mentioned bonds, of PLN 86,115 thousand and operating profit generated in the 1st half of 2004 of PLN 37,512 thousand. The Company's Management Board is considering restructuring the debt of the subsidiary and is currently preparing a debt restructuring programme. Any decision to restructure the debt of DIALOG S.A. payable to the KGHM Polska Miedź S.A. may result in a need for a write-down of the book value of the bonds. The preparation of the restructuring programme includes, but is not limited to, preparing reliable cash flow forecasts, taking into account the Company's current financial situation and operating ability. As the process is still in progress, the Company's Management Board believes that it is not possible at present to make reliable estimates of any potential write-down of these bonds which may be necessary on completing, among other things, a full assessment of DIALOG S.A.'s ability to generate cash flows. Further information on this issue is presented by the Company's Management Board in Note 21 to the financial statements.

Except for the lack of any write-downs which may be necessary on completing a reliable assessment of whether it is possible to recover the funds used to finance DIALOG S.A., our review did not indicate the need for any significant changes to the attached financial statements to ensure that they give a true, fair and clear view of the Company's financial position as at 30 June 2004 and of the results of its operations for the period from 1 January to 30 June 2004, in accordance with the accounting policies specified in the Act and related regulations, and taking into account the provisions of the Decree of the Council of Ministers dated 16 October 2001 concerning periodic reporting requirements for issuers of securities admitted to public trading (*Journal of Laws* of 2001, No. 139, item 1569 with further amendments) and the Decree of the Council of Ministers dated 16 October 2001 concerning requirements for prospectuses and abbreviated prospectuses (*Journal of Laws* of 2001, No. 139, item 1568 with further amendments).

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Adam Celiński
Member of the Management Board
Registered Auditor
No. 90033/7039

Registered Audit Company
No. 144

Warsaw, 16th September 2004

KGHM POLSKA MIEDŹ S.A.

FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2004

Lubin, September 2004

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INTRODUCTION TO THE HALF-YEAR FINANCIAL STATEMENTS

1. NAME, HEAD OFFICE, BUSINESS

KGHM Polska Miedz S.A. with its head office in Lubin is a joint stock company registered at the Wrocław Fabryczna Regional Court, Section IX (Economic) of the National Court of Registrations under No. KRS 23302. The basic business of the Company comprises:

- the mining of non-ferrous metals ore,
- the excavation of gravel and sand,
- the production of copper, precious and non-ferrous metals
- the production of salt,
- the casting of light and non-ferrous metals,
- the forging, pressing, stamping and roll forming of metal; powder metallurgy,
- the management of wastes,
- wholesale sales based on direct or contractual payments,
- the warehousing and storage of goods,
- activities connected with the management of holding entities,
- geological-exploratory activities,
- general construction activities with respect to mining and production facilities,
- the generation and distribution of electrical energy and of steam and hot water, the generation of gas, and the distribution of gaseous fuels through a supply network,
- professional rescue services,
- scheduled and non-scheduled air transport, and
- telecommunication and computer -related activities

The shares of KGHM Polska Miedz S.A. are listed on a regulated market under the "metals industry" sector of the Warsaw Stock Exchange.

2. TIME FRAME OF COMPANY EXISTANCE

KGHM Polska Miedz S.A. has been conducting its business since 12 September 1991. The time frame of its activities is unlimited. The legal antecedent of the Company was a State-owned enterprise Kombinat Górnico-Hutniczy Miedzi in Lubin transformed into a State-owned, joint stock company pursuant to principles set down in the law dated 13 July 1990 on the privatisation of State-owned enterprises.

3. PERIODS COVERED BY THE FINANCIAL STATEMENTS

The financial statements of the Company presented in the report comprise:

- the current period from 1 January to 30 June 2004, and
- the comparative period from 1 January to 30 June 2003.

3.1 COMPOSITION OF BODIES OF THE COMPANY

The Supervisory Board

During the period from 1 January 2004 to 16 April 2004 the Supervisory Board was composed of the following persons:

| | |
|------------------|--|
| Bohdan Kaczmarek | Chairman of the Supervisory Board |
| Jerzy Markowski | Vice Chairman of the Supervisory Board |
| Jan Rymarczyk | Secretary of the Supervisory Board |

Jerzy Kisilowski
Janusz Maciejewicz
Marek Wierzbowski

together with the following employee representatives

Józef Czyczerski
Leszek Hajdacki
Ryszard Kurek

By Resolutions Nrs 9/2004 and 10/2004 of the Ordinary General Meeting dated 16 April 2004, Bohdan Kaczmarek and Jerzy Kisilowski were recalled from the Supervisory Board of the Company.

By Resolution Nr 11/2004 of the Ordinary General Meeting, Tadeusz Janusz and Jan Stachowicz were appointed to the Supervisory Board of the Company.

The Supervisory Board was composed of the following persons:

| | |
|--------------------|--|
| Janusz Maciejewicz | Chairman of the Supervisory Board |
| Jerzy Markowski | Vice Chairman of the Supervisory Board |
| Jan Rymarczyk | Secretary of the Supervisory Board |
| Tadeusz Janusz | |
| Jan Stachowicz | |
| Marek Wierzbowski | |

together with the following employee representatives

| | |
|------------------|--|
| Józef Czyczerski | |
| Leszek Hajdacki | |
| Ryszard Kurek | |

The Management Board

During the period from 1 January 2004 to 29 March 2004 the Management Board of KGHM Polska Miedź S.A. was comprised of the following persons:

| | |
|---------------------------|--|
| Stanisław Speczik | President of the Management Board |
| Grzegorz Kubacki | Vice President of the Management Board for Employee Affairs |
| Tadeusz Szelaąg | Vice President of the Management Board for Production |
| Jarosław Andrzej Szczepek | Vice President of the Management Board for Finance-Economics |

By Resolutions Nrs 21 /V/04, 25/V/04 and 26/V/04 of the Supervisory Board of KGHM Polska Miedź S.A. dated 29 March 2004 the following persons were recalled from the Management Board: Stanisław Speczik, Grzegorz Kubacki and Tadeusz Szelaąg. By Resolution Nr 24/V/04 of the Supervisory Board of KGHM Polska Miedź S.A. dated 29 March 2004, Wiktor Błałek was appointed as a President of the Management Board of KGHM Polska Miedź S.A. while by Resolutions Nrs 29 /V/04, 30/V/04 and 31/V/04 the following persons were appointed to the Management Board: Andrzej Kowalczyk, Andrzej Krug and Marek Szczerbiak. By Resolution Nr 28/V/04 Jarosław Andrzej Szczepek has been appointed as I st Vice President of the Management Board.

Following these changes the Management Board of KGHM Polska Miedź S.A. was comprised of the following persons:

| | |
|---------------------------|---|
| Wiktor Błałek | President of the Management Board |
| Jarosław Andrzej Szczepek | I st Vice President of the Management Board |
| | Vice President of the Management Board for Finance-Economics |
| Andrzej Kowalczyk | Vice President of the Management Board for Equity Investments |
| Andrzej Krug | Vice President of the Management Board for Employee Affairs |
| Marek Szczerbiak | Vice President of the Management Board for Production |

4. COMBINED DATA OF THE FINANCIAL STATEMENTS.

The financial statements of the Company for the given period and comparable prior period were prepared as combined statements of the Company's divisions – each having its own accounting system - following elimination of mutual revenues and costs and of mutual debtor and creditor balances.

KGHM Polska Miedź S.A. as a dominant entity prepares and publishes consolidated financial statements.

5. MERGER OF COMPANIES

There were no mergers with other companies either in the current reporting period or in the comparable prior period.

6. GOING CONCERN CONSIDERATION

The statements of the Company have been prepared under the going concern concept. There are no reasons suggesting any threats to the going concern consideration in the foreseeable future.

7. COMPARABILITY OF STATEMENTS

To ensure comparability, data for the half year 2003 and the full year 2003 were restated with respect to the presentation of the result from the sale of hedging instruments, to changes in the exchange rate for valuation of

assets and liabilities denominated in foreign currencies and to the valuation by the equity method of shares in subordinated entities. A description of these differences in relation to previously-published reports is presented in Additional Explanatory Note nr 16.

8. ADJUSTMENTS ARISING DUE TO AUDITOR OPINIONS.

There were no qualifications to the financial statements of the Company in the auditor's opinions in the comparable prior periods.

9. ACCOUNTING PRINCIPLES, VALUATION METHODS

In the presented periods the Company applied the following accounting principles and valuation methods as outlined in the Accounting Act dated 29 September 1994, and in the Industry Accounting Principles and Chart of Accounts of KGHM Polska Miedź S.A. in force as at 1 January 2002.

9.1. Intangible assets

Intangible assets include:

- acquired property rights – author's property rights and related rights, licenses, concessions, rights to inventions, patents, trademarks, utility and decorative designs, know-how,
- research and development costs of successfully-completed projects to be utilised in the production of new products or improved technology, and
- purchased goodwill,

as well as the above rights used under a lease, rental or other similar agreement, if such an agreement met one of the conditions specified in art. 3 section 4 of the Accounting Act dated 29 September 1994.

Intangible assets are valued at:

- the purchase cost for acquired property rights,
- the costs incurred for capitalised research and development projects, and
- the difference between the purchase price of an entity or its organised part, and the lower fair value of acquired net assets, for goodwill.

The initial value of intangible assets is decreased by accumulated planned depreciation and write-offs due to permanent diminution in value.

Depreciation of intangible assets is based on the straight line method, adapted to the anticipated period of use, as well as in the following manner:

- full depreciation of intangible assets whose value does not exceed the amount of fixed assets permitted to be fully depreciated under the Tax Law,
- over a period of 5 years for costs of research and development projects;
- over a period of 5 years for goodwill and, in individually-justified cases, over a period of 20 years, and
- for acquired property rights, over the period of their useful life, established individually for the elements of these property rights.

9.2 Tangible fixed assets

Tangible fixed assets include:

- fixed assets
 - property, i.e. own land as well as acquired right to perpetual usufruct to land, also structures, buildings and premises constituting a separate property, as well as rights to housing or business premises,
 - machines, equipment, vehicles, etc.,
 - improvements to external fixed assets (at the level of costs incurred),
 - livestock, and
- fixed assets under construction and advances on fixed assets under construction.

In addition, fixed assets include future mine closure costs. These costs, after being discounted, increase the initial value of fixed assets and are subject to depreciation beginning from the moment they are brought into use, proportionally to the period as established in the schedule of liquidation.

Fixed assets also include external fixed assets used under a lease, rental or other similar agreement, if said agreement meets one of the conditions specified in art. 3 section 4 of the Accounting Act dated 29 September 1994.

The Company recognises as off-balance sheet the following items:

- State Treasury land received for perpetual usufruct, its valued based on property assessment documents, these documents being the basis for making usufruct payments,

- external fixed assets, used based on agreements which do not meet the conditions specified in art. 3 section 4 of the Accounting Act dated 29 September 1994,
- fixed assets destined to be liquidated, until the liquidation, and
- low-value assets meeting conditions for classification as fixed assets excluded from the balance sheet based on Art. 4 section 4 of the Accounting Act.

Fixed assets – the initial value of fixed assets is their purchase cost, and in the case of fixed assets manufactured by the Company, their manufacturing cost.

Fixed assets disclosed or obtained free of charge are valued at the sale price of the same or similar assets. The initial value of a fixed asset is increased by expenditure on its improvement.

Initial value and previously-made depreciation write-offs of fixed assets are revalued based on separate rulings, though in no case being higher than fair value. Any difference arising on revaluation is recognised under revaluation reserve.

The Company makes write-offs of fixed assets due to permanent diminution of value, revaluing these fixed assets to the net selling price or to otherwise-evaluated fair value.

The Company applies balance sheet depreciation write-offs based on principles outlined in the Accounting Act dated 29 September 1994, as well as internal regulations approved by the Management Board of the Company, i.e.:

- the Industry Table of Depreciation Rates, and
- the Industry Catalog for Selection of Additional Balance Sheet Depreciation Rates.

Depreciation write-offs are made based on the following principles:

1. full depreciation of fixed assets whose value does not exceed the amount of fixed assets permitted to be fully depreciated under the tax law,
2. fixed assets being the initial or complex equipment for a given site, whose value does not exceed the amount of fixed assets permitted to be fully depreciated under corporate income tax rules, are depreciated over a period between 3 and 5 years, and
3. other fixed assets are depreciated by the straight line method, i.e. by systematic write-off of their initial value over the anticipated period of their useful life, in equal monthly increments proportionally to their planned period of depreciation.

The Company periodically reviews its fixed assets depreciation rates. Further information in this regard may be found in note 2A.

In the current financial period the Company used non-depreciable external fixed assets based on lease agreements.

Fixed assets under construction – the initial value of fixed assets under construction is their purchase cost, and in the case of manufactured assets, their manufacturing cost.

The value of fixed assets under construction is decreased by permanent diminution of value to the net sale price or to otherwise-estimated fair value.

9.3. Long term investments

The Company recognises as long term investments assets acquired to obtain an economic gain arising from their increase in value, from interest gains, dividends, profit sharing or other benefits.

The following are recognised as long term investments:

- financial assets - shares, long term loans granted and other financial assets, including long term bank deposits,
- investment properties and intangible assets not used by the Company, and
- other long term investments.

Beginning from 1 January 2004 investments which are recognised as non-current assets are valued as follows:

- shares in subordinated entities - by the equity method,
- long term financial assets which have an active market - by market value,
- loans granted, excepting those designated for trading purposes - by their adjusted purchase price estimated based on the effective interest rate,
- other long term assets, including investment properties and intangible assets - by their purchase price.

Long term investments denominated in foreign currencies are valued based on the average exchange rate set for a given currency by the National Bank of Poland (NBP).

9.4. Inventory

Inventory is comprised of:

- materials ,
- semi-finished products and work in progress,
- finished goods,
- goods for resale, and
- advances on deliveries.

Inventories are valued in accordance with the following principles:

- additions of materials and goods for resale at purchase cost,
- manufactured materials – at manufacturing cost,
- production wastes - at net realisable value,
- disposal of materials and goods for resale – calculated on the basis of weighted average costs for the given item,
- materials and goods for resale in stock - calculated on the basis of weighted average costs as for disposal,
- own products- finished products and semi-finished products - are valued at manufacturing cost, calculated on the basis of average costs for the period since the beginning of the financial year.

At the balance sheet date inventories are valued based on the above-mentioned principles, but not higher than the net selling price.

9.5. Long term contracts

The Company applies a valuation method to each long term contract separately, depending on the individual conditions for realisation of each contract. At the balance sheet date there were no long term contracts meeting valuation requirements covered by Art. 34 a.

9.6. Debtors

Recognised as debtors are assets of a reliable estimated value characterised as bringing probable benefits to the Company.

From the point of view of maturity, these debtors are recognised as either long term or short term assets.

The Company recognises as long term assets those debtors having a maturity date of over 12 months from the balance sheet date, in all cases excepting those of trade debtors.

The Company recognises trade debtors as short term assets regardless of their maturity date, as well as all other types of debtors having a maturity date of less than 12 months from the balance sheet date.

Debtors are valued at the amount payable, with the prudence principle retained. Interest for delay in payments of debtors are calculated based on contractual agreement.

Beginning on 1 January 2004 debtors denominated in foreign currencies as at the date of the operation and at the balance sheet date are valued at the average exchange rate set for the given currency by the NBP.

The Company creates provisions for doubtful debt.

9.7. Short term investments

The Company recognises as short term investments those assets which are payable, due or designated for disposal within 12 months from the balance sheet date or from the date of their arising, issuance or acquisition, or representing cash and cash equivalents.

The following are recognised as short term investments:

1. short term financial assets
 - shares and other securities, loans granted, other financial assets including term bank deposits and interest accrued on financial assets being payable or due within 3-12 months from the date of their receipt, issuance, acquisition or from establishment of the asset,
 - cash on hand and cash in current bank accounts,
 - other cash and cash equivalents,
 - other monetary assets, which include financial investments with high liquidity, and easily exchangeable for known cash amounts, and
2. other short term investments.

Short term investments are valued at their purchase cost, or at their purchase price if the transaction and settlement costs are immaterial.

At the balance sheet date short term investments are valued at the lower of purchase cost and market value. When the financial asset isn't noted at the active market, its valuation is based on an individually-estimated fair value, if such value is lower than the purchase cost (price).

Investments denominated in foreign currencies as at their acquisition date and at the balance sheet date are valued at the average exchange rate set for the given currency by the NBP.

9.7.1 Derivative financial instruments

1. Recognition and measurement of derivative financial instruments in the balance sheet

Derivative financial instruments are recognised in the books at the moment when the Company becomes a party to a contract. Purchased instruments are initially accounted for as short term financial assets at their initial value, representing the purchase cost of the given instrument, or – in the case of sold instruments – in short term liabilities, at the selling price of the given instrument. In the case of options the initial value represents the premium obtained or paid, and reflects transaction costs. Embedded derivative financial instruments are extracted from a mixed agreement containing an embedded derivative financial instrument and are recognised in the books at the date when the agreement is entered into, if all of the following conditions are met:

- The agreement containing the embedded derivative financial instrument (a mixed agreement) is not valued at its fair value, whose changes are recognised under financial income or costs,
- The nature of the embedded derivative financial instrument and its related risks are not closely connected to the nature of the underlying agreement and its related risks,
- A separate instrument, whose nature is comparable to that of an embedded derivative financial instrument, would meet the definition of a derivative financial instrument,
- It is possible to establish a trustworthy fair value for embedded instruments.

At the balance sheet date derivatives are revalued to fair value. Derivatives having a fair value above zero are treated as financial assets and are shown in short term financial assets, while instruments having a negative value are treated as financial liabilities and are shown in short term liabilities.

2. Fair value

Estimated fair value is equal to the amount recoverable or payable to close an outstanding position at the balance sheet date. Where possible, the market value was obtained. In the case of copper buy or sell commodity forwards the fair value was estimated based on the official LME closing prices as at the balance sheet date for given maturity dates. For silver we applied the LBM *fixing* price, also at the balance sheet date, and silver lease rates for the given maturity dates. In other situations an appropriate valuation model was applied which made use either of market data as at the balance sheet date, or of fair value quotations given by brokers.

2.1 Presentation of fair value changes and gains or losses from realisation of derivative instruments.

Presentation of the effects of changes in fair value or gains or losses from the realisation of derivative instruments depends on their intended use. The instruments are divided into hedging instruments and instruments held for trading. Hedging instruments are classified as fair value hedges and future cash flow hedges. In addition, derivative instruments are divided into commodity market instruments and currency instruments.

2.2 Presentation of instruments held for trading

Profits and losses arising from changes in the fair value of instruments held for trading, due either to their valuation at the balance sheet date or to their realisation, are presented as either financial costs or financial income in the income statement, in the period in which they arose.

2.3 Presentation of hedging instruments

Hedging, for accounting purposes, means designating one or more hedging instruments in such a way that the change in their fair value would offset fully or partially the change in fair value of the hedged item or future cash flow arising from it.

a) *Fair value hedges*

A derivative instrument used to hedge fair value is one which:

- hedges the risk of changes in the fair value of recognised assets or liabilities (or their parts) and which may be assigned to a particular type of risk associated with such elements, and
- will have an impact on the reported net profit or loss.

Gains and losses arising from changes in fair value due to the valuation of instruments used as fair value hedges at the balance sheet date are presented as financial costs or income in the income statement, in the period in which they arose.

Simultaneously, profits or losses on a hedged position which may be assigned to a given risk adjust the carrying value of the hedged item and are immediately recognised in the income statement.

b) *Cash flow hedges*

Cash flow hedges:

- hedge the exposure to variability of cash flows, that is attributable to a particular type of risk associated with a recognised asset or liability, or a forecasted future transaction, and that
- will affect reported net profit or loss

A hedge of future valid commitment is also recognised as a cash flow hedge.

Profits and losses arising from changes in fair value of cash flow hedges are presented as a separate item under equity, in that portion in which the instrument represents an effective hedge of the associated hedged item. The portion which is ineffective is taken directly to the income statement.

If the hedged future valid commitment or forecasted transaction results in recognition of an asset or liability in the balance sheet, then, at the time the asset or liability is recognised, all associated gains and losses that were recognised in equity are removed from this position and are reflected in the purchase-cost or other carrying amount of the asset or liability. Gains or losses having arisen from this hedging instrument are recognised in the income statement when the given asset or liability affects the income statement.

2.4 Dedications of hedges

The Company ceases to recognise financial instruments in its accounts as hedging instruments upon their expiry, sale, termination or realisation, or when the Company withdraws a designation of a given financial instrument as a hedge. The Company may designate a given instrument as a hedge in a new or different hedging relationship or use it as a hedge of another type of risk.

In such a case, gains or losses arising from cash flow hedges in periods defined by the above-mentioned events are retained in equity until the hedged item is realised.

If the hedge of future valid commitment or forecasted transaction becomes ineffective because the hedged position no longer meets the definition of future valid commitment, or because of the possibility that the forecasted transaction will not take place, then the profit or loss shown in equity is immediately transferred to the income statement.

9.7.2. Foreign-denominated bank loans as a future cash flow hedging transaction

Currency Risk Management within the Company

According to Risk Management Policy, the Company, wishing to avoid exposure to currency risk arising from indebtedness, makes use of natural hedges by financing from loans denominated in US dollars.

The accounting policy applied should reflect such hedges in the financial statements of the Company.

The risk management's goal is to eliminate currency risk connected with future, highly probable revenues from sales in US dollars.

By incurring liabilities in the same currency in which it earns its revenues (forecast future sales transactions denominated in USD), the Company avoids exposure to the currency risk related to the said revenues in the amount of the credit drawn.

Credit drawn in US dollars is a hedging instrument against the currency risk connected with forecasted future sales in US dollars.

This hedge relates to revenues which will take place after the liabilities (credit) maturity date.

Thanks to this hedging, the Company achieves a stable spot exchange rate for future revenues for the period of the hedge.

At the hedging instrument maturity date, i.e. on the foreign currency liabilities repayment date, this hedging relationship expires.

This hedging relationship is of a future cash flow hedging nature.

9.8 Prepayments,

The Company recognises under prepayments costs incurred or assets consumed which relate to future financial periods. The value of these costs was based on their future economic benefits.

Prepayments consist of:

- one time payments of wages together with charges,
- R&D costs, until their completion,
- annual payments due to property and personal insurance, subscriptions to periodicals, perpetual usufruct of land, rent payments received in advance, etc.,
- one-off depreciation write-offs of fixed assets, being the initial or complex equipment for a given site,
- new production preparation costs,
- social fund (ZFSS) write-offs settled within the year, and
- interest paid in advance on bank and other loans.

Prepayments also include deferred tax assets.

From the point of view of their period of settlement, prepayments are qualified as short term or long term assets.

The Company applies an individually-estimated period to write-offs of prepayments, depending on the type and amount of the item.

Valuation of prepayments as at the balance sheet date reflects the prudence principle.

9.9. Equity

Equity consist of:

- share capital shown at nominal value,
- reserve capital created and utilised pursuant to Company Statutes,
- revaluation reserve – capital from revaluation of fixed assets and from revaluation of derivative instruments to their fair value, in that part reflecting an effective hedge,
- reserve capital created for purposes outlined by the Statutes of the Company,
- retained profit or uncovered losses from prior years, and
- net profit from the current financial period.

9. 10. Liabilities

The Company recognises as liabilities the obligation, arising from past events, to provide benefits of clearly defined value which lead to the use of current or future assets of the Company.

The Company includes as liabilities:

- financial liabilities due to bank and other loans, the issuance of debt securities, financial instruments, etc.
- trade liabilities,
- liabilities due to customs, taxation, insurance and other public obligations,
- liabilities due to wages, and
- all other types of liabilities.

Also recognised as liabilities are:

- provisions for liabilities, whose maturity date is uncertain, but whose value may be reliably estimated,

- special funds – the Company Social Fund (ZFSS) and others, and
- accruals and deferred income.

Liabilities are valued at their nominal value on the date they arise.

At the balance sheet date they are valued at the payable amount – together with interest payable or the revaluation of claims – at a level specified by contract and including exchange rate differences arising from the valuation of liabilities at the exchange rate in force.

Liabilities denominated in foreign currencies as at their date of arising and at the balance sheet date are valued at the average exchange rate set for the given currency by the NBP.

9.10.1 Contingent liabilities – off-balance sheet.

The Company recognises as contingent liabilities potential future obligations to provide benefits, whose arising is dependent upon the existence of specified events in the future.

The following are recognised as contingent (off-balance sheet) liabilities among others:

- guarantees, securities and bills of exchange granted to third parties, arising from agreements,
- liabilities due to compensation for damages arising in connection with the Company's economic activities, for cases remaining in proceedings,
- suspended contingent environmental penalties,
- liabilities arising from innovation contracts, calculated based on future effects, and
- liabilities to the State Treasury due to freely-granted perpetual usufruct of land, in an amount reflecting the valuation of such land based on property assessment documents.

9.10.2 Provisions

The Company creates provisions for certain or probable future liabilities, whose value may be reliably estimated. Provisions are created, among others, for the following liabilities:

- deferred income tax, created in connection with the positive temporary differences between the book value of assets and equity and liabilities and their taxable value,
- future employee benefits due to jubilee bonuses, retirement benefits and coal equivalent payments paid after the employment period,
- future mine closure costs, following mining excavation,
- the effects of legal and administrative proceedings,
- the granting of guarantees, securities and other similar liabilities, from the moment in which the risk of incurring expenses on behalf of a third party arises, and
- other future liabilities arising from unresolved issues.

The Company itself estimates the value of provisions.

The deferred income tax provision is set at the amount of taxation due for payment in the future, and reflects in most instances, the prevailing income tax rate of the year in which the tax liability arises.

The provision for future employee benefits is set at an amount estimated by actuarial methods.

The separation of provisions into long and short term is done based on proportions set using statistical methods by an actuary.

The provision for mine closure costs is set in accordance with the principles of IAS 16.

9.10.3 Accruals

The Company recognises as accruals, recognised in the balance sheet under equity and liabilities, probable liabilities chargeable to the current financial period which arise from benefits obtained by the Company from contracted parties, if the value of the liability is known or may be reliably estimated, or which arise from the obligation to provide future benefits based on current activities, whose value may be reliably estimated.

Accruals include:

- wages together with charges paid once a year,
- accounting for the cost of fees arising from the appropriation of production, if they were not recognised as non-invoiced liabilities,
- short term provisions due to unutilised vacations, revalued at year-end, and

- other short term provisions matched to revenues, representing future liabilities estimated on the basis of signed agreements or other reliable estimates.

9.10.4 Deferred income

Deferred income includes:

- the equivalent amount of payments received or due from contracted parties, documented by VAT invoice due to benefits whose realisation will occur in future periods,
- income due, based on the valuation of long term contracts,
- cash and cash equivalents received to finance the acquisition or creation of fixed assets under construction and of research projects which are settled simultaneously to depreciation write-off of fixed assets financed by these sources,
- the value of fixed assets, fixed assets under construction and of intangible assets, obtained free of charge, including as a donation, which are settled simultaneously to depreciation write-off of these assets, and
- negative goodwill, arising when the purchase price of an entity or an organised part thereof is lower than the fair value of net assets acquired.

9.11 Revenues, costs, financial result

9.11.1 Revenues

The Company recognises as revenues from sales the probable realisation in the financial period of economic benefits, of a reliably-determined amount, in the form of an increase in the value of assets, or decrease of liabilities, which lead to an increase equity in a manner other than the granting of funds by its owners. Revenues from sales are adjusted by the result from the settlement of commodity hedging instruments.

The Company also recognises the following as revenues:

1. other operating income, connected indirectly with its economic activities:
 - gain on the disposal of fixed assets, fixed assets under construction and of intangible assets,
 - write-offs of subsidies received to finance the acquisition or creation of fixed assets, fixed assets under construction and research projects,
 - write-offs of fixed assets and of intangible assets obtained free of charge or by donation,
 - provisions released which were created in prior periods,
 - the reversal of write-offs revaluing assets, upon elimination of the reason for which the write-offs were made,
 - penalties and compensation received,
 - funds recovered from the liquidation of fixed assets,
 - adjustments to operating income from prior years, and
 - other similar income.
2. financial income
 - dividends and income from profit sharing,
 - interest on investments, from funds on current bank accounts and from delay in payments from debtors,
 - gain on the disposal of investments, including from the settlement of currency hedging instruments,
 - surpluses of positive exchange rate differences over negative,
 - the revaluation of short and long term investments, in that part not accounted for as revaluation reserve, and the effects of revaluation by the equity method of shares in subordinated entities,
 - the release of provisions created for financial liabilities, and
 - other financial income.
3. extraordinary gains, arising in connection with the occurrence of unforeseen events which are not normally part of the risk of performing business activities.

9.11.2 Costs

The Company recognises as costs the probable decrease in the financial period of economic benefits of a reliably-determined amount, in the form of a decrease in the value of assets, or an increase of liabilities and provisions, which lead to a decrease in equity or an increase in negative equity in a manner other than the withdrawing of funds by its shareholders or owners.

A by-type costs account is maintained, as well as the cost centers and types of activities.

The Company also recognises the following as costs:

1. other operating costs, i.e. costs indirectly connected with operating activities:
 - losses from the disposal of tangible fixed assets and intangible assets,
 - the revaluation of non-financial assets, in that part not accounted for as equity,
 - the amount of donated tangible assets and cash,
 - the creation of provisions for future liabilities and anticipated costs (with the exception of provisions for financial liabilities),
 - the payment of compensation, penalties, fines and court costs,
 - costs connected with the liquidation of tangible fixed assets,
 - the cost of unutilised production capacity caused by external factors, and
 - other similar costs connected indirectly with operating activities.
2. financial costs
 - interest on financial and other liabilities, including delay in payments,
 - losses from the disposal of investments, including from the settlement of currency hedging instruments,
 - write-offs revaluing investments, due to permanent diminution in value, effects of revaluation by the equity method of shares in subordinated entities
 - surpluses of negative exchange rate differences over positive,
 - the creation of provisions for financial liabilities, and
 - other financial costs,
3. extraordinary losses, arising in connection with the occurrence of unforeseen events which are not normally part of the risk of performing operating activities

Data of the comparable financial periods were restated to the principles prevailing in the current period.

10. AVERAGE EXCHANGE RATE.

In the current period and in the comparable prior period the average Polish zloty exchange rates in relation to the EUR, as set by the Polish National Bank, were as follows:

| | current period | comparable period |
|---|----------------|-------------------|
| 1. exchange rate on the last day of the period | 4.5422 | 4.4570 |
| 2. average rate calculated as the mathematical average of the rates on the last day of each month of the period | 4.7311 | 4.3110 |
| 3. highest rate in the period (Tab.nr 42/A/NBP/2004, Tab. nr 124/A/NBP/2003) | 4.9149 | 4.4896 |
| 4. lowest rate in the period (Tab.nr 126/A/NBP/2004, Tab.nr 2/A/NBP/2003) | 4.5422 | 3.9773 |

11. BASIC ITEMS OF THE BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT IN EUR.

as on the last day in 000' EUR

| 1. Basic balance sheet items | current period | comparable period |
|------------------------------|----------------|-------------------|
| Assets in total | 1 902 204 | 1 749 097 |
| I Non-current assets | 1 385 000 | 1 322 621 |
| II Current assets | 517 204 | 426 476 |
| Equity and liabilities | 1 902 204 | 1 749 097 |

| | | | |
|----|--|-----------|---------|
| I | Equity | 1 021 349 | 835 089 |
| II | Liabilities and provisions for liabilities | 880 855 | 914 008 |

The PLN/EUR exchange rate used for calculating the balance sheet data on the last day of the current period, as set by the NBP for that date, was 4.5422.

The PLN/EUR exchange rate used for calculating the balance sheet data on the last day of the comparable period, as set by the NBP for that date, was 4.4570.

| 2. Basic income statement items | | in 000' EUR | |
|---------------------------------|--|----------------|-------------------|
| | | current period | comparable period |
| I | Revenues from the sale of products, goods for resale and materials | 680 710 | 514 019 |
| II | Cost of sale of products, goods for resale and materials | 427 563 | 419 169 |
| III | Gross profit (loss) from sales | 253 147 | 94 850 |
| IV | Profit (loss) from sales | 198 003 | 38 176 |
| V | Operating profit (loss) | 192 996 | 29 419 |
| VI | Profit (loss) before extraordinary items and taxation | 251 918 | 63 855 |
| VII | Extraordinary items | | - |
| VIII | Profit (loss) before taxation | 251 918 | 63 859 |
| IX | Net profit (loss) | 206 540 | 49 964 |

For calculating the income statement for the current period the PLN/EUR exchange rate was calculated as the mathematical average of the rates on the last day of each month of the period, which was set by the NBP for that date as 4.7311.

For calculating the income statement for the comparable period the PLN/EUR exchange rate was calculated as the mathematical average of rates on the last day of each month of the period, which was set by the NBP for that date as 4.3110.

| 3. Basic cash flows items | | in 000' EUR | |
|---------------------------|---|----------------|-------------------|
| | | current period | comparable period |
| A | Net cash flow from operations | 169 167 | 55 501 |
| B | Net cash flow from investing activities | (16 192) | (32 825) |
| C | Net cash flow from financing activities | (117 070) | (11 813) |
| D | Total net cash flow (A+/-B+/-C) | 35 905 | 10 862 |
| E | Change in balance of cash and cash equivalents | 36 782 | 10 955 |
| F | Cash and cash equivalents – beginning of the period | 57 735 | 29 532 |
| G | Cash and cash equivalents – end of the period | 98 259 | 37 145 |

For calculating the cash flow statement for the current period the following PLN/EUR exchange rates were applied:

- data in A,B,C,D, E – average exchange rate calculated as the mathematical average of rates as on the last day of each month of the period, as set by the NBP for that day, i.e. 4.7311
- data in F – as set by the NBP as at 31 December 2003, i.e. 4.7170
- data in G – as set by the NBP as at 30 June 2004, i.e. 4.5422.

For calculating the data of the cash flow statement for the comparable period the following PLN/EUR exchange rates were applied:

- data in A,B,C,D, E – average exchange rate calculated as the mathematical average of rates as on the last day of each month of the period, as set by the NBP for that day, i.e. 4.3110
- data in F – as set by the NBP as at 31 December 2002, i.e. 4.0202
- data in G – as set by the NBP as at 30 June 2003, i.e. 4.4570.

12. DIFFERENCES BETWEEN POLISH AND INTERNATIONAL ACCOUNTING STANDARDS.

The Company applies accounting principles and methods in accordance with the Accounting Act of 29 September 1994. The financial result and certain balance sheet items differ in amount from that which would be shown in financial statements prepared in accordance with International Accounting Standards ('IAS').

Differences between the accounting principles applied by the Company and those of IAS/IFRS arise as a result of the matters described below:

12.1 Accounting for the effects of hyperinflation in prior years

In the financial statements of the Company the effects of hyperinflation were not accounted for in accordance with International Accounting Standard 29, Financial Reporting in Hyperinflationary Economies. This relates to fixed assets purchased until the ending of a hyperinflationary period.

12.2 Revaluation of fixed assets

A portion of fixed assets is shown at a revalued amount determined as at 1 January 1995 in accordance with a Ruling by the Minister of Finance dated 20 January 1995 (Dz.U. Nr 7 item 34). The method applied for the revaluing of fixed assets does not however fulfil the requirements of IAS concerning the revaluation of fixed assets since, according to IAS, on the balance sheet date the revalued amount should not significantly differ from the fair value of the asset. The most recent revaluation of fixed assets was carried out by the Company based on the level of prices in September 1994, as a result of which the estimated value may significantly differ from the fair value of fixed assets as at the end of the period.

12.3 Differing periods of use for elements comprising fixed assets

Elements comprising fixed assets are depreciated based on a single depreciation rate. Pursuant to IAS 16 elements comprising fixed assets should be depreciated in accordance with their period of use.

12.4 Specialised spare parts and servicing equipment

In the financial statements of the Company spare parts and servicing equipment are accounted for as an element of inventory. According to IAS 16, specialised spare parts and servicing equipment which are utilised for a period longer than one year, or are utilised solely for either maintenance or for the servicing of certain fixed assets, should also be included amongst fixed assets and depreciated for a period not longer than the related fixed asset.

12.5 Scope of disclosures

The requirements of certain International Accounting Standards comprise a broader scope of disclosures than that of this half – year report.

ASSETS

| | 2004 | 2005 | 2006 | |
|---|------|-----------|-----------|-----------|
| I. Non-current assets | | 6 290 949 | 6 220 756 | 5 894 921 |
| 1. Intangible assets, of which: | 1 | 51 957 | 23 896 | 15 538 |
| - goodwill | | | | |
| 2. Tangible fixed assets | 2 | 3 109 301 | 3 132 309 | 2 975 681 |
| 3. Long term debtors | 3, 8 | 46 716 | 46 716 | 46 614 |
| 3.1. From related entities | | 44 876 | 44 876 | 44 687 |
| 3.2. From other entities | | 1 840 | 1 840 | 1 927 |
| 4. Long term investments | 4 | 2 802 468 | 2 717 588 | 2 619 770 |
| 4.1. Investment property | | | | |
| 4.2. Intangible assets | | | | |
| 4.3. Long term financial assets | | 2 802 468 | 2 717 588 | 2 619 770 |
| a) in related entities, of which: | | 2 741 413 | 2 656 359 | 2 555 583 |
| - shares in subordinated entities valued by the equity method | | 1 359 294 | 1 276 599 | 1 081 544 |
| b) in other entities | | 61 055 | 61 229 | 64 187 |
| 4.4. Other long term investments | | | | |
| 5. Long term prepayments | 5 | 280 507 | 300 247 | 237 318 |
| 5.1. Deferred income tax asset | | 279 201 | 299 000 | 233 781 |
| 5.2. Other prepayments | | 1 306 | 1 247 | 3 537 |
| II. Current assets | | 2 349 242 | 2 085 243 | 1 900 806 |
| 1. Inventories | 6 | 802 390 | 776 931 | 851 880 |
| 2. Short term debtors | 7, 8 | 655 906 | 543 535 | 522 660 |
| 2.1. From related entities | | 74 679 | 50 499 | 43 008 |
| 2.2. From other entities | | 581 227 | 493 036 | 479 652 |
| 3. Short term investments | | 849 832 | 759 430 | 483 725 |
| 3.1 Short term financial assets | 9 | 849 832 | 759 430 | 483 725 |
| a) in related entities | | 4 000 | 3 515 | 773 |
| b) in other entities | | 401 007 | 481 515 | 317 254 |
| c) cash and cash equivalents | | 444 825 | 274 400 | 165 698 |
| 3.2. Other short term investments | | | | |
| 4. Short term prepayments | 10 | 41 114 | 5 347 | 42 541 |
| Total assets | | 8 640 191 | 8 305 999 | 7 795 727 |

EQUITY AND LIABILITIES

| | | | | |
|---|----|-----------|-----------|-----------|
| I. Equity | | 4 639 170 | 3 655 189 | 3 721 992 |
| 1. Share capital | 12 | 2 000 000 | 2 000 000 | 2 000 000 |
| 2. Called up share capital not paid (negative value) | | | | |
| 3. Treasury shares (negative value) | 13 | | | |
| 4. Reserve capital | 14 | 1 624 204 | 1 194 236 | 1 190 378 |
| 5. Revaluation reserve | 15 | 425 051 | 436 164 | 933 084 |
| 6. Other reserve capital | 16 | | | |
| 7. Retained profit (uncovered loss) from prior years | | (387 245) | (612 349) | (616 866) |
| 8. Net profit (loss) | | 977 160 | 637 138 | 215 396 |
| 9. Write-off of net profit in the financial year (negative value) | 17 | | | |
| II. Liabilities and provisions for liabilities | | 4 001 021 | 4 650 810 | 4 073 735 |
| 1. Provisions for liabilities | 18 | 1 312 318 | 1 322 485 | 1 404 022 |
| 1.1. Deferred income tax provision | | 196 547 | 202 729 | 282 503 |
| 1.2. Provision for retirement and related benefits | | 684 344 | 671 629 | 669 851 |
| a) long term | | 632 109 | 619 978 | 621 296 |
| b) short term | | 52 235 | 51 651 | 48 555 |
| 1.3. Other provisions | | 431 427 | 448 127 | 451 668 |
| a) long term | | 399 055 | 407 742 | 412 017 |
| b) short term | | 32 372 | 40 385 | 39 651 |
| 2. Long term liabilities | 19 | 939 677 | 1 420 447 | 9 126 |
| 2.1. Toward related entities | | 3 132 | | |
| 2.2. Toward other entities | | 936 545 | 1 420 447 | 9 126 |
| 3. Short term liabilities | 20 | 1 545 226 | 1 758 077 | 2 487 850 |
| 3.1. Toward related entities | | 137 757 | 133 714 | 127 348 |
| 3.2. Toward other entities | | 1 333 291 | 1 565 498 | 2 292 544 |
| 3.3. Special funds | | 74 178 | 58 865 | 67 958 |
| 4. Accruals and deferred income | 21 | 203 800 | 149 801 | 172 737 |
| 4.1. Negative goodwill | | | | |
| 4.2. Other accruals and deferred income | | 203 800 | 149 801 | 172 737 |
| a) long term | | 2 562 | 2 630 | 2 011 |
| b) short term | | 201 238 | 147 171 | 170 726 |
| Total equity and liabilities | | 8 640 191 | 8 305 999 | 7 795 727 |

| | | | | |
|---------------------------------------|----|-------------|-------------|-------------|
| Net assets | | 4 639 170 | 3 655 189 | 3 721 992 |
| Shares outstanding | | 200 000 000 | 200 000 000 | 200 000 000 |
| Net assets per share (in PLN) | 22 | 23.20 | 18.28 | 18.61 |
| Diluted shares outstanding | | | | |
| Diluted net assets per share (in PLN) | 22 | | | |

| OFF-BALANCE SHEET ITEMS | Note | H1/2004 | 2003 | H1/2003 |
|--|------|---------|---------|---------|
| 1. Contingent debtors | 23 | 74 249 | 44 590 | 44 172 |
| 1.1. From related entities (due to) | | | | |
| - received guarantees | | | | |
| 1.2. From other entities (due to) | | 74 249 | 44 590 | 44 172 |
| - received guarantees | | | | |
| - contested State budget issues | | 73 762 | 43 992 | 43 992 |
| - other | | 487 | 598 | 180 |
| 2. Contingent liabilities | 23 | 3 518 | 17 357 | |
| 2.1. Toward related entities (due to) | | 3 518 | 17 357 | |
| - granted guarantees | | 3 518 | 17 357 | |
| 2.2. Toward other entities (due to) | | | | |
| - granted guarantees | | | | |
| 3. Other (due to) | | 278 451 | 285 989 | 264 968 |
| - liabilities on bills of exchange | | 4 000 | 8 000 | |
| - perpetual usufruct of State Treasury land | | 176 019 | 170 302 | 173 039 |
| - leased fixed assets | | 3 567 | 6 886 | 3 639 |
| - commitments due to implementation of R&D projects, and other unrealised agreements | | 93 753 | 99 885 | 59 607 |
| - contested State budget liabilities | | | | 24 103 |
| - other unresolved and disputed issues etc. | | 1 112 | 916 | 4 580 |

| INCOME STATEMENT | Note | H1/2004 | H1/2003 |
|---|------|-------------|-------------|
| I. Net revenue from the sale of products, goods for resale and materials, of which: | | 3 220 507 | 2 215 934 |
| - from related entities | | 678 646 | 457 619 |
| 1. Net revenue from the sale of products | 24 | 3 204 390 | 2 205 761 |
| 2. Net revenue from the sale of goods for resale and materials | 25 | 16 117 | 10 173 |
| II. Cost of products, goods for resale and materials sold, of which: | | (2 022 844) | (1 807 036) |
| - for related entities | | (379 301) | (363 976) |
| 1. Cost of manufactured products sold | 26 | (2 008 714) | (1 798 393) |
| 2. Cost of goods for resale and materials sold | | (14 130) | (8 643) |
| III. Gross profit (loss) (I-II) | | 1 197 663 | 408 898 |
| IV. Selling costs | 26 | (38 589) | (40 187) |
| V. General administrative costs | 26 | (222 303) | (204 133) |
| VI. Profit (loss) from sales (III-IV-V) | | 936 771 | 164 578 |
| VII. Other operating income | | 37 960 | 35 810 |
| 1. Gain on disposal of non-financial assets | | | 329 |
| 2. Subsidies | | 332 | 136 |
| 3. Other operating income | 27 | 37 628 | 35 345 |
| VIII. Other operating costs | | (61 649) | (73 563) |
| 1. Loss from disposal of non-financial assets | | (212) | |
| 2. Revaluation of non-financial assets | | (6 005) | (36 651) |
| 3. Other operating costs | 28 | (55 432) | (36 912) |
| IX. Operating profit (loss) (VI+VII-VIII) | | 913 082 | 126 825 |
| X. Financial income | 29 | 491 866 | 380 783 |
| 1. Dividends and share in profit, of which: | | 70 398 | 47 768 |
| - from related entities | | 68 872 | 47 643 |
| 2. Interest, of which: | | 62 738 | 57 946 |
| - from related entities | | 49 877 | 47 732 |
| 3. Gain on the sale of investments | 31 | 112 121 | 64 722 |
| 4. Revaluation of investments | | 191 244 | 190 386 |
| 5. Other | | 55 365 | 19 961 |
| XI. Financial costs | 30 | (213 101) | (232 329) |
| 1. Interest, of which: | | (30 272) | (47 855) |
| - to related entities | | (191) | (21) |
| 2. Loss from the sale of investments | 31 | | |
| 3. Revaluation of investments | | (160 603) | (150 929) |
| 4. Other | | (22 226) | (33 545) |
| XII. Profit (loss) before extraordinary items and taxation (IX+X-XI) | | 1 191 847 | 275 279 |
| XIII. Result on extraordinary items (XIII.1.-XIII.2.) | | | 16 |
| 1. Extraordinary gains | 32 | 20 | 20 |
| 2. Extraordinary losses | 33 | (20) | (4) |
| XIV. Profit (loss) before taxation (XII+/-XIII) | | 1 191 847 | 275 295 |
| XV. Taxation | 34 | (214 687) | (59 899) |
| a) current taxation | | (211 319) | (59 344) |
| b) deferred taxation | | (3 368) | (555) |
| XVI. Other obligatory deductions from profit (loss increase) | 35 | | |
| XVII. Share in net profit (loss) of subordinated entities valued by the equity method | 36 | | |
| XVIII. Net profit (loss) (XIV-XV-XVI+/-XVII) | | 977 160 | 215 396 |
| Net profit (loss) (annualised) | | 1 400 902 | 453 480 |
| Weighted average number of ordinary shares | | 200 000 000 | 200 000 000 |
| Net profit (loss) per share (in PLN) | 38 | 7.00 | 2.27 |
| Weighted average diluted number of ordinary shares | | | |
| Diluted net profit (loss) per ordinary share (in PLN) | 38 | | |

| STATEMENT OF CHANGES IN EQUITY | H1/2004 | 2003 | H1/2003 |
|---|-----------|-----------|-----------|
| I. Equity - beginning of the period | 4 006 502 | 4 010 925 | 4 010 925 |
| a) changes of accounting policies | (351 313) | (612 349) | (616 866) |
| b) corrections due to error | | | |
| I.a. Equity - beginning of the period, after adjustment with comparative data | 3 655 189 | 3 398 576 | 3 394 059 |
| 1. Share capital - beginning of the period | 2 000 000 | 2 000 000 | 2 000 000 |
| 1.1. Changes in share capital | | | |
| a) increase, due to: | | | |
| - issue of shares | | | |
| b) decrease, due to: | | | |
| - redemption of shares | | | |
| 1.2. Share capital - end of the period | 2 000 000 | 2 000 000 | 2 000 000 |
| 2. Called up capital not paid - beginning of the period | | | |
| 2.1. Changes in called up capital not paid | | | |
| a) increase (due to) | | | |
| b) decrease (due to) | | | |
| 2.2. Called up capital not paid - end of the period | | | |
| 3. Treasury shares - beginning of the period | | | |
| 3.1. Changes in Treasury shares | | | |
| a) increase, due to: | | | |
| b) decrease, due to: | | | |
| 3.2. Treasury shares - end of the period | | | |
| 4. Reserve capital - beginning of the period | 1 194 236 | 998 829 | 998 829 |
| 4.1. Changes in reserve capital | 429 968 | 195 407 | 191 549 |
| a) increase, due to: | 429 968 | 259 796 | 255 938 |
| - issue of shares over nominal value | | | |
| - from profit distribution (statutory) | | | |
| - from profit distribution (over statutorily-required minimum value) | 411 557 | 254 546 | 254 546 |
| - transfer from revaluation reserve | 18 411 | 5 250 | 1 392 |
| b) decrease, due to: | | (64 389) | (64 389) |
| - coverage of losses | | (64 389) | (64 389) |
| 4.2. Reserve capital - end of the period | 1 624 204 | 1 194 236 | 1 190 378 |
| 5. Revaluation reserve - beginning of the period | 400 709 | 821 939 | 821 939 |
| 5.1. Changes in revaluation reserve | 24 342 | (385 775) | 111 145 |
| a) increase, due to: | 549 245 | 514 040 | 248 835 |
| - effects of changes of accounting policies | 35 455 | | |
| - settlement of hedging instruments | 430 683 | 100 997 | 8 916 |
| - valuation of hedging transactions, in the effective part | 83 107 | 297 087 | 219 850 |
| - settlement of the effects of valuation of hedging instruments after change in the principle for establishing exchange rates | | | 20 069 |
| - excess of deferred income tax asset over deferred income tax provision | | 115 956 | |
| b) decrease, due to: | (524 903) | (899 815) | (137 690) |
| - disposal of tangible fixed assets | (18 449) | (6 726) | (1 520) |
| - valuation of hedging transactions, in the effective part | (372 735) | (711 297) | (9 060) |
| - settlement of hedging instruments | (117 795) | (181 792) | (89 819) |
| - excess of deferred income tax provision over deferred income tax asset | (15 924) | | (37 291) |
| 5.2. Revaluation reserve - end of the period | 425 051 | 436 164 | 933 084 |
| 6. Other reserve capital - beginning of the period | | | |
| 6.1. Changes in other reserve capital | | | |
| a) increase, due to: | | | |
| b) decrease, due to: | | | |
| 6.2. Other reserve capital - end of the period | | | |

| | | | |
|--|-----------|-----------|-----------|
| 7. Retained profit (uncovered losses) from prior years - beginning of the period | 411 557 | 190 157 | 190 157 |
| 7.1. Retained profit from prior years - beginning of the period | 411 557 | 254 546 | 254 546 |
| a) changes of accounting methodology (policies) | | | |
| b) corrections due to error | | | |
| 7.2. Retained profit from prior years - beginning of the period, after adjustment with comparative data | 411 557 | 254 546 | 254 546 |
| a) increase, due to: | | | |
| - distribution of profit from prior years | | | |
| b) decrease, due to: | (411 557) | (254 546) | (254 546) |
| - transfer to reserve capital | (411 557) | (254 546) | (254 546) |
| 7.3. Retained profit from prior years - end of the period | | | |
| 7.4. Uncovered losses from prior years - beginning of the period | | (64 389) | (64 389) |
| a) changes of accounting methodology (policies) | (386 768) | (612 349) | (616 866) |
| b) corrections due to error | | | |
| 7.5. Uncovered losses from prior years - beginning of the period, after adjustment with comparative data | (386 768) | (676 738) | (681 255) |
| a) increase, due to: | | | |
| - transfer of losses from prior years to be covered | | | |
| b) decrease, due to: | (477) | 64 389 | 64 389 |
| - coverage of loss from reserve capital | | 64 389 | 64 389 |
| - other | (477) | | |
| 7.6. Uncovered losses from prior years - end of the period | (387 245) | (612 349) | (616 866) |
| 7.7. Retained profit (uncovered losses) from prior years - end of the period | (387 245) | (612 349) | (616 866) |
| 8. Net result | 977 160 | 637 138 | 215 396 |
| a) net profit | 977 160 | 637 138 | 215 396 |
| b) net loss | | | |
| c) write-off from profit | | | |
| II. Equity - end of the period | 4 639 170 | 3 655 189 | 3 721 992 |
| III. Equity, after adjustment for proposed profit distribution (coverage of losses) | 4 639 170 | 3 655 189 | 3 721 992 |

| CASH FLOW STATEMENT | 11/2004 | 11/2003 |
|---|-----------|-----------|
| A. Cash flow from operations - indirect method | | |
| I. Net profit (loss) | 977 160 | 215 396 |
| II. Total adjustments | (176 812) | 23 869 |
| 1. Share in (profit) loss of entities valued by the equity method | | |
| 2. Depreciation | 140 913 | 149 682 |
| 3. (Profit) loss on exchange rate differences | (3 221) | 13 798 |
| 4. Interest and share in profits (dividends) | (93 632) | (51 306) |
| 5. (Profit) loss on investing activities | 272 409 | 536 164 |
| 6. Change in provisions | 4 451 | 12 132 |
| 7. Change in inventories | (25 459) | (5 025) |
| 8. Change in debtors | (117 101) | 62 956 |
| 9. Change in short term liabilities, excluding bank and other loans | 9 143 | (56 139) |
| 10. Change in prepayments and accruals | 13 105 | (54 767) |
| 11. Other adjustments | (377 420) | (583 626) |
| III. Net cash flow from operations (I+/-II) | 800 348 | 239 265 |
| B. Cash flow from investing activities | | |
| I. Inflow | 240 843 | 112 965 |
| 1. The sale of intangible assets and tangible fixed assets | 320 | 695 |
| 2. The sale of investments properties and intangible assets | | |
| 3. From financial assets, of which: | 240 333 | 112 270 |
| a) in related entities | 118 364 | 95 126 |
| - the sale of financial assets | | |
| - dividends and share in profit | 68 872 | 47 643 |
| - repayment of long term loans granted | | |
| - interest | 49 492 | 47 483 |
| - other inflow from financial assets | | |
| b) in other entities | 121 969 | 17 144 |
| - the sale of financial assets | 120 210 | 13 398 |
| - dividends and share in profit | 1 751 | |
| - repayment of long term loans granted | | |
| - interest | 8 | 3 746 |
| - other inflow from financial assets | | |
| 4. Other investment inflow | 190 | |
| II. Outflow | (317 450) | (254 475) |
| 1. The purchase of intangible assets and tangible fixed assets | (226 447) | (131 163) |
| 2. Investment properties and intangible assets | | |
| 3. For financial assets, of which: | (80 248) | (121 936) |
| a) in related entities | (16 401) | (91 500) |
| - the purchase of financial assets | (16 401) | (91 500) |
| - long term loans granted | | |
| - other financial assets | | |
| b) in other entities | (63 847) | (30 436) |
| - the purchase of financial assets | (63 847) | (30 436) |
| - long term loans granted | | |
| - other financial assets | | |
| 4. Other investment outflow | (10 755) | (1 376) |
| III. Net cash flow from investing activities (I-II) | (76 607) | (141 510) |

| | | |
|---|-----------|----------|
| C. Cash flow from financing activities | | |
| I. Inflow | | 6 000 |
| 1. Net inflow from the issuance of shares and other equity instruments and of payments to capital | | |
| 2. Bank and other loans | | 6 000 |
| 3. The issuance of debt securities | | |
| 4. Other financial inflow | | |
| II. Outflow | (553 870) | (56 927) |
| 1. The purchase of own shares | | |
| 2. Dividends and other shareholder-related payments | | |
| 3. Other outflow from profit distribution, excepting shareholder-related payments | | |
| 4. Repayment of bank and other loans | (519 877) | (4 772) |
| 5. The buy-back of debt securities | | |
| 6. Due to other financial liabilities | | |
| 7. The payment of liabilities from financial leasing agreements | (5 910) | (542) |
| 8. Interest | (28 083) | (51 613) |
| 9. Other financial outflow | | |
| III. Net cash flow from financing activities (I-II) | (553 870) | (50 927) |
| D. Total net cash flow(A.III+/-B.III+/-C.III) | 169 871 | 46 828 |
| E. Change in balance sheet total of cash and cash equivalents, of which: | 170 425 | 47 227 |
| - change in cash and cash equivalents due to exchange rate differences | 554 | 399 |
| F. Cash and cash equivalents - beginning of the period | 275 442 | 118 727 |
| G. Cash and cash equivalents - end of the period (F+/-D), of which: | 445 313 | 165 555 |
| - including those having limited rights of disposal | 62 603 | 25 859 |

A. EXPLANATORY NOTES

EXPLANATORY NOTES TO THE BALANCE SHEET

Note 1A.

| INTANGIBLE ASSETS | H1/2004 | 2003 | H1/2003 |
|--|---------|--------|---------|
| a. Research and development costs | 4 509 | 5 212 | 2 475 |
| b. Goodwill | | | |
| c. Purchased concessions, patents, licenses and similar items, of which: | 47 448 | 18 684 | 13 063 |
| - computer software | 3 748 | 5 305 | 3 103 |
| d. Other intangible assets | | | |
| e. Prepayments for intangible assets | | | |
| Total intangible assets | 51 957 | 23 896 | 15 538 |

Note 1B.

MOVEMENTS IN INTANGIBLE ASSETS (by type)

| | a research and development costs | b goodwill | c | | d other intangible assets | e prepayments for intangible assets | Total intangible assets |
|---|--|---------------|---|------------------------|---------------------------------|---|----------------------------|
| | | | purchased concessions, patents, licenses and similar items | - computer software | | | |
| a. Gross book value at the beginning of the period | 8 025 | | 63 571 | 18 885 | 81 | | 71 |
| b. Additions, due to: | | | 174 | 105 | 32 347 | | 32 |
| - transfer from tangible fixed assets under construction | | | 174 | 105 | | | |
| - used based on lease and other similar agreements | | | | | 32 347 | | 32 |
| c. Disposals, due to: | | | (4 434) | (2 173) | | | (4) |
| - liquidation | | | (4 263) | (2 026) | | | (4) |
| - contribution in kind | | | (162) | (147) | | | (1) |
| - other decreases | | | (9) | | | | |
| d. Gross book value at the end of the period | 8 025 | | 59 311 | 16 817 | 32 428 | | 99 |
| e. Accumulated depreciation at the beginning of the period | 2 813 | | 44 887 | 13 580 | 81 | | 47 |
| f. Depreciation for the period, due to: | 703 | | (742) | (511) | 65 | | |
| - current depreciation | 703 | | 3 653 | 1 636 | 65 | | 4 |
| - liquidation | | | (4 253) | (2 024) | | | (4) |
| - contribution in kind | | | (133) | (123) | | | (1) |
| - other decreases | | | (9) | | | | |
| g. Accumulated depreciation at the end of the period | 3 516 | | 44 145 | 13 069 | 146 | | 47 |
| h. Write-offs due to permanent diminution in value at the beginning of the period | | | | | | | |
| - additions | | | | | | | |
| - disposals | | | | | | | |
| i. Write-offs due to permanent diminution in value at the end of the period | | | | | | | |
| j. Net book value of intangible assets at the end of the period | 4 509 | | 15 166 | 3 748 | 32 282 | | 51 |

Note 1C.

| INTANGIBLE ASSETS BY CLASS OF OWNERSHIP | H1/2004 | 2003 | H1/2003 |
|--|---------|--------|---------|
| a. Intangible assets owned by the company | 19 675 | 23 896 | 15 538 |
| b. Intangible assets used on the basis of a rental, lease or similar agreements, including leasing agreements | 32 282 | | |
| - an agreement for use of geological information related the "Głogów Głęboki - Przemysłowy" ("Deep Industrial Głogów") ore deposit | 32 282 | | |
| Total intangible assets | 51 957 | 23 896 | 15 538 |

Note 2A.

| TANGIBLE FIXED ASSETS | H1/2004 | 2003 | H1/2003 |
|---|-----------|-----------|-----------|
| a. Fixed assets, of which: | 2 611 285 | 2 703 202 | 2 619 499 |
| - land (including perpetual usufruct of land) | 9 585 | 8 359 | 8 138 |
| - buildings, premises and land and water engineering infrastructure | 1 477 406 | 1 517 615 | 1 531 853 |
| - plant and machinery | 1 087 372 | 1 138 290 | 1 045 749 |
| - vehicles | 29 926 | 31 449 | 27 210 |
| - other tangible fixed assets | 6 996 | 7 489 | 6 549 |
| b. Fixed assets under construction | 489 988 | 429 107 | 356 182 |
| c. Prepayments for fixed assets under construction | 8 028 | | |
| Total tangible fixed assets | 3 109 301 | 3 132 309 | 2 975 681 |

The Company periodically reviews its fixed assets depreciation rates as applied to their period of exploitation. At present the Company is carrying out its annual review process, and plans to complete this process by the end of 2004. The potential exists that this review will indicate the necessity to make an adjustment of accumulated depreciation, which as a result may lead to an increase in the value of tangible fixed assets as well as of retained profit from prior years in the financial statements for 2004. Any eventual changes in this regard would have no impact either on future cash flows or on the revenues of the Company.

Due to security on a loan from Regional Environmental Protection and Water Management Fund (Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej) security was attached to tangible fixed assets (dedusting facility for anode furnaces).

Note 2B.

MOVEMENTS IN TANGIBLE FIXED ASSETS (BY TYPE)

| | - land (including perpetual usufruct of land) | - buildings, premises and land and water engineering infrastructure | - plant and machinery | - vehicles | - other tangible fixed assets | Total tangible fixed assets |
|---|---|---|-----------------------|------------|-------------------------------|-----------------------------|
| a. Gross book value at the beginning of the period | 8 446 | 3 869 320 | 3 633 727 | 115 561 | 46 576 | 7 673 630 |
| b. Additions, due to: | 1 599 | 11 541 | 81 869 | 2 041 | 675 | 97 725 |
| - transfer from tangible assets under construction | 238 | 11 468 | 75 832 | 2 041 | 675 | 90 254 |
| - used based on lease agreements | | | 5 934 | | | 5 934 |
| - reclassification | | 73 | 103 | | | 176 |
| - change of legal status on land from perpetual usufruct rights to own land | 1 361 | | | | | 1 361 |
| c. Disposals, due to: | (356) | (54 809) | (176 967) | (1 508) | (1 291) | (234 931) |
| - assets scrapped | | (14 007) | (58 281) | (299) | (337) | (72 924) |
| - sales | | (208) | (26) | (781) | (65) | (1 080) |
| - donations and items freely granted | | (2 062) | (564) | | | (2 626) |
| - reclassification as off-balance sheet item | | | (548) | | (65) | (613) |
| - contribution in kind | (16) | (38 509) | (117 385) | (428) | (824) | (157 162) |
| - reclassification | | (23) | (153) | | | (176) |
| - land given to a municipality | (340) | | | | | (340) |
| - other items | | | (10) | | | (10) |
| d. Gross book value at the end of the period | 9 689 | 3 826 052 | 3 538 629 | 116 094 | 45 960 | 7 536 424 |
| e. Accumulated depreciation at the beginning of the period | 87 | 2 349 321 | 2 495 263 | 84 112 | 39 087 | 4 967 870 |
| f. Depreciation for the period, due to: | 17 | (3 059) | (44 180) | 2 056 | (123) | (45 289) |
| - current depreciation | 17 | 37 900 | 94 105 | 3 328 | 1 141 | 136 491 |
| - sales | | (90) | (25) | (612) | (65) | (792) |
| - contribution in kind | | (25 270) | (80 954) | (361) | (825) | (107 410) |
| - assets scrapped | | (13 762) | (56 111) | (299) | (325) | (70 497) |
| - donations and items freely granted | | (1 910) | (564) | | | (2 474) |
| - reclassification as off-balance sheet item | | | (548) | | (49) | (597) |
| - reclassification to other group | | 73 | (73) | | | |
| - other items | | | (10) | | | (10) |
| g. Accumulated depreciation at the end of the period | 104 | 2 346 262 | 2 451 083 | 86 168 | 38 964 | 4 922 581 |
| h. Write-offs due to permanent diminution in value at the beginning of the period | | 2 384 | 174 | | | 2 558 |
| - additions | | | | | | |
| - disposals | | | | | | |
| i. Write-offs due to permanent diminution in value at the end of the period | | 2 384 | 174 | | | 2 558 |
| i. Net book value at the end of the period | 9 585 | 1 477 406 | 1 087 372 | 29 926 | 6 996 | 2 611 285 |

| FIXED ASSETS BY CLASS OF OWNERSHIP | H1/2004 | 2003 | H1/2003 |
|--|-----------|-----------|-----------|
| a. Own fixed assets | 2 596 245 | 2 692 939 | 2 614 287 |
| b. Fixed assets used on the basis of a rental, lease or similar agreements, including leasing agreements of which: | 15 040 | 10 263 | 5 212 |
| - financial leasing | 15 040 | 10 263 | 5 212 |
| Total fixed assets | 2 611 285 | 2 703 202 | 2 619 499 |

Note 2D.

| OFF-BALANCE SHEET FIXED ASSETS | H1/2004 | 2003 | H1/2003 |
|---|---------|---------|---------|
| Fixed assets used on the basis of rental, lease, or similar agreements, including leasing agreement, including: | 179 586 | 177 188 | 176 678 |
| - value of perpetual usufruct of land | 176 019 | 170 302 | 173 039 |
| - leased fixed assets not subject to depreciation | 3 567 | 6 886 | 3 639 |
| Total off-balance sheet fixed assets | 179 586 | 177 188 | 176 678 |

Note 3A.

| LONG TERM DEBTORS | H1/2004 | 2003 | H1/2003 |
|---|---------|--------|---------|
| a) debtors from related entities, of which: | 44 876 | 44 876 | 44 687 |
| - from subsidiaries, due to: | 44 876 | 44 876 | 44 687 |
| - additional payments to capital | 44 812 | 44 812 | 44 512 |
| - other debtors | 64 | 64 | 175 |
| - from co-subsidiaries, due to: | | | |
| - from associates, due to: | | | |
| - from significant investor, due to: | | | |
| - from dominant entity, due to: | | | |
| b) from other entities, of which: | 1 840 | 1 840 | 1 927 |
| - other debtors | 1 840 | 1 840 | 1 927 |
| Net long term debtors | 46 716 | 46 716 | 46 614 |
| c) Allowance for debtors | | | |
| Gross long term debtors | 46 716 | 46 716 | 46 614 |

Note 3B.

| CHANGE IN LONG TERM DEBTORS (BY TYPE) | H1/2004 | 2003 | H1/2003 |
|--|---------|---------|---------|
| a) beginning of the period | 46 716 | 48 016 | 48 016 |
| - additional payments to capital | 44 812 | 44 512 | 44 512 |
| - other debtors | 1 904 | 3 504 | 3 504 |
| b) increase, due to: | | 300 | |
| - reclassification of additional payments to capital from short term debtors | | 300 | |
| c) decrease, due to: | | (1 600) | (1 402) |
| - reclassification of other long term debtors to short term debtors | | (1 251) | (1 053) |
| - other decreases | | (349) | (349) |
| d) end of the period | 46 716 | 46 716 | 46 614 |
| - additional payments to capital | 44 812 | 44 812 | 44 512 |
| - other debtors | 1 904 | 5 104 | 2 102 |

Note 3C.

| CHANGE IN ALLOWANCE FOR LONG TERM DEBTORS | H1/2004 | 2003 | H1/2003 |
|--|---------|------|---------|
| Beginning of the period | | | |
| a) increase, due to: | | | |
| b) decrease, due to: | | | |
| Allowance for long term debtors at the end of the period | | | |

Note 3D.

| LONG TERM DEBTORS (BY CURRENCY) | H1/2004 | 2003 | H1/2003 |
|---------------------------------|---------|--------|---------|
| a) in Polish currency | 46 716 | 46 716 | 46 614 |
| b) in foreign currency | | | |
| b1. unit / currency '000 / USD | | | |
| '000PLN | | | |
| b2. unit / currency '000 / EUR | | | |
| '000PLN | | | |
| b3. unit / currency '000 / GBP | | | |
| '000PLN | | | |
| b4. other currencies in '000PLN | | | |
| Total long term debtors | 46 716 | 46 716 | 46 614 |

Note 4A.

| CHANGE IN INVESTMENT PROPERTY (BY TYPE) | H1/2004 | 2003 | H1/2003 |
|---|---------|------|---------|
| a) beginning of the period | | | |
| b) increase, due to: | | | |
| c) decrease, due to: | | | |
| d) end of the period | | | |

Note 4B.

| CHANGE IN INTANGIBLE ASSETS (by type) | H1/2004 | 2003 | H1/2003 |
|---------------------------------------|---------|------|---------|
| a) beginning of the period | | | |
| b) additions, due to: | | | |
| c) disposals, due to: | | | |
| d) end of the period | | | |

Note 4C.

| LONG TERM FINANCIAL ASSETS | H1/2004 | 2003 | H1/2003 |
|--|-----------|-----------|-----------|
| a) in subsidiaries | 2 033 645 | 1 964 326 | 1 835 724 |
| - shares | 651 526 | 584 526 | 459 735 |
| - debt securities | 1 379 800 | 1 379 800 | 1 375 989 |
| - other securities (by type) | | | |
| - loans granted | | | |
| - other long term financial assets (by type) | 2 319 | | |
| - prepayment for acquisition of shares | 2 319 | | |
| b) in co-subsidiaries | | | |
| - shares | | | |
| - debt securities | | | |
| - other securities (by type) | | | |
| - loans granted | | | |
| - other long term financial assets (by type) | | | |
| c) in associates | 707 768 | 692 033 | 719 859 |
| - shares | 707 768 | 692 033 | 621 809 |
| - debt securities | | | |
| - other securities (by type) | | | |
| - loans granted | | | 98 050 |
| - other long term financial assets (by type) | | | |
| d) in significant investor | | | |
| - shares | | | |
| - debt securities | | | |
| - other securities (by type) | | | |
| - loans granted | | | |
| - other long term financial assets (by type) | | | |
| e) in dominant entity | | | |
| - shares | | | |
| - debt securities | | | |
| - other securities (by type) | | | |
| - loans granted | | | |
| - other long term financial assets (by type) | | | |
| f) in other entities | 61 055 | 61 229 | 64 187 |
| - shares | 13 838 | 12 500 | 12 500 |
| - debt securities | | | |
| - other securities (by type) | 47 217 | 48 729 | 51 687 |
| - participation unit | 47 217 | 48 729 | 51 687 |
| - loans granted | | | |
| - other long term financial assets (by type) | | | |
| Total long term financial assets | 2 802 468 | 2 717 588 | 2 619 770 |

| SHARES IN SUBORDINATED ENTITIES VALUED BY THE EQUITY METHOD | H1/2004 | 2003 | H1/2003 |
|---|---------|------|---------|
| a) goodwill of subordinated entities | | | |
| - subsidiaries | | | |
| - co-subsidiaries | | | |
| - associates | | | |
| b) negative goodwill of subordinated entities | 2 332 | | |
| - subsidiaries | 2 332 | | |
| - co-subsidiaries | | | |
| - associates | | | |

Note 4E.

| CHANGE IN GOODWILL - subsidiaries | H1/2004 | 2003 | H1/2003 |
|---|---------|------|---------|
| a) gross book value at the beginning of the period | | | |
| b) increases, of which: | | | |
| c) decreases, of which: | | | |
| d) gross book value at the end of the period | | | |
| e) write-off of goodwill at the beginning of the period | | | |
| f) write-off of goodwill for the period | | | |
| g) write-off of goodwill at the end of the period | | | |
| h) net book value at the end of the period | | | |

Note 4F.

| CHANGE IN GOODWILL - co-subsidiaries | H1/2004 | 2003 | H1/2003 |
|---|---------|------|---------|
| a) gross book value at the beginning of the period | | | |
| b) increases, of which: | | | |
| c) decreases, of which: | | | |
| d) gross book value at the end of the period | | | |
| e) write-off of goodwill at the beginning of the period | | | |
| f) write-off of goodwill for the period | | | |
| g) write-off of goodwill at the end of the period | | | |
| h) net book value at the end of the period | | | |

Note 4G

| CHANGE IN GOODWILL - associates | H1/2004 | 2003 | H1/2003 |
|---|---------|------|---------|
| a) gross book value at the beginning of the period | | | |
| b) increases, of which: | | | |
| c) decreases, of which: | | | |
| d) gross book value at the end of the period | | | |
| e) write-off of goodwill at the beginning of the period | | | |
| f) write-off of goodwill for the period | | | |
| g) write-off of goodwill at the end of the period | | | |
| h) net book value at the end of the period | | | |

Note 4H

| CHANGE IN NEGATIVE GOODWILL - subsidiaries | H1/2004 | 2003 | H1/2003 |
|--|---------|------|---------|
| a) gross book value at the beginning of the period | | | |
| b) increases, of which: | 2 360 | | |
| - purchase of shares | 2 360 | | |
| c) decreases, of which: | | | |
| d) gross book value at the end of the period | 2 360 | | |
| e) write-off of negative goodwill at the beginning of the period | | | |
| f) write-off of negative goodwill for the period | 28 | | |
| - current depreciation | 28 | | |
| g) write-off of negative goodwill at the end of the period | 28 | | |
| h) net book value at the end of the period | 2 332 | | |

| CHANGE IN NEGATIVE GOODWILL - co-subidiaries | H1/2004 | 2003 | H1/2003 |
|--|---------|------|---------|
| a) gross book value at the beginning of the period | | | |
| b) increases, of which: | | | |
| c) decreases, of which: | | | |
| d) gross book value at the end of the period | | | |
| e) write-off of negative goodwill at the beginning of the period | | | |
| f) write-off of negative goodwill for the period | | | |
| g) write-off of negative goodwill at the end of the period | | | |
| h) net book value at the end of the period | | | |

Note 4J.

| CHANGE IN NEGATIVE GOODWILL - associates | H1/2004 | 2003 | H1/2003 |
|--|---------|------|---------|
| a) gross book value at the beginning of the period | | | |
| b) increases, of which: | | | |
| c) decreases, of which: | | | |
| d) gross book value at the end of the period | | | |
| e) write-off of negative goodwill at the beginning of the period | | | |
| f) write-off of negative goodwill for the period | | | |
| g) write-off of negative goodwill at the end of the period | | | |
| h) net book value at the end of the period | | | |

Note 4K.

| CHANGE IN LONG TERM FINANCIAL ASSETS (BY TYPE) | H1/2004 | 2003 | H1/2003 |
|--|-----------|-------------|-----------|
| a) beginning of the period | 2 717 588 | 3 167 556 | 3 167 556 |
| - shares | 1 289 059 | 1 667 191 | 1 667 191 |
| - long term loans | | 98 050 | 98 050 |
| - debt securities | 1 379 800 | 1 372 647 | 1 372 647 |
| - other securities | 48 729 | 29 668 | 29 668 |
| b) increase, due to: | 163 724 | 1 438 748 | 57 603 |
| - purchase of shares | 7 738 | 6 500 | 6 500 |
| - capital increase | 66 843 | 20 000 | 20 000 |
| - revaluation by the equity method | 18 871 | | |
| - purchase of debt securities | | 1 379 800 | |
| - purchase of other securities | 2 751 | 29 106 | 27 761 |
| - other long term financial assets | 67 521 | 3 342 | 3 342 |
| - prepayment for shares acquisition | 17 739 | | |
| - transfer of fixed assets as an advance acquisition of shares | 49 782 | | |
| c) decrease, due to: | (78 844) | (1 888 716) | (605 389) |
| - repayment of loan | | (98 050) | |
| - sale of long term debt securities | | (1 375 989) | |
| - adjustment of surplus contribution in kind over book value of shares | (9 379) | | |
| - write-offs revaluing shares | | (4 300) | |
| - write-off revaluing other securities | | (779) | (320) |
| - effects of valuation by equity method | | (400 332) | (599 647) |
| - other decreases of other securities | (4 263) | (9 266) | (5 422) |
| - other decreases of other long term financial assets of which: | (65 202) | | |
| - settlement of prepayments for acquisition of shares | (65 202) | | |
| d) end of the period | 2 802 468 | 2 717 588 | 2 619 770 |
| - shares | 1 373 132 | 1 289 059 | 1 094 044 |
| - long term loans | | | 98 050 |
| - debt securities | 1 379 800 | 1 379 800 | 1 375 989 |
| - other securities | 47 217 | 48 729 | 51 687 |
| - other long term financial assets | 2 319 | | |

Note 4L

| SHARES IN SUBORDINATED ENTITIES | | | | | | | | | | | | |
|--|-------------------------|--|---|---|--|-----------------------------------|--|----------------------|-----------------------------------|--|---|---|
| Item | a | b | c | d | e | f | g | h | i | j | k | l |
| Name of entity (with indication of legal form) | Location of Head Office | Primary activity of company | Character of capital relationship (subsidiaries, co-subidiaries, associates, with description of direct and indirect relations) | Consolidation method applied / the equity method or indication that entity is not subject to consolidation / or equity method valuation | Date of gaining control / co-control / significant influence | Value at purchase price of shares | Write-offs adjusting the value (total) | Book value of shares | Percentage of share capital owned | Voting interest in the General Meeting | basis of control / co-control / significant influence other than defined under letter j) o k) | |
| 1 CBPM Cuprum Sp. z o.o. | Wroclaw | Research and development | subsidiary | full | 01.01.1993 | 3 506 | 2 732 | 6 238 | 100.00 | 100.00 | | |
| 2 KGHM Polish Copper Ltd. * | London | Copper trade | subsidiary | full | 21.06.1991 | 6 903 | 9 793 | 16 696 | 100.00 | 100.00 | | |
| 3 Dolnośląska Spółka Inwestycyjna S.A. | Lubin | Capital investments | subsidiary | full | 01.01.1995 | 118 235 | (32 198) | 86 037 | 77.46 | 77.46 | | |
| 4 Medyczne Centrum Zdrowia S.A. | Lubin | Medical services | subsidiary | full | 25.09.1995 | 54 279 | (26 617) | 27 662 | 100.00 | 100.00 | | |
| 5 KGHM Metale S.A. | Lubin | Capital investments | subsidiary | full | 11.10.1995 | 159 374 | (45 689) | 113 685 | 100.00 | 100.00 | | |
| 6 Energetyka Sp. z o.o. | Lubin | Production, distribution and trade in electrical and steam energy | subsidiary | full | 01.01.1996 | 99 608 | 44 238 | 143 846 | 100.00 | 100.00 | | |
| 7 Centrum Badań Jakości Sp. z o.o. | Lubin | Technical analyses and tests | subsidiary | full | 18.11.1996 | 2 218 | 8 274 | 10 492 | 100.00 | 100.00 | | |
| 8 KGHM Kupferhandelsges mbH. * | Vienna | Copper trade | subsidiary | full | 13.11.1996 | 925 | 782 | 1 707 | 100.00 | 100.00 | | |
| 9 Pol-Miedź Trans Sp. z o.o. | Lubin | Transport | subsidiary | full | 01.10.1996 | 61 442 | 31 509 | 92 951 | 100.00 | 100.00 | | |
| 10 Telefonia DIALOG S.A. | Wroclaw | Telecommunication, IT and data providing services | subsidiary | full | 11.06.1999 | 875 735 | (789 620) | 86 115 | 100.00 | 100.00 | | |
| 11 KGHM Congo sprl * | Lubumbashi | Ore extraction services | subsidiary | full | 16.03.1998 | 57 938 | (57 938) | | 99.98 | 99.98 | 38.51% indirectly owned | |
| 12 KGHM Metraco Sp. z o.o. | Legnica | Trade, agent and representative services | subsidiary | full | 21.06.1991 | 12 865 | 18 940 | 31 805 | 98.96 | 98.96 | | |
| 13 Zagłębie Lubin Sportowa Spółka Akcyjna | Lubin | Participation and organisation of professional sporting events | indirectly subsidiary | full | 25.03.2003 | 5 000 | (5 000) | | 41.00 | 41.00 | | |
| 14 Towarzystwo Ubezpieczeń Wzajemnych (Cuprum) | Lubin | Property and life insurance | subsidiary | not consolidated | 11.06.1994 | 9 500 | 11 353 | 20 853 | 93.80 | 93.80 | | |
| 15 Minova-Ksante Sp. z o.o. | Trzebeż | Production of organic and non-organic chemicals, glues; production and sale mineral water and non-carbonated beverages | associated | equity method | 17.08.1998 | 1 309 | 642 | 1 951 | 30.00 | 30.00 | | |
| 16 PHP MERCUS Sp. z o.o. | Polkowice | Trade and production of electrical cables | indirectly subsidiary | full | 05.04.2004 | 11 401 | 538 | 11 939 | 47.37 | 47.37 | 52.63% indirectly owned | |
| 17 Interferie Sp. z o.o. | Lubin | Tourism, sanatorium and hotel management | indirectly subsidiary | full | 15.06.1992 | 1 500 | | 1 500 | 3.95 | 3.95 | 96.05% indirectly owned | |
| 18 POLKOMTEL S.A. | Warsaw | mobile telephony, telecommunication services | associated | equity method | 28.12.1995 | 437 250 | 268 567 | 705 817 | 19.61 | 19.61 | impact on development of company strategies | |
| 19 Total | | | | | | 1 918 988 | (559 694) | 1 359 294 | | | | |

Note 4M.

| Item | a Name of entity | m Equity, of which: | | | | | | n Liabilities and provisions for liabilities, of which: | | | | o Debtors, of which: | | p Total assets | r Revenue from sales | s Share capital not paid by the issuer | t Dividends received or due from prior year |
|------|---|------------------------|----------------------------|-----------------|--------------------------------|-------------------|-----------------------|--|-------------------|--------------------|-----------|-------------------------|-----------|-------------------|-------------------------|---|--|
| | | Share capital | Called up capital not paid | Reserve Capital | Other equity, of which: | | long term liabilities | short term liabilities | long term debtors | short term debtors | long term | short term | | | | | |
| | | | | | Profit (loss) from prior years | Net Profit (loss) | | | | | | | | | | | |
| 1 | CBPM Cuprum Sp. z o.o. | 6 238 | 3 506 | 1 782 | 950 | 34 | 4 879 | 2 | 4 877 | 5 117 | 5 117 | 11 117 | 6 260 | | | | |
| 2 | KGHM Polish Copper Ltd. * | 16 972 | 7 567 | 7 543 | 1 862 | 1 862 | 18 457 | | 18 457 | 10 969 | 237 | 43 662 | 418 824 | | | | |
| 3 | Dolnośląska Spółka Inwestycyjna S.A. | 111 073 | 156 864 | | (45 791) | (45 982) | 3 125 | 201 | 2 924 | 12 308 | 6 000 | 114 198 | 14 430 | | | | |
| 4 | Miedziane Centrum Zdrowia S.A. | 27 662 | 43 162 | | (15 500) | (528) | 12 009 | 3 520 | 8 489 | 3 287 | 3 287 | 39 670 | 17 353 | | | | |
| 5 | KGHM Metale S.A. | 113 685 | 159 374 | 1 191 | (46 880) | 846 | 19 326 | 9 012 | 10 314 | 5 755 | 1 220 | 133 011 | 5 937 | | | | |
| 6 | Energetyka Sp. z o.o. | 168 982 | 125 107 | 3 229 | 40 646 | (3 866) | 41 457 | 13 018 | 28 439 | 22 091 | | 210 439 | 56 034 | | | | |
| 7 | Centrum Badań Jakości Sp. z o.o. | 10 492 | 2 918 | 6 788 | 786 | 786 | 9 489 | 3 128 | 6 361 | 4 056 | 4 056 | 19 981 | 15 786 | | | 325 | |
| 8 | KGHM Kupferhandelsges mbH. * | 1 707 | 925 | | 783 | 202 | 47 331 | 3 867 | 43 464 | 37 248 | | 49 343 | 142 202 | | | | |
| 9 | Pol-Miedź Trans Sp. z o.o. | 153 458 | 137 422 | 10 557 | 5 479 | 5 479 | 59 455 | 12 526 | 46 929 | 26 048 | | 212 912 | 202 455 | | | | |
| 10 | Telefonia DIALOG S.A. | 86 115 | 850 000 | | (763 885) | (9 584) | 1 438 060 | 1 379 800 | 58 260 | 31 273 | 31 273 | 1 524 175 | 220 968 | | | | |
| 11 | KGHM Congo sprl * | (34 832) | 58 590 | | (93 422) | 169 | 27 260 | | 27 260 | 728 | 728 | 5 994 | 4 156 | | | | |
| 12 | KGHM Metraco Sp. z o.o. | 32 140 | 2 545 | 23 425 | 6 170 | 6 168 | 50 417 | 93 | 50 324 | 56 900 | 3 956 | 82 556 | 376 625 | | | | |
| 13 | Zagłębie Lubin Sportowa Spółka Akcyjna | (1 194) | 5 193 | | (6 387) | 775 | 9 003 | 3 975 | 5 028 | 593 | 593 | 7 809 | 4 780 | | | | |
| 14 | Towarzystwo Ubezpieczeń Wzajemnych Cuprum | 22 231 | 10 128 | 11 494 | 609 | (127) | 25 351 | 22 779 | 2 572 | 9 448 | 9 448 | 47 583 | 16 807 | | | | |
| 15 | Mimova-Ksante Sp. z o.o. | 6 505 | 4 500 | 598 | 1 407 | 1 407 | 1 463 | 372 | 1 091 | 2 927 | 2 927 | 7 968 | 7 089 | | | 331 | |
| 16 | PHP MERCUS Sp. z o.o. | 31 674 | 6 474 | 22 215 | 2 985 | 1 409 | 67 151 | 483 | 66 668 | 34 496 | 34 496 | 98 824 | 177 996 | | | | |
| 17 | Interferie Sp. z o.o. | 53 357 | 38 000 | 3 478 | 11 879 | 532 | 7 837 | 1 664 | 6 173 | 2 940 | 2 940 | 61 194 | 15 485 | | | | |
| 18 | POLKOMTEL S.A. | 3 599 270 | 2 050 000 | 175 915 | 1 373 355 | 945 695 | 3 622 548 | 1 669 540 | 1 953 008 | 698 604 | 698 604 | 7 221 819 | 2 724 141 | | | 68 216 | |

*historic valuation of share capital

Note 4V.

SHARES IN OTHER ENTITIES

| Item | a Name of entity (with indication of legal form) | b Location of Head Office | c Primary activity of company | d Book value of shares | e Equity, of which: | | f Percentage of share capital owned | g Voting interest in the General Meeting | h Share capital not paid by the issuer | i Dividends received or due from prior year |
|-------|---|------------------------------------|--|------------------------------|------------------------|---------|--|---|---|--|
| | | | | | Share Capital | | | | | |
| 1 | Polskie Towarzystwo Reasekuracyjne S.A. | Warsaw | organisation and conduct of indirect insurance activities (reassurance) | 12 500 | 110 223 | 105 180 | 11.88 | 11.88 | | 250 |
| 2 | InfoMonitor BIG S.A. | Warsaw | intermediary in accessing economic information | 1 338 | 6 373 | 4 000 | 16.73 | 16.73 | | |
| Total | | | | 13 838 | | | | | | |

Note 4O.

| SECURITIES, INTERESTS AND OTHER LONG TERM FINANCIAL ASSETS (BY CURRENCY) | H1/2004 | 2003 | H1/2003 |
|--|-----------|-----------|-----------|
| a) In Polish currency | 2 736 848 | 2 652 244 | 2 288 366 |
| b) In foreign currency | 65 620 | 65 344 | 233 354 |
| b1.unit / currency '000 / USD | 13 077 | 13 373 | 56 908 |
| '000PLN | 47 217 | 48 729 | 215 334 |
| b2.unit / currency '000 / EUR | 400 | 655 | 549 |
| '000PLN | 1 707 | 1 506 | 2 145 |
| b3.unit / currency '000 / GBP | 3 456 | 5 456 | 3 578 |
| '000PLN | 16 696 | 15 109 | 15 875 |
| other currencies in '000PLN | | | |
| Total long term securities, interests and other long term financial assets | 2 802 468 | 2 717 588 | 2 521 720 |

Note 4P.

| SECURITIES, INTERESTS AND OTHER LONG TERM FINANCIAL ASSETS (BY TRANSFERABILITY) | H1/2004 | 2003 | H1/2003 |
|--|---------|------|---------|
| A. Fully transferable securities, quoted on stock exchanges (Balance Sheet value) | | | |
| a. Shares (Balance Sheet value) | | | |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | | | |
| - value at purchase price | | | |
| b. Bonds (Balance Sheet value) | | | |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | | | |
| - value at purchase price | | | |
| c. Other by type (Balance Sheet value) | | | |
| c1 | | | |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | | | |
| - value at purchase price | | | |
| B. Fully transferable securities, traded on over-the counter markets (Balance Sheet value) | | | |
| a. Shares (Balance Sheet value) | | | |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | | | |
| - value at purchase price | | | |
| b. Bonds (Balance Sheet value) | | | |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | | | |
| - value at purchase price | | | |
| c. Other by type (Balance Sheet value) | | | |
| c1 | | | |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | | | |
| - value at purchase price | | | |

| | | | |
|--|-----------|-----------|-----------|
| C. Fully transferable, not traded on regulated market (Balance Sheet value) | | | |
| a. Shares (Balance Sheet value) | | | |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | | | |
| - value at purchase price | | | |
| b. Bonds (Balance Sheet value) | | | |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | | | |
| - value at purchase price | | | |
| c. Other by type (Balance Sheet value) | | | |
| c1 | | | |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | | | |
| - value at purchase price | | | |
| D. Securities with limited transferability (Balance Sheet value) | 2 802 468 | 2 717 588 | 2 521 720 |
| a. Shares (Balance Sheet value) | 1 373 132 | 1 289 059 | 1 094 044 |
| - value adjustments (for the period) | 18 871 | (404 632) | (599 647) |
| - value at the beginning of the period | 1 289 059 | 1 667 191 | 1 667 191 |
| - value at purchase price | 1 932 826 | 1 863 467 | 1 863 467 |
| b. Bonds (Balance Sheet value) | | | |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | | | |
| - value at purchase price | | | |
| c. Other by type (Balance Sheet value) | 1 429 336 | 1 428 529 | 1 427 676 |
| c1. Participation unit | 47 217 | 48 729 | 51 687 |
| - value adjustments (for the period) | | (779) | (320) |
| - value at the beginning of the period | 48 729 | 29 668 | 29 668 |
| - value at purchase price | 50 422 | 51 934 | 54 433 |
| c2. Prepayments for long term financial assets | 2 319 | | |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | | | |
| - value at purchase price | 2 319 | | |
| c3. Debt securities | 1 379 800 | 1 379 800 | 1 375 989 |
| - value adjustments (for the period) | | | |
| - value at the beginning of the period | 1 379 800 | 1 375 989 | 1 375 989 |
| - value at purchase price | 1 379 800 | 1 375 989 | 1 357 989 |
| Total value at purchase price | 3 365 367 | 3 291 390 | 3 275 889 |
| Total value at the beginning of the period | 2 717 588 | 3 072 848 | 3 072 848 |
| Total adjustments (for the period) | 18 871 | (405 411) | (599 967) |
| Total Balance Sheet value | 2 802 468 | 2 717 588 | 2 521 720 |

Note 4Q.

| | | | |
|--|----------------|-------------|----------------|
| LONG TERM LOANS GRANTED (BY CURRENCY) | H1/2004 | 2003 | H1/2003 |
| a) Loans in Polish currency | | | 98 050 |
| b) Loans in foreign currency | | | |
| b1.unit / currency '000 / USD | | | |
| '000PLN | | | |
| b2.unit / currency '000 / EUR | | | |
| '000PLN | | | |
| b3.unit / currency '000 / GBP | | | |
| '000PLN | | | |
| other currencies in '000PLN | | | |
| Total long term loans granted | | | 98 050 |

Note 4R.

| | | | |
|--|----------------|-------------|----------------|
| OTHER LONG TERM INVESTMENTS (BY TYPE) | H1/2004 | 2003 | H1/2003 |
| | | | |
| Total other long term investments | | | |

Note 4S.

| | | | |
|--|----------------|-------------|----------------|
| CHANGE IN OTHER LONG TERM INVESTMENTS (BY TYPE) | H1/2004 | 2003 | H1/2003 |
| a) beginning of the period | | | |
| b) increase, due to: | | | |
| c) decrease, due to: | | | |
| d) end of the period | | | |

| OTHER LONG TERM INVESTMENTS (BY CURRENCY) | H1/2004 | 2003 | H1/2003 |
|---|---------|------|---------|
| a) in Polish currency | | | |
| b) in foreign currency | | | |
| b1.unit / currency '000 / USD | | | |
| '000PLN | | | |
| b2.unit / currency '000 / EUR | | | |
| '000PLN | | | |
| b3.unit / currency '000 / GBP | | | |
| '000PLN | | | |
| other currencies in '000PLN | | | |
| Total other long term investments | | | |

| CHANGE IN DEFERRED INCOME TAX ASSETS | H1/2004 | 2003 | H1/2003 |
|--|-----------|-----------|----------|
| 1. Deferred income tax assets at the beginning of the period, of which: | 299 000 | 187 704 | 187 704 |
| a) recognised in financial result | 217 872 | 187 704 | 187 704 |
| - exchange rate differences | 8 337 | 4 090 | 4 090 |
| - interest | 474 | 2 575 | 2 575 |
| - short term provisions due to wages | 22 537 | 30 994 | 30 994 |
| - valuation of derivative transactions | 86 257 | 30 871 | 30 871 |
| - provisions for future employee benefits | 44 100 | 60 286 | 60 286 |
| - depreciation | 7 809 | 9 878 | 9 878 |
| - revaluation of hedging instruments | 16 411 | | |
| - other | 31 947 | 49 010 | 49 010 |
| b) recognised in equity | 81 128 | | |
| - valuation of derivative transactions and hedging instruments | 81 128 | | |
| c) recognised in goodwill or negative goodwill | | | |
| 2. Increases | 215 915 | 363 567 | 134 297 |
| a) recognised in financial result for the period in connection with negative timing differences, due to: | 82 843 | 136 701 | 99 083 |
| - exchange rate differences | 1 155 | 6 616 | 1 191 |
| - interest | 146 | 474 | 956 |
| - short term provisions for wages | 34 904 | 22 826 | 37 753 |
| - valuation of derivative transactions | 39 374 | 77 618 | 39 740 |
| - provisions for future employee benefits | 568 | 1 677 | 3 083 |
| - depreciation | 959 | 2 826 | 1 844 |
| - settlement of hedging instruments | 2 673 | 16 411 | 11 185 |
| - other | 3 064 | 8 253 | 3 331 |
| b) recognised in financial result for the period due to negative taxable base | | | |
| c) recognised in equity in connection with negative timing differences, due to: | 133 072 | 226 866 | 35 214 |
| - revaluation of hedging instruments | 133 072 | 226 866 | 35 214 |
| d) recognised in equity due to negative taxable base | | | |
| e) recognised in goodwill or negative goodwill in connection with negative timing differences | | | |
| 3. Decreases | (235 714) | (252 271) | (88 220) |
| a) recognised in financial result for the period in connection with negative timing differences, due to: | (77 775) | (106 533) | (53 006) |
| - exchange rate differences | (4 821) | (5 104) | (1 329) |
| - interest | (474) | (2 575) | (2 575) |
| - short term provisions for wages | (21 452) | (31 070) | (29 132) |
| - valuation of derivative transactions | (42 402) | (18 595) | (8 678) |
| - depreciation | (1 255) | (2 444) | (1 268) |
| - release of unnecessary provisions | (5 713) | (3 909) | (2 214) |
| - tax rate changes | | (34 177) | |
| - other | (1 658) | (8 659) | (7 810) |
| b) recognised in financial result for the period in connection with negative taxable base | | | |
| c) recognised in equity in connection with negative timing differences, due to: | (157 939) | (145 738) | (35 214) |
| - revaluation of hedging instruments | (157 939) | (111 579) | (35 214) |
| - tax rate changes | | (34 159) | |
| d) recognised in equity due to negative taxable base | | | |
| e) recognised in goodwill or negative goodwill in connection with negative timing differences | | | |

| | | | |
|---|---------|----------|---------|
| 4. Deferred tax assets at the end of the period of which: | 279 201 | 299 000 | 233 781 |
| a) recognised in financial result | 222 940 | 217 872 | 233 781 |
| - exchange rate differences | 4 671 | 5 602 | 3 952 |
| - interest | 146 | 474 | 956 |
| - short term provisions for wages | 35 989 | 22 750 | 39 615 |
| - valuation of derivative transactions | 83 229 | 89 894 | 61 933 |
| - provisions for future employee benefits | 44 668 | 61 963 | 63 369 |
| - depreciation | 7 513 | 10 260 | 10 454 |
| - settlement of hedging instruments | 19 084 | 16 411 | 11 185 |
| - release of unnecessary provisions | (5 713) | (3 909) | (2 214) |
| - tax rate changes | | (34 177) | |
| - other | 33 353 | 48 604 | 44 531 |
| b) recognised in equity | 56 261 | 81 128 | |
| - revaluation of hedging transactions | 56 261 | 115 287 | |
| - tax rate changes | | (34 159) | |
| c) recognised in goodwill or negative goodwill | | | |

| Items | Description | Type of timing differences | Beginning of period | End of period | Expiry date |
|-------|---|---|---------------------|------------------|----------------------|
| | ASSETS | | | | |
| A | Non-current assets | | | | |
| I | intangible assets | depreciation | 10 | 1 | to full depreciation |
| II | tangible fixed assets | depreciation | 41 090 | 39 541 | to full depreciation |
| B | Current assets | | | | |
| I | inventory | valuation of inventories | 236 | 655 | until expiration |
| II | short term debtors | allowance | 20 180 | 21 482 | until expiration |
| | | exchange rate differences | 5 235 | 4 169 | until expiration |
| | | exchange rate differences recognised in the financial result of prior years | 1 613 | 1 691 | 2005 |
| | | debtors due to consulting, expert opinions | 12 159 | 14 122 | 2006 |
| | | debtors from Congo sprl | 26 329 | 27 003 | 2006 |
| | | other | 35 | 1 219 | 2004 |
| III | short term investments | | | | |
| | other short term financial assets | | | | |
| | | valuation of hedging transaction | 41 419 | 21 464 | 2004 |
| | | valuation of embedded instruments | 650 | | |
| | cash and cash equivalents | exchange rate differences | 9 519 | 2 369 | 2004 |
| | | exchange rate differences recognised in the financial result of prior years | 44 | 44 | 2004 |
| | EQUITY AND LIABILITIES | | | | |
| A | Equity | | | | |
| | | exchange rate differences on bank loans | 24 353 | 10 579 | 2006 |
| | | valuation of future cash flows hedging instruments | 426 987 | 296 106 | to realisation |
| B | Liabilities and provisions for liabilities | | | | |
| I | provisions for liabilities | | | | |
| | | provision for a property tax | 6 720 | 6 510 | 2004 |
| | | R&D projects | 3 735 | 3 578 | 2004 |
| | | provision for anticipated costs | 7 480 | 8 541 | to realisation |
| | | issues unresolved and contested in court | 940 | 338 | to realisation |
| | | provision for scrapping of fixed assets | 7 944 | 7 509 | 2006 |
| | | provision for long term employee benefits | 232 107 | 235 096 | to realisation |
| | | other provisions for future costs and taxes | 700 | | |
| | | provision for mine closure | 68 185 | 68 256 | 2008 |
| III | short term liabilities | | | | |
| | bank loans | | | | |
| | | interest accrued on bank loans | 2 479 | 708 | 2004 |
| | | exchange rate differences | 8 | 2 399 | 2006 |
| | | accrued interest on liabilities | 16 | 62 | 2004 |
| | other short term liabilities | | | | |
| | | exchange rate differences | 487 | 742 | 2004 |
| | | exchange rate differences recognised in the financial result of prior years | 35 | 35 | 2004 |
| | | other | 358 | 4 828 | 2004 |
| | other financial liabilities | | | | |
| | | valuation of derivative transaction costs | 412 563 | 389 766 | 2004-2006 |
| | | unpaid wages | 61 | | 2004 |
| | | premium received | 86 373 | 100 441 | to realisation |
| | | valuation of embedded instruments | 3 613 | 328 | 2004-2006 |
| IV | accruals | | | | |
| | | annual bonus | 103 966 | 53 845 | 6.2005 |
| | | provision for rationalization | 10 782 | 7 511 | 2004 |
| | | provision for unused vacations | 13 514 | 13 514 | 2004 |
| | | provision for other one-off wages | | 123 998 | 2004 |
| | | provision for mine damage | 1 031 | 799 | 2004 |
| | | other provisions | 728 | 231 | 2004 |
| | Total of negative timing differences | | 1 573 684 | 1 469 480 | |

Note 5B.

| OTHER PREPAYMENTS | H1/2004 | 2003 | H1/2003 |
|---|--------------|--------------|--------------|
| a) prepayments of costs, of which: | 1 306 | 1 247 | 3 537 |
| - research and development | 1 270 | 1 145 | 3 490 |
| - depreciation of fixed assets being the initial equipment for a given site | 30 | 41 | 2 |
| - other | 6 | 61 | 45 |
| b) other prepayments, of which: | | | |
| Total other prepayments | 1 306 | 1 247 | 3 537 |

Note 6

| INVENTORIES | H1/2004 | 2003 | H1/2003 |
|--|---------|---------|---------|
| a) Materials | 44 622 | 40 117 | 41 658 |
| b) Semi-finished products and work in progress | 668 878 | 618 234 | 712 867 |
| c) Finished products | 86 945 | 117 841 | 97 275 |
| d) Goods for resale | 1 825 | | |
| e) Prepayments on deliveries | 120 | 739 | 80 |
| Total inventories | 802 390 | 776 931 | 851 880 |

Registered pledge on inventories due to security a bank loan

Note 7A.

| SHORT TERM DEBTORS | H1/2004 | 2003 | H1/2003 |
|---|---------|---------|---------|
| a) from related entities, of which: | 74 679 | 50 499 | 43 008 |
| - for goods, works and services: | 68 582 | 48 849 | 37 763 |
| - less than 12 months | 68 582 | 48 849 | 37 763 |
| - over 12 months | | | |
| - other | 6 097 | 1 650 | 5 245 |
| - disputed claims | | | |
| b) from other entities | 581 227 | 493 036 | 479 652 |
| - for goods, works and services: | 437 990 | 291 181 | 285 228 |
| - less than 12 months | 437 990 | 291 181 | 285 228 |
| - over 12 months | | | |
| - tax, subsidies, custom duties, social insurance and other | 82 243 | 141 653 | 143 444 |
| - other | 60 994 | 60 202 | 50 980 |
| - disputed claims | | | |
| Total net debtors | 655 906 | 543 535 | 522 660 |
| c) allowance for debtors | 126 356 | 127 128 | 123 339 |
| Total gross debtors | 782 262 | 670 663 | 645 999 |

Surrender of company rights to specified trade agreements due to security a bank loan

Note 7B.

| SHORT TERM DEBTORS FROM RELATED ENTITIES | H1/2004 | 2003 | H1/2003 |
|--|---------|---------|---------|
| a) for goods, works and services, of which: | 68 582 | 48 849 | 37 763 |
| - from subsidiaries | 68 555 | 48 787 | 37 743 |
| - from co-subsidiaries | | | |
| - from associates | 27 | 62 | 20 |
| - from significant investor | | | |
| - from dominant entity | | | |
| b) other, of which: | 6 097 | 1 650 | 5 245 |
| - from subsidiaries | 6 097 | 1 650 | 3 106 |
| - from co-subsidiaries | | | |
| - from associates | | | 2 139 |
| - from significant investor | | | |
| - from dominant entity | | | |
| c) disputed claims, of which: | | | |
| - from subsidiaries | | | |
| - from co-subsidiaries | | | |
| - from associates | | | |
| - from significant investor | | | |
| - from dominant entity | | | |
| Total short term net debtors from related entities | 74 679 | 50 499 | 43 008 |
| d) allowance for debtors from related entities | 58 072 | 59 873 | 54 438 |
| Total gross debtors from related entities | 132 751 | 110 372 | 97 446 |

Note 7C.

| CHANGE IN ALLOWANCE FOR SHORT TERM DEBTORS | H1/2004 | 2003 | H1/2003 |
|--|---------|----------|----------|
| Beginning of the period | 127 128 | 85 360 | 85 360 |
| a) increase, due to: | 3 381 | 62 803 | 54 274 |
| - creation of allowance for debtors | 3 287 | 57 606 | 49 636 |
| - reclassification | 35 | 57 | 46 |
| - increase of allowance due to change in exchange rates | | 5 118 | 4 592 |
| - other | 59 | 22 | |
| b) decrease, due to: | (4 153) | (21 035) | (16 295) |
| - utilisation of allowance for retired, doubtful and other debtors | (301) | (212) | (11 760) |
| - write-off of State budget debtors due to additional income tax assessment and interest | | (11 699) | |
| - release of allowance due to repayment of debtors | (1 817) | (1 368) | (921) |
| - release of allowance due to reclassification of debtors | (35) | (57) | (46) |
| - adjustment of allowance due to change in exchange rates | (1 861) | (866) | (15) |
| - release of allowance for State budget debtors due to decisions passed | | (6 344) | |
| - other | (139) | (489) | (3 553) |
| Allowance for short term debtors at the end of the period | 126 356 | 127 128 | 123 339 |

| SHORT TERM DEBTORS (BY CURRENCY) | H1/2004 | 2003 | H1/2003 |
|----------------------------------|---------|---------|---------|
| a) Debtors in Polish currency | 540 512 | 497 117 | 483 584 |
| b) Debtors in foreign currency | 241 750 | 173 546 | 162 415 |
| b1. unit / currency '000 / USD | 39 158 | 23 603 | 18 778 |
| '000PLN | 146 728 | 88 288 | 73 170 |
| b2. unit / currency '000 / EUR | 15 779 | 14 474 | 16 406 |
| '000PLN | 71 671 | 68 273 | 73 120 |
| b3. unit / currency '000 / GBP | 3 447 | 2 547 | 2 509 |
| '000PLN | 23 351 | 16 985 | 16 120 |
| b4. other currencies in '000PLN | | | 5 |
| Total short term debtors | 782 262 | 670 663 | 645 999 |

Note 7E.

| AGEING OF TRADE DEBTORS (GROSS) - REPAYMENT TERM REMAINING SINCE BALANCE SHEET DATE | H1/2004 | 2003 | H1/2003 |
|---|----------|----------|----------|
| a) Less than 1 month | 370 885 | 235 291 | 217 351 |
| b) Over 1 month to 3 months | 110 683 | 73 602 | 10 464 |
| c) Over 3 months to 6 months | | | 60 067 |
| d) Over 6 months to 1 year | 2 985 | | 2 063 |
| e) Over 1 year | | | |
| f) Overdue debtors | 81 734 | 92 635 | 89 196 |
| Total gross trade debtors | 566 287 | 401 528 | 379 141 |
| g) Allowance for trade debtors | (59 715) | (61 498) | (56 150) |
| Total net trade debtors | 506 572 | 340 030 | 322 991 |

One month is the time for payment of debtors due to normal sales of goods, work and services

Note 7F.

| AGEING OF OVERDUE TRADE DEBTORS (GROSS) - SHOWING OUTSTANDING DEBTORS IN THE GIVEN TERM | H1/2004 | 2003 | H1/2003 |
|---|----------|----------|----------|
| a) Less than 1 month | 18 527 | 23 405 | 15 677 |
| b) Over 1 month to 3 months | 2 556 | 1 598 | 4 102 |
| c) Over 3 months to 6 months | 297 | 251 | 9 415 |
| d) Over 6 months to 1 year | 31 | 8 108 | 30 681 |
| e) Over 1 year | 60 323 | 59 273 | 29 321 |
| Total gross overdue trade debtors | 81 734 | 92 635 | 89 196 |
| f) Allowance for overdue trade debtors | (59 715) | (61 498) | (56 150) |
| Total net overdue trade debtors | 22 019 | 31 137 | 33 046 |

Note 8.

Of the total long and short term debtors the disputed and overdue debtors are:

| | In total | including those uncovered by provisions |
|-----------------|----------|---|
| - trade debtors | 81 734 | 22 019 |
| - other debtors | 55 874 | 16 |

Note 9A.

| SHORT TERM FINANCIAL ASSETS | H1/2004 | 2003 | H1/2003 |
|--|---------|-------|---------|
| a) in subsidiaries | 4 000 | 3 515 | 773 |
| - shares and interest | | | |
| - debtors from dividends and other share in profit | | | |
| - debt securities | | | |
| - other securities (by type) | | | |
| - loans granted | 4 000 | 3 515 | 773 |
| - other short term financial assets (by type) | | | |
| b) in co-subsidiaries | | | |
| - shares and interest | | | |
| - debtors from dividends and other share in profit | | | |
| - debt securities | | | |
| - other securities (by type) | | | |
| - loans granted | | | |
| - other short term financial assets (by type) | | | |
| c) in associates | | | |
| - shares and interest | | | |
| - debtors from dividends and other share in profit | | | |
| - debt securities | | | |
| - other securities (by type) | | | |
| - loans granted | | | |
| - other short term financial assets (by type) | | | |

| | | | |
|--|---------|---------|---------|
| d) in significant investor | | | |
| - shares and interest | | | |
| - debtors from dividends and other share in profit | | | |
| - debt securities | | | |
| - other securities (by type) | | | |
| - loans granted | | | |
| - other short term financial assets (by type) | | | |
| e) in dominant entity | | | |
| - shares and interest | | | |
| - debtors from dividends and other share in profit | | | |
| - debt securities | | | |
| - other securities (by type) | | | |
| - loans granted | | | |
| - other short term financial assets (by type) | | | |
| f) in other entities | 401 007 | 481 515 | 317 254 |
| - shares and interest | | | |
| - debtors from dividends and other share in profit | | | |
| - debt securities | | | |
| - other securities (by type) | | | |
| - loans granted | 410 | 600 | |
| - other short term financial assets (by type) | 400 597 | 480 915 | 317 254 |
| - derivative instruments | 400 597 | 480 690 | 314 447 |
| - dividends | | 225 | 125 |
| - accrued interest from other long term financial assets | | | 2 682 |
| g) cash and cash equivalents | 444 825 | 274 400 | 165 698 |
| - cash in hand and at bank | 48 986 | 21 445 | 3 743 |
| - other cash and cash equivalents | | 5 | 75 |
| - other the monetary assets | 395 839 | 252 950 | 161 880 |
| Total short term financial assets | 849 832 | 759 430 | 483 725 |

Proxy rights to bank accounts due to security a bank loan

Note 9B.

| SECURITIES, INTERESTS AND OTHER SHORT TERM FINANCIAL ASSETS (BY CURRENCY) | H1/2004 | 2003 | H1/2003 |
|---|---------|---------|---------|
| a) in Polish currency | 169 494 | 229 531 | 191 047 |
| b) in foreign currency | 231 103 | 251 384 | 126 207 |
| b1. unit / currency '000 / USD | 61 677 | 67 206 | 32 389 |
| '000PLN | 231 103 | 251 384 | 126 207 |
| b2. unit / currency '000 / EUR | | | |
| '000PLN | | | |
| b3. unit / currency '000 / GBP | | | |
| '000PLN | | | |
| other currencies in '000PLN | | | |
| Total securities, interest and other short term financial assets | 400 597 | 480 915 | 317 254 |

| SECURITIES, INTERESTS AND OTHER SHORT TERM FINANCIAL ASSETS (BY TRANSFERABILITY) | H1/2004 | 2003 | H1/2003 |
|--|---------|---------|---------|
| A. Fully transferable securities, quoted on stock exchanges (Balance Sheet value) | | | |
| a. Shares (Balance Sheet value) | | | |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | | |
| b. Bonds (Balance Sheet value) | | | |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | | |
| c. Other by type (Balance Sheet value) | | | |
| c1. | | | |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | | |
| B. Fully transferable securities, traded on over-the counter markets (Balance Sheet value) | | | |
| a. Shares (Balance Sheet value) | | | |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | | |
| b. Bonds (Balance Sheet value) | | | |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | | |
| c. Other by type (Balance Sheet value) | | | |
| c1. | | | |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | | |
| C. Fully transferable, not traded on regulated market (Balance Sheet value) | | | |
| a. Shares (Balance Sheet value) | | | |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | | |
| b. Bonds (Balance Sheet value) | | | |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | | |
| c. Other by type (Balance Sheet value) | | | |
| c1. | | | |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | | |
| D. Securities with limited transferability (Balance Sheet value) | 400 597 | 480 915 | 317 254 |
| a. Shares (Balance Sheet value) | | | |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | | |
| b. Bonds (Balance Sheet value) | | | |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | | |
| c. Other by type (Balance Sheet value) | 400 597 | 480 915 | 317 254 |
| c1. Derivative instruments (Balance Sheet value) | 394 010 | 474 272 | 302 793 |
| - fair value | 394 010 | 474 272 | 302 793 |
| - value at market price | | | |
| - value at purchase price | 90 262 | 93 909 | 40 906 |
| c2. Embedded instruments (Balance Sheet value) | 6 587 | 6 418 | 11 654 |
| - fair value | 6 587 | 6 418 | 11 654 |
| - value at market price | | | |
| - value at purchase price | | | |
| c3. Interest on loan (Balance Sheet value) | | | 2 682 |
| - fair value | | | |
| - value at market price | | | 2 682 |
| - value at purchase price | | | |
| c4. Dividends (Balance Sheet value) | | 225 | 125 |
| - fair value | | | |
| - value at market price | | | |
| - value at purchase price | | 225 | 125 |
| Total value at purchase price | 90 262 | 94 134 | 41 031 |
| Value at the beginning of the period | 476 050 | 159 319 | 159 319 |
| Total adjustments (for the period) | 303 841 | 386 781 | 256 732 |
| Total Balance Sheet value | 400 597 | 480 915 | 317 254 |

| SHORT TERM LOANS GRANTED (BY CURRENCY) | | | |
|--|---------|-------|---------|
| | H1/2004 | 2003 | H1/2003 |
| a) Loans in Polish currency | 4 410 | 4 115 | |
| b) Loans in foreign currency | | | 773 |
| b1.unit / currency '000 / USD | | | 200 |
| '000PLN | | | 773 |
| b2.unit / currency '000 / EUR | | | |
| '000PLN | | | |
| b3.unit / currency '000 / GBP | | | |
| '000PLN | | | |
| other currencies in '000PLN | | | |
| Total short term loans granted | 4 410 | 4 115 | 773 |

Note 9E.

| CASH AND CASH EQUIVALENTS (BY CURRENCY) | | | |
|---|---------|---------|---------|
| | H1/2004 | 2003 | H1/2003 |
| a) in Polish currency | 141 759 | 80 191 | 76 006 |
| b) in foreign currency | 303 066 | 194 209 | 89 692 |
| b1.unit / currency '000 / USD | 48 830 | 44 062 | 15 775 |
| '000PLN | 182 966 | 164 815 | 61 469 |
| b2.unit / currency '000 / EUR | 23 050 | 3 981 | 6 184 |
| '000PLN | 104 699 | 18 780 | 27 562 |
| b3.unit / currency '000 / GBP | 2 273 | 1 592 | 103 |
| '000PLN | 15 401 | 10 614 | 661 |
| other currencies in '000PLN | | | |
| Total cash and cash equivalents | 444 825 | 274 400 | 165 698 |

Note 9F.

| OTHER SHORT TERM INVESTMENTS (BY TYPE) | | | |
|--|---------|------|---------|
| | H1/2004 | 2003 | H1/2003 |
| Total other short term investments | | | |

Note 9G.

| OTHER SHORT TERM INVESTMENTS (BY CURRENCY) | | | |
|--|---------|------|---------|
| | H1/2004 | 2003 | H1/2003 |
| a) in Polish currency | | | |
| b) in foreign currency | | | |
| b1.unit / currency '000 / USD | | | |
| '000PLN | | | |
| b2.unit / currency '000 / EUR | | | |
| '000PLN | | | |
| b3.unit / currency '000 / GBP | | | |
| '000PLN | | | |
| other currencies in '000PLN | | | |
| Total other short term investments | | | |

Note 10.

| SHORT TERM PREPAYMENTS | | | |
|-------------------------------------|---------|-------|---------|
| | H1/2004 | 2003 | H1/2003 |
| a) prepayments of costs, of which: | 41 114 | 5 235 | 42 541 |
| - wages | 8 446 | | 8 961 |
| - research and development | 1 395 | 1 653 | 3 681 |
| - property and personnel insurance | 4 427 | 1 221 | 3 027 |
| - write-off for company social fund | 21 410 | | 21 514 |
| - other | 5 436 | 2 361 | 5 358 |
| b) other prepayments, of which: | | 112 | |
| - unpaid interest on bank loans | | 112 | |
| Total short term prepayments | 41 114 | 5 347 | 42 541 |

Note 11.

ADJUSTMENT IN VALUE DUE TO PERMANENT DIMINUTION OF VALUE

| Item | Items of assets | Reason for adjustment | Amount of adjustment | of which: | |
|------|---|-----------------------|----------------------|--------------------------------|----------------------|
| | | | | recognised in income statement | recognised in equity |
| 1 | 2 | 3 | 4 | 5 | 6 |
| I | Non-current assets | | 183 398 | 2 607 | 180 791 |
| - | tangible fixed assets and intangible assets | diminution of utility | 5 165 | 2 607 | 2 558 |
| - | long term financial investments | diminution of value | 178 233 | | 178 233 |
| II | Current assets | | 106 621 | (346) | 106 967 |
| - | debtors | collectability risk | 106 621 | (346) | 106 967 |
| | TOTAL | | 290 019 | 2 261 | 287 758 |

Note 12.

SHARE CAPITAL (STRUCTURE)

| Issue series | Type of share | Kind of preferences | Kind of limitation on shareholder rights | Amount of shares | Issue/Series' nominal value | Capital coverage method | Date of registration | Right to dividends (from date) |
|----------------------------------|---------------|---------------------|--|------------------|-----------------------------|---|----------------------|--------------------------------|
| A* | Bearer | Ordinary | none | 53 000 000 | 530 000 | the statutory capital and part of state enterprise capital transferred into share capital | 12-09-91 | On registr. date |
| A | Bearer | Ordinary | none | 147 000 000 | 1 470 000 | transferring to share capital of the Company part of the reserve capital | 16-05-97 | 01-01-97 |
| Total amount of shares | | | | 200 000 000 | | | | |
| Total share capital | | | | | 2 000 000 | | | |
| Nominal value per share = 10 PLN | | | | | | | | |

*For purposes of comparison, the number of shares assumed following a stock split was authorised on the basis of resolution of the Extraordinary General Meeting of 30 April 1997 (date of registration 16 May 1997)

In the first half of 2004 there were no changes in the share capital of the Company. The share capital of the Company as at 30 June 2004 amounts to PLN 2 000 000 000 and is divided into 200 000 000 shares having a nominal value of PLN 10 each.

Based on information held by the Company, the ownership structure as at 30 June 2004 was as follows:

| | Number of shares (same number of votes) | Nominal value of shares | % of share capital (same number of votes) |
|--|--|-------------------------|--|
| State Treasury | 88 567 589 | 885 675 890 | 44.28% |
| Powszechna Kasa Oszczędności Bank Polski S.A. | 10 750 922 | 107 509 220 | 5.38% |
| Deutsche Bank Trust Company Americas (depository bank in the depository receipt program) | 10 116 182 | 101 161 820 | 5.06% |
| Other shareholders | 90 565 307 | 905 653 070 | 45.28% |

Data on shareholders holding over 5% of the share capital of the Company is provided based on notification received in respect of art. 147 of the law on the public trading of securities.

In July 2004 Deutsche Bank Trust Company Americas (depository bank in the depository receipt program) reduced its share in the total number of votes at the General Meeting of KGHM Polska Miedź S.A. to below 5%. On 7 July 2004 the bank held 9 604 406 shares, representing 4.80% of the share capital and granting the same number of votes at the General Meeting.

Note 13A.

TREASURY SHARES

| Amount | Value at purchase price | Balance Sheet value | Reason of purchase | Designation |
|--------|-------------------------|---------------------|--------------------|-------------|
| | | | | |

Note 13B.

ISSUER'S SHARES BEING SUBORDINATED ENTITIES' PROPERTY

| Name of the entity, location of Head Office | Amount | Value at purchase price | Balance Sheet value |
|---|--------|-------------------------|---------------------|
| | | | |

Note 14.

RESERVE CAPITAL

| | H1/2004 | 2003 | H1/2003 |
|--|-----------|-----------|-----------|
| a) Share premium account | | | |
| b) Statutory reserves | 660 000 | 660 000 | 660 000 |
| c) Reserve capital, created in accordance with statutory requirement, over the obligatory amount | 964 204 | 534 236 | 530 378 |
| d) Additional payments to reserve capital | | | |
| e) Other | | | |
| Total reserve capital | 1 624 204 | 1 194 236 | 1 190 378 |

Note 15.

REVALUATION RESERVE

| | H1/2004 | 2003 | H1/2003 |
|---|-----------|-----------|----------|
| a) due to revaluation of tangible fixed assets | 680 205 | 698 654 | 703 860 |
| b) due to gains / losses on valuation of financial instruments, of which: | (311 313) | (328 898) | 318 915 |
| - due to valuation of hedging instruments | (311 313) | (328 898) | 318 915 |
| c) due to deferred income tax | 56 159 | 66 408 | (89 691) |
| d) exchange rate differences on foreign divisions | | | |
| e) other | | | |
| Total revaluation reserve | 425 051 | 436 164 | 933 084 |

Note 16.

| OTHER RESERVE CAPITAL (BY DESIGNATION) | H1/2004 | 2003 | H1/2003 |
|--|---------|------|---------|
| Total other reserve capital | | | |

Note 17.

| WRITE-OFF OF NET PROFIT IN THE FINANCIAL YEAR | H1/2004 | 2003 | H1/2003 |
|---|---------|------|---------|
| Total write-off of net profit in the financial year | | | |

Note 18A.

| CHANGE IN PROVISION FOR DEFERRED INCOME TAX | H1/2004 | 2003 | H1/2003 |
|--|-----------|-----------|----------|
| 1. Provision for deferred income tax at the beginning of the period, of which: | 202 729 | 196 940 | 196 940 |
| a) recognised in financial result | 188 009 | 147 392 | 147 392 |
| - exchange rate differences | 5 140 | 7 507 | 7 507 |
| - interest | 834 | 1 750 | 1 750 |
| - valuation of derivative transactions | 76 143 | 39 986 | 39 986 |
| - depreciation | 96 732 | 93 069 | 93 069 |
| - revaluation of future cash flow hedging instruments | 4 090 | | |
| - other | 5 070 | 5 080 | 5 080 |
| b) recognised in equity | 14 720 | 49 548 | 49 548 |
| - revaluation of future cash flow hedging instruments | 14 720 | 49 548 | 49 548 |
| c) recognised in goodwill or negative goodwill | | | |
| 2. Increases | 198 658 | 214 795 | 150 525 |
| a) recognised in financial result for the period in connection with positive timing differences, due to: | 55 923 | 121 288 | 77 924 |
| - exchange rate differences | 2 779 | 5 882 | 3 705 |
| - interest | 238 | 801 | 1 461 |
| - valuation of derivative transactions | 30 945 | 69 479 | 44 628 |
| - depreciation | 20 085 | 40 560 | 25 798 |
| - revaluation of future cash flow hedging instruments | | 4 090 | |
| - other | 1 876 | 476 | 2 332 |
| b) recognised in equity in connection with positive timing differences, due to: | 142 735 | 93 507 | 72 601 |
| - revaluation of future cash flow hedging instruments | 142 735 | 93 507 | 72 601 |
| c) recognised in goodwill or negative goodwill in connection with positive timing differences, due to: | | | |
| 3. Decreases | (204 840) | (209 006) | (64 962) |
| a) recognised in financial result for the period in connection with positive timing differences, due to: | (47 487) | (80 671) | (29 652) |
| - exchange rate differences | (2 616) | (6 533) | (712) |
| - interest | (604) | (1 687) | (1 679) |
| - valuation of derivative transactions | (30 816) | (28 034) | (14 922) |
| - depreciation | (6 300) | (13 428) | (7 772) |
| - settlement of future cash flow hedging instruments | (1 533) | | |
| - release of unnecessary provisions | (5 053) | (14) | |
| - tax rate changes | | (28 413) | |
| - other | (565) | (2 562) | (4 567) |
| b) recognised in equity in connection with positive timing differences, due to: | (157 353) | (128 335) | (35 310) |
| - revaluation of future cash flow hedging instruments | (157 353) | (111 579) | (35 214) |
| - release of unnecessary provisions | | (12 948) | (96) |
| - tax rate changes | | (3 808) | |
| c) recognised in goodwill or negative goodwill in connection with positive timing differences | | | |

| | | | |
|---|---------|----------|---------|
| 4. Total provision for deferred income tax at the end of the period | 196 547 | 202 729 | 282 503 |
| a) recognised in financial result | 196 445 | 188 009 | 195 664 |
| - exchange rate differences | 5 303 | 6 856 | 10 500 |
| - interest | 468 | 864 | 1 532 |
| - valuation of derivative transactions | 76 272 | 81 431 | 69 692 |
| - depreciation | 110 517 | 120 201 | 111 095 |
| - settlement of future cash flow hedging instruments | 2 557 | 4 090 | |
| - release of unnecessary provisions | (5 053) | (14) | |
| - tax rate changes | | (28 413) | |
| - other | 6 381 | 2 994 | 2 845 |
| b) recognised in equity | 102 | 14 720 | 86 839 |
| - revaluation of future cash flow hedging instruments | 102 | 31 476 | 86 935 |
| - release of unnecessary provisions | | (12 948) | (96) |
| - tax rate changes | | (3 808) | |
| c) recognised in goodwill or negative goodwill | | | |

POSITIVE TEMPORARY DIFFERENCES

| Items | Description | Type of timing differences | Beginning of period | End of period | Expiry date |
|-------|---|--|---------------------|---------------|----------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| | ASSETS | | | | |
| A | Non-current assets | | | | |
| I | intangible assets | depreciation | 2 231 | 4 245 | to full depreciation |
| II | tangible fixed assets | depreciation | 506 884 | 577 424 | to full depreciation |
| B | Current assets | | | | |
| I | inventory | valuation of inventories | 92 | 92 | 2004 |
| II | short term debtors | accrued interest on debtors | 4 327 | 2 300 | 2004 |
| | | accrued interest on debtors | 34 | | |
| | | accrued positive exchange rate differences related result of prior years | | 1 393 | 2004 |
| | | accrued penalties | 4 | | |
| | | accrued positive exchange rate differences | 13 148 | 12 520 | 2004 |
| | | other | 2 018 | 8 942 | 2004 |
| III | short term investments | | | | |
| | short term financial assets | accrued loans interests | 15 | 15 | 2004 |
| | other short term financial assets | valuation of hedging instruments | | 9 194 | 2004-2006 |
| | | valuation of financial income from derivative transactions | 399 628 | 375 328 | 2004-2006 |
| | | valuation of embedded instruments | 6 418 | 6 587 | 2017 |
| | | valuation of embedded instruments | 986 | | 2004 |
| | cash and cash equivalents | accrued positive exchange rate differences | 3 533 | 2 403 | 2004 |
| | | accrued interest from bank deposits | 288 | 28 | 2004 |
| | | other | | 795 | 2004 |
| | EQUITY AND LIABILITIES | | | | |
| A | Equity | exchange rate differences on bank loans | 15 317 | 15 162 | 2006 |
| | | valuation of future cash flows hedging instruments | 47 603 | 533 | to release date |
| B | Liabilities and provisions for liabilities | | | | |
| II | long term liabilities | | | | |
| | long term bank loans | accrued positive exchange rate differences | 32 188 | 2 028 | 2006 |
| | | revaluation of bank loans | 183 | 208 | 2006 |
| | | commission on bank loans | 14 861 | 9 159 | 2006 |
| III | short term liabilities | | | | |
| | short term bank loans | commission on bank loans | 6 667 | 4 298 | 2004 |
| | | accrued positive exchange rate differences | 40 | 158 | 2004 |
| | | accrued positive exchange rate differences related result of prior years | | 33 | 2004 |
| | other financial liabilities | | | | |
| | | accrued positive exchange rate differences, financial leasing | 212 | 1 311 | to release date |
| | | valuation of financial income from derivative transactions | 10 317 | | |
| IV | deferred income | other | | 300 | 2004-2005 |
| | Total positive temporary differences | | 1 066 994 | 1 034 456 | |

Note 18B.

| CHANGE IN LONG TERM PROVISION FOR RETIREMENT AND RELATED BENEFITS (BY TYPE) | H1/2004 | 2003 | H1/2003 |
|---|---------|----------|---------|
| a) beginning of the period | 619 978 | 611 996 | 611 996 |
| - retirement-disability rights | 98 067 | 98 064 | 98 064 |
| - jubilee awards | 161 557 | 166 159 | 166 159 |
| - coal-equivalent payments | 360 354 | 347 773 | 347 773 |
| b) increase, due to: | 17 590 | 57 102 | 15 215 |
| - retirement-disability rights | 3 173 | 3 140 | 629 |
| - jubilee awards | 3 106 | 10 002 | |
| - coal-equivalent payments | 11 311 | 43 960 | 14 586 |
| c) utilisation, due to: | | | |
| d) release, due to: | (5 459) | (49 120) | (5 915) |
| - retirement-disability rights | (712) | (3 137) | |
| - jubilee awards | (1 637) | (14 604) | (5 915) |
| - coal-equivalent payments | (3 110) | (31 379) | |
| e) end of the period | 632 109 | 619 978 | 621 296 |
| - retirement-disability rights | 100 528 | 98 067 | 98 693 |
| - jubilee awards | 163 026 | 161 557 | 160 244 |
| - coal-equivalent payments | 368 555 | 360 354 | 362 359 |

Note 18C.

| CHANGE IN SHORT TERM PROVISION FOR RETIREMENT AND RELATED BENEFITS (BY TYPE) | H1/2004 | 2003 | H1/2003 |
|--|---------|--------|---------|
| a) beginning of the period | 51 651 | 48 555 | 48 555 |
| - retirement-disability rights | 10 366 | 10 284 | 10 284 |
| - jubilee awards | 21 224 | 20 147 | 20 147 |
| - coal-equivalent payments | 20 061 | 18 124 | 18 124 |
| b) increase, due to: | 1 996 | 3 782 | |
| - creation of provisions for retirement-disability rights | 272 | 457 | |
| - creation of provisions for jubilee awards | 644 | 1 350 | |
| - creation of provisions for coal-equivalent payments | 1 080 | 1 975 | |
| c) utilisation, due to: | | | |
| d) release, due to: | (1 412) | (686) | |
| - retirement-disability rights | (582) | (375) | |
| - jubilee awards | (807) | (273) | |
| - coal-equivalent payments | (23) | (38) | |
| e) end of the period | 52 235 | 51 651 | 48 555 |
| - retirement-disability rights | 10 056 | 10 366 | 10 284 |
| - jubilee awards | 21 061 | 21 224 | 20 147 |
| - coal-equivalent payments | 21 118 | 20 061 | 18 124 |

Note 18D.

| CHANGE IN OTHER LONG TERM PROVISIONS (BY TYPE) | H1/2004 | 2003 | H1/2003 |
|---|----------|----------|----------|
| a) beginning of the period | 407 742 | 412 859 | 412 859 |
| - costs of mine closure | 365 880 | 370 056 | 370 056 |
| - future costs of disposal of fixed assets in liquidation | 2 568 | 4 492 | 4 492 |
| - other provisions for potential losses, expenses and liabilities | 39 294 | 38 311 | 38 311 |
| b) increase, due to: | 24 340 | 25 238 | 10 065 |
| - creation of provisions for costs of mine closure | 22 174 | 21 459 | 7 378 |
| - creation of provisions for liquidation of fixed assets | | | 46 |
| - creation of provisions for other potential losses, expenses and liabilities | | 3 779 | 2 641 |
| - changes of valuation of provisions for municipality liabilities | 2 166 | | |
| c) utilisation, due to: | | (9 830) | |
| - increasing the mines liquidation fund | | (9 830) | |
| d) release, due to: | (33 027) | (20 525) | (10 907) |
| - change of valuation of provisions for mine closure costs | (28 038) | (15 805) | (10 572) |
| - management of fixed assets | (21) | (1 158) | (66) |
| - release of provisions for other potential losses, expenses and liabilities | (3 326) | (2 796) | (269) |
| - transfer of other provision to short term provisions | (1 642) | (766) | |
| e) end of the period | 399 055 | 407 742 | 412 017 |
| - costs of mines closure | 360 016 | 365 880 | 366 862 |
| - future costs of disposal of fixed assets in liquidation | 2 547 | 2 568 | 4 472 |
| - other provisions for potential losses, expenses and liabilities | 36 492 | 39 294 | 40 683 |

Note 18E.

| CHANGE IN OTHER SHORT TERM PROVISIONS (BY TYPE) | H1/2004 | 2003 | H1/2003 |
|--|----------|----------|----------|
| a) beginning of the period | 40 385 | 84 249 | 84 249 |
| - costs of mines closure | 2 865 | 3 353 | 3 353 |
| - management of fixed assets | 4 735 | 2 756 | 2 756 |
| - potential state budget liabilities | 14 309 | 32 645 | 32 645 |
| - disputed issues and other liabilities | 18 476 | 45 495 | 45 495 |
| b) increase, due to: | 4 151 | 30 932 | 2 395 |
| - creation of provision | 4 151 | 30 932 | 2 395 |
| c) utilisation, due to: | (11 286) | (49 590) | (38 476) |
| - realisation of expenses | (11 286) | (49 590) | (38 476) |
| d) release, due to: | (878) | (25 206) | (8 517) |
| - release of unnecessary provision after revaluation | (878) | (25 206) | (8 517) |
| e) end of the period | 32 372 | 40 385 | 39 651 |
| - costs of mines closure | 1 889 | 2 865 | 963 |
| - management of fixed assets | 4 095 | 4 735 | 2 152 |
| - potential State budget liabilities | 5 916 | 14 309 | 16 966 |
| - disputed issues and other liabilities | 20 472 | 18 476 | 19 570 |

Note 19A.

| LONG TERM LIABILITIES | H1/2004 | 2003 | H1/2003 |
|--|---------|-----------|---------|
| a) toward subsidiaries | 3 132 | | |
| - bank and other loans | | | |
| - due to issued debt securities | | | |
| - other financial liabilities, of which: | | | |
| - financial lease agreements | 3 132 | | |
| - other (by type) | | | |
| b) toward co-subsidiaries | | | |
| - bank and other loans | | | |
| - due to issued debt securities | | | |
| - other financial liabilities, of which: | | | |
| - financial lease agreements | | | |
| - other (by type) | | | |
| c) toward associates | | | |
| - bank and other loans | | | |
| - due to issued debt securities | | | |
| - other financial liabilities, of which: | | | |
| - financial lease agreements | | | |
| - other (by type) | | | |
| d) toward significant investor | | | |
| - bank and other loans | | | |
| - due to issued debt securities | | | |
| - other financial liabilities, of which: | | | |
| - financial lease agreements | | | |
| - other (by type) | | | |
| e) toward dominant entity | | | |
| - bank and other loans | | | |
| - due to issued debt securities | | | |
| - other financial liabilities, of which: | | | |
| - financial lease agreements | | | |
| - other (by type) | | | |
| f) toward other entities | 936 545 | 1 420 447 | 9 126 |
| - bank and other loans | 908 871 | 1 415 214 | 5 000 |
| - due to issued debt securities | | | |
| - other financial liabilities, of which: | | | |
| - financial lease agreements | 3 785 | 5 233 | 4 126 |
| - other (by type) | 23 889 | | |
| - long term agreement for use of information | 23 889 | | |
| Total long term liabilities | 939 677 | 1 420 447 | 9 126 |

Note 19B.

| LONG TERM LIABILITIES - REPAYMENT TERM REMAINING SINCE BALANCE SHEET DATE | H1/2004 | 2003 | H1/2003 |
|---|---------|-----------|---------|
| a. Over 1 year, to 3 years | 683 622 | 1 095 524 | 6 400 |
| b. Over 3 years, to 5 years | 244 057 | 324 923 | 2 726 |
| c. Over 5 years | 11 998 | | |
| Total long term liabilities | 939 677 | 1 420 447 | 9 126 |

Note 19C.

| LONG TERM LIABILITIES (BY CURRENCY) | H1/2004 | 2003 | H1/2003 |
|-------------------------------------|---------|-----------|---------|
| a) in Polish currency | 41 807 | 237 133 | 9 126 |
| b) in foreign currency | 897 870 | 1 183 314 | |
| b1.unit / currency '000 / USD | 239 805 | 316 352 | |
| '000PLN | 897 870 | 1 183 314 | |
| b2.unit / currency '000 / EUR | | | |
| '000PLN | | | |
| b3.unit / currency '000 / GBP | | | |
| '000PLN | | | |
| other currencies in '000PLN | | | |
| Total long term liabilities | 939 677 | 1 420 447 | 9 126 |

Note 19D.

LONG TERM LIABILITIES DUE TO BANK AND OTHER LOANS

| Name of entity (company) and legal form | Location of Office | Amount of bank/other loans according to agreement | | Payable amount of bank/other loans | | Interest rate | Repayment period | Security | Other |
|---|---|--|-------------|---------------------------------------|-------------|---|---------------------|---|--|
| | | PLN | Currency | PLN | Currency | | | | |
| ABN AMRO BANK NV | 250 Bishopsgate, EC2M 4AA LONDON, United Kingdom | 764 320 | 200 000 USD | 535 509 | 142 917 USD | 1M LIBOR+ 1.3% | 2008-07-18 | Proxy rights to bank accounts, surrender of company rights to specified trade agreements | Liabilities payable in monthly instalments in period from 26.07.2005 to 18.07.2008 |
| PeKaO S.A. | ul.Grzybowska 53/57, 00-950 Warsaw | 597 647 | 159 500 USD | 371 521 | 99 152 USD | 1M LIBOR+ 1.3% | 2006-07-18 | Proxy rights to bank accounts, registered pledge on inventories, surrender of company rights to specified trade agreements | |
| Commission on bank loan USD | | | | (9 159) | (2 264) USD | | | | |
| Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej | Wrocław | 7 000 | | 7 000 | | 4.00% | 2008-12-16 | Bill of exchange in blanco, registered pledge on gas dedusting facility for anode furnaces, surrender of rights to insurance policy of assets arising due to financing of investment | |
| Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej | Warsaw | 4 000 | | 4 000 | | bill of exchange rediscount rate of 0.5, set by the NBP an annual basis | 2006-06-30 | Own bill of exchange in blanco, declaration of borrower on acceptance of execution of loan agreement, prepared as a notarial act | |
| Total | | 1 372 967 | | 908 871 | | | | | |

Note 19E.

LONG TERM LIABILITIES DUE TO THE ISSUING OF DEBT LONG TERM FINANCIAL INSTRUMENTS

| Corporate bonds by type | Face value | Interest rate | Redemption period | Guarantees/Security | Additional rights | Quotation market | Other |
|-------------------------|------------|---------------|-------------------|---------------------|----------------------|------------------|-------|
| | | | | | | | |

| SHORT TERM LIABILITIES | H1/2004 | 2003 | H1/2003 |
|--|---------|---------|---------|
| a) toward subsidiaries | 137 110 | 131 733 | 122 064 |
| - bank and other loans, of which: | | | |
| - long term bank and other loans repayable in the present period | | | |
| - due to issued debt securities | | | |
| - due to dividends | | | |
| - other financial liabilities, of which: | | | |
| - due to goods, works and services: | 129 957 | 130 882 | 86 864 |
| - less than 12 months | 129 957 | 130 882 | 86 864 |
| - over 12 months | | | |
| - advances received for deliveries | | | |
| - bills of exchange payable | | | |
| - other (by type) | 7 153 | 851 | 35 200 |
| - liabilities due to payments to capital | | | 35 000 |
| - other liabilities | 7 153 | 851 | 200 |
| b) toward co-subsidiaries | | | |
| - bank and other loans, of which: | | | |
| - long term bank and other loans repayable in the present period | | | |
| - due to issued debt securities | | | |
| - due to dividends | | | |
| - other financial liabilities, of which: | | | |
| - due to goods, works and services: | | | |
| - less than 12 months | | | |
| - over 12 months | | | |
| - advances received for deliveries | | | |
| - bills of exchange payable | | | |
| - other (by type) | | | |
| c) toward associates | 647 | 1 981 | 5 284 |
| - bank and other loans, of which: | | | |
| - long term bank and other loans repayable in the present period | | | |
| - due to issued debt securities | | | |
| - due to dividends | | | |
| - other financial liabilities, of which: | | | |
| - due to goods, works and services: | 647 | 1 313 | 3 850 |
| - less than 12 months | 647 | 1 313 | 3 850 |
| - over 12 months | | | |
| - advances received for deliveries | | | |
| - bills of exchange payable | | | |
| - other (by type) | | 668 | 1 434 |
| - property insurance | | | |
| - other liabilities | | 668 | 1 434 |
| d) toward significant investor | | | |
| - bank and other loans, of which: | | | |
| - long term bank and other loans repayable in the present period | | | |
| - due to issued debt securities | | | |
| - due to dividends | | | |
| - other financial liabilities, of which: | | | |
| - due to goods, works and services: | | | |
| - less than 12 months | | | |
| - over 12 months | | | |
| - advances received for deliveries | | | |
| - bills of exchange payable | | | |
| - other (by type) | | | |
| e) toward dominant entity | | | |
| - bank and other loans, of which: | | | |
| - long term bank and other loans repayable in the present period | | | |
| - due to issued debt securities | | | |
| - due to dividends | | | |
| - other financial liabilities, of which: | | | |
| - due to goods, works and services: | | | |
| - less than 12 months | | | |
| - over 12 months | | | |
| - advances received for deliveries | | | |
| - bills of exchange payable | | | |
| - other (by type) | | | |

| | | | |
|--|-----------|-----------|-----------|
| f) toward other entities | 1 333 291 | 1 565 498 | 2 292 544 |
| - bank and other loans, of which: | 131 781 | 120 036 | 1 891 211 |
| - long term bank and other loans repayable in the present period | 125 073 | 113 157 | 1 197 152 |
| - due to issued debt securities | | | |
| - due to dividends | | | |
| - other financial liabilities, of which: | 680 478 | 844 434 | 34 385 |
| - due to valuation of derivative instruments | 680 478 | 844 434 | 33 261 |
| - other | | | 1 124 |
| - due to goods, works and services: | 150 348 | 220 849 | 114 300 |
| - less than 12 months | 150 348 | 220 849 | 114 300 |
| - over 12 months | | | |
| - advances received for deliveries | 1 338 | | 956 |
| - bills of exchange liabilities | | | |
| - due to taxes, customs duty, insurance and other benefits | 236 117 | 179 501 | 140 147 |
| - due to wages | 40 030 | 80 281 | 37 682 |
| - other (by type) | 93 199 | 120 397 | 73 863 |
| - mining royalty | 11 231 | 10 709 | 11 848 |
| - liabilities due to leasing | 5 728 | 2 528 | |
| - environmental fees | 17 851 | 22 450 | 16 071 |
| - public settlements payable in future periods | 38 439 | 64 079 | 34 761 |
| - settlement of wage deductions | 6 854 | 6 200 | 6 711 |
| - other | 13 096 | 14 431 | 4 472 |
| g) special funds (by type) | 74 178 | 58 865 | 67 958 |
| - social fund | 60 028 | 49 138 | 61 599 |
| - other funds | 14 150 | 9 727 | 6 359 |
| Total short term liabilities | 1 545 226 | 1 758 077 | 2 487 850 |

Note 20B.

| SHORT TERM LIABILITIES (BY CURRENCY) | H1/2004 | 2003 | H1/2003 |
|--------------------------------------|-----------|-----------|-----------|
| a) in Polish currency | 760 744 | 845 846 | 1 460 702 |
| b) in foreign currency | 784 482 | 912 231 | 1 027 148 |
| b1.unit / currency '000 / USD | 209 096 | 243 515 | 263 359 |
| '000PLN | 783 884 | 911 385 | 1 026 518 |
| b2.unit / currency '000 / EUR | 12 | 25 | 27 |
| '000PLN | 55 | 117 | 120 |
| b3.unit / currency '000 / GBP | 80 | 109 | 79 |
| '000PLN | 543 | 729 | 510 |
| other currencies in '000PLN | | | |
| Total short term liabilities | 1 545 226 | 1 758 077 | 2 487 850 |

Note 20C.

SHORT TERM LIABILITIES DUE TO BANK AND OTHER LOANS

| Name of entity (company) and legal form | Location of Head Office | Amount of bank and other loans according to agreement | | Payable amount of bank and other loans | | Interest rate | Repayment period | Security | Other |
|---|--|---|----------|--|------------|---|------------------|--|---|
| | | PLN | Currency | PLN | Currency | | | | |
| ABN AMRO BANK NV | 250 Bishopsgate, EC2M 4AA LONDON, United Kingdom | | | 129 584 | 34 583 USD | 1M LIBOR+ margin of 1.3% | 2005-06-26 | Proxy rights to bank accounts, surrender of company rights to specified trade agreements | Long term bank loan, instalments payable in the next of 12 months. Liabilities payable in monthly instalments in period from 26.07.2004 to 26.06.2005 |
| Accrued interest | | | | 708 | | | | | |
| Revaluation of bank loan in USD | | | | (179) | | | | | |
| Commission on bank loan in USD | | | | (4 332) | (1072) USD | | | | |
| Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej | Warsaw | 4 000 | | 4 000 | | bill of exchange rediscount rate of 0.5, set by the NBP on annual basis | 2005-06-30 | Own bill of exchange in blanco, declaration of borrower on acceptance of execution of loan agreement, prepared as a notarial act | |
| Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej | Wrocław | 2 000 | | 2 000 | | 4.00% | 2005-06-16 | Own bill of exchange in blanco, registered pledge on gas dedusting facility for anode furnaces, surrender of rights to insurance policy of assets arising due to financing of investment | |
| Total | | 6 000 | | 131 781 | | | | | |

Note 20D.

SHORT TERM LIABILITIES DUE TO THE ISSUING OF DEBT FINANCIAL INSTRUMENTS

| Corporate bonds by type | Face value | Interest rate | Redemption period | Guarantees/Security | Additional rights | Other |
|-------------------------|------------|---------------|-------------------|---------------------|-------------------|-------|
| | | | | | | |
| | | | | | | |

Note 21A.

| CHANGE IN NEGATIVE GOODWILL | H1/2004 | 2003 | H1/2003 |
|--|---------|------|---------|
| Beginning of the period | | | |
| a) increase, due to: | | | |
| b) decrease, due to: | | | |
| Negative goodwill at the end of the period | | | |

Note 21B.

| OTHER ACCRUALS AND DEFERRED INCOME | H1/2004 | 2003 | H1/2003 |
|--|---------|---------|---------|
| a) accruals | 200 168 | 129 818 | 156 199 |
| - long term accruals (by type) | | | |
| - short term accruals (by type) | 200 168 | 129 818 | 156 199 |
| - wages with charges | 177 717 | 104 080 | 130 890 |
| - environmental fees | 106 | 34 | 80 |
| - liabilities due to unused vacations | 13 784 | 13 784 | 13 090 |
| - other | 8 561 | 11 920 | 12 139 |
| b) deferred income | 3 632 | 19 983 | 16 538 |
| - long term deferred income (by type) | 2 562 | 2 630 | 2 011 |
| - cash and cash equivalents received for acquisition or construction of fixed assets and research projects | 2 562 | 2 630 | 2 011 |
| - short term deferred income (by type) | 1 070 | 17 353 | 14 527 |
| - payments for future services and advances of over 50% of their value | 230 | 16 478 | 14 019 |
| - grants, subsidies, subsidies relating to capital expenditure and research projects | 718 | 750 | 399 |
| - other | 122 | 125 | 109 |
| Total other accruals and deferred income | 203 800 | 149 801 | 172 737 |

Note 22

| INFORMATION USED IN THE CALCULATION OF NET ASSETS PER SHARE AND DILUTED NET ASSETS PER SHARE | H1/2004 | 2003 | H1/2003 |
|--|-------------|-------------|-------------|
| Equity | 4 639 170 | 3 655 189 | 3 721 992 |
| Shares outstanding | 200 000 000 | 200 000 000 | 200 000 000 |
| Net assets per share (in PLN) | 23.20 | 18.28 | 18.61 |
| Diluted number of shares | | | |
| Diluted net assets per share (in PLN) | | | |

The value of net assets per share was calculated as the relation between equity of KGHM Polska Miedź S.A. on the balance sheet date to outstanding shares of KGHM Polska Miedź S.A.

Note 23A.

| CONTINGENT DEBTORS FROM RELATED ENTITIES (BY TYPE) | H1/2004 | 2003 | H1/2003 |
|--|---------|------|---------|
| a) received guarantees, of which: | | | |
| - from subsidiaries | | | |
| - from co-subsidiaries | | | |
| - from associates | | | |
| - from significant investor | | | |
| - from dominant entity | | | |
| b) other (by type) | | | |
| - of which: from subsidiaries | | | |
| - of which: from co-subsidiaries | | | |
| - of which: from associates | | | |
| - of which: from significant investor | | | |
| - of which: from dominant entity | | | |
| Total contingent debtors from related entities | | | |

Note 23B.

| CONTINGENT LIABILITIES TOWARD RELATED ENTITIES (BY TYPE) | H1/2004 | 2003 | H1/2003 |
|--|---------|--------|---------|
| a) granted guarantees, of which: | 3 518 | 17 357 | |
| - toward subsidiaries | 3 518 | 17 357 | |
| - toward co-subsidiaries | | | |
| - toward associates | | | |
| - toward significant investor | | | |
| - toward dominant entity | | | |
| b) other (by type) | 7 683 | 8 000 | |
| - liabilities due to rationalisation and R&D work, and other unrealised agreements | 7 683 | 8 000 | |
| - of which: toward subsidiaries | 7 683 | 8 000 | |
| - of which: toward co-subsidiaries | | | |
| - of which: toward associates | | | |
| - of which: toward significant investor | | | |
| - of which: toward dominant entity | | | |
| Total contingent liabilities toward related entities | 11 201 | 25 357 | |

Note 24A.

| NET REVENUE FROM SALE OF PRODUCTS (MATERIAL STRUCTURE - BY TYPE OF ACTIVITY) | H1/2004 | H1/2003 |
|--|-----------|-----------|
| - copper, precious metals and other smelter products | 3 137 768 | 2 156 804 |
| - of which: from related entities | 639 040 | 435 449 |
| - energy | 9 799 | 24 439 |
| - of which: from related entities | 486 | 3 088 |
| - processing of copper | 172 | 35 |
| - of which: from related entities | | |
| - salt | 13 779 | 9 503 |
| - of which: from related entities | 13 779 | 9 503 |
| - other products | 42 872 | 14 980 |
| - of which: from related entities | 18 577 | 5 700 |
| Total net revenue from sale of products | 3 204 390 | 2 205 761 |
| - of which: from related entities | 671 882 | 453 740 |

Note 24B.

| NET REVENUE FROM THE SALE OF PRODUCTS (TERRITORIAL STRUCTURE) | H1/2004 | H1/2003 |
|---|-----------|-----------|
| a) Domestic | 1 006 947 | 622 067 |
| - of which: from related entities | 74 248 | 40 871 |
| - copper, precious metals and other smelter products | 946 853 | 574 474 |
| - of which: from related entities | 45 515 | 23 944 |
| - energy | 9 799 | 24 439 |
| - of which: from related entities | 486 | 3 088 |
| - processing of copper | 86 | 35 |
| - of which: from related entities | | |
| - salt | 9 670 | 8 139 |
| - of which: from related entities | 9 670 | 8 139 |
| - other products | 40 539 | 14 980 |
| - of which: from related entities | 18 577 | 5 700 |
| b) Export | 2 197 443 | 1 583 694 |
| - of which: from related entities | 597 634 | 412 869 |
| - copper, precious metals and other smelter products | 2 190 915 | 1 582 330 |
| - of which: from related entities | 593 525 | 411 505 |
| - energy | | |
| - of which: from related entities | | |
| - processing of copper | 86 | |
| - of which: from related entities | | |
| - salt | 4 109 | 1 364 |
| - of which: from related entities | 4 109 | 1 364 |
| - other products | 2 333 | |
| - of which: from related entities | | |
| Total revenue from the sale of products | 3 204 390 | 2 205 761 |
| - of which: from related entities | 671 882 | 453 740 |

Note 25A.

| NET REVENUE FROM THE SALE OF MATERIALS AND GOODS FOR RESALE (MATERIAL STRUCTURE - BY TYPE OF ACTIVITY) | H1/2004 | H1/2003 |
|--|---------|---------|
| - wastes | 5 915 | 3 736 |
| - of which: from related entities | 1 119 | 692 |
| - resale of material | 5 986 | 4 933 |
| - of which: from related entities | 4 593 | 3 131 |
| - copper and cobalt | | 1 030 |
| - of which: from related entities | | |
| - other | 4 216 | 474 |
| - of which: from related entities | 1 052 | 56 |
| Total revenue from the sale of materials and goods for resale | 16 117 | 10 173 |
| - of which: from related entities | 6 764 | 3 879 |

Note 25B.

| NET REVENUE FROM THE SALE OF MATERIALS AND GOODS FOR RESALE (TERRITORIAL STRUCTURE) | H1/2004 | H1/2003 |
|---|---------|---------|
| a) Domestic | 16 117 | 10 173 |
| - of which: from related entities | 6 764 | 3 879 |
| - wastes | 5 915 | 3 736 |
| - of which: from related entities | 1 119 | 692 |
| - resale of material | 5 986 | 4 933 |
| - of which: from related entities | 4 593 | 3 131 |
| - copper | | 1 030 |
| - of which: from related entities | | |
| - other | 4 216 | 474 |
| - of which: from related entities | 1 052 | 56 |

| | | |
|---|--------|--------|
| b) Export | | |
| - of which: from related entities | | |
| - wastes | | |
| - of which: from related entities | | |
| - resale of material | | |
| - of which: from related entities | | |
| - cobalt | | |
| - of which: from related entities | | |
| - other | | |
| - of which: from related entities | | |
| Total revenue from the sale of materials and goods for resale | 16 117 | 10 173 |
| - of which: from related entities | 6 764 | 3 879 |

Note 26.

| COSTS BY TYPE | H1/2004 | H1/2003 |
|---|-----------|-----------|
| a) Depreciation | 140 913 | 149 682 |
| b) Consumption of materials and energy | 847 564 | 728 828 |
| c) External services | 380 948 | 350 462 |
| d) Taxes and fees | 119 056 | 112 291 |
| e) Wages and salaries | 549 066 | 513 519 |
| f) Social insurance and other benefits | 196 284 | 179 913 |
| g) Other (due to) | 36 400 | 32 061 |
| - advertising and promotion costs | 9 272 | 6 913 |
| - property and personnel insurance | 8 441 | 7 272 |
| - business trip | 2 554 | 2 240 |
| - other costs | 16 133 | 15 636 |
| Total costs by type | 2 270 231 | 2 066 756 |
| Change in work in progress, finished goods and prepayments and accruals | 14 665 | (15 784) |
| Costs of production of products for internal use (negative value) | (15 290) | (8 259) |
| Selling costs (negative value) | (38 589) | (40 187) |
| General administration costs (negative value) | (222 303) | (204 133) |
| Costs of production of manufactured products sold | 2 008 714 | 1 798 393 |

Note 27.

| OTHER OPERATING INCOME | H1/2004 | H1/2003 |
|---|---------|---------|
| a) Release of provisions, due to: | 10 550 | 13 024 |
| - acquisition of site for building of tailing pond (revaluation) | 3 326 | 5 203 |
| - retirement and related rights | 6 246 | 5 915 |
| - other liabilities | 978 | 1 906 |
| b) other, of which: | 27 078 | 22 321 |
| - reversal of allowance for assets, upon elimination of case for their creation | 1 888 | 3 026 |
| - income from liquidation of fixed assets | 814 | 681 |
| - penalties and damages paid to the company | 1 243 | 1 158 |
| - write-off of liabilities | 95 | 80 |
| - correction of property tax from prior year | 12 011 | 3 493 |
| - other operating income | 11 027 | 13 883 |
| Total other operating income | 37 628 | 35 345 |

Note 28.

| OTHER OPERATING COSTS | H1/2004 | H1/2003 |
|---|---------|---------|
| a) Provisions created due to: | 33 857 | 19 035 |
| - future costs of mine closure | 11 890 | |
| - retirement and related rights | 18 970 | 15 215 |
| - acquisition of site for building of tailing pond (revaluation) | 2 166 | 3 083 |
| - other | 831 | 737 |
| b) other, of which: | 21 575 | 17 877 |
| - donations | 6 070 | 4 124 |
| - correction of property tax | 32 | 2 258 |
| - other | 15 473 | 11 495 |
| Total other operating costs | 55 432 | 36 912 |

REVALUATION OF NON-FINANCIAL ASSETS

| Description | H1/2004 | H1/2003 |
|--|---------|---------|
| - write-off of fixed assets designated for disposal | 2 399 | 1 203 |
| - write-off of fixed assets under construction | 208 | 71 |
| - valuation of by-products and materials inventory to market prices | 756 | 1 888 |
| - increase of allowance for foreign trade debtors, related to change in exchange rates | 47 | 4 589 |
| - allowance for debtors | 2 595 | 28 900 |
| Total revaluation of non-financial assets | 6 005 | 36 651 |

Note 29A.

| FINANCIAL INCOME FROM DIVIDENDS AND SHARE IN PROFIT | H1/2004 | H1/2003 |
|---|---------|---------|
| a) from related entities | 68 872 | 47 643 |
| - from subsidiaries | 325 | 700 |
| - from co-subsidiaries | | |
| - from associates | 68 547 | 46 943 |
| - from significant investor | | |
| - from dominant entity | | |
| b) from other entities | 1 526 | 125 |
| Total financial income from dividends and share in profit | 70 398 | 47 768 |

Note 29B.

| FINANCIAL INCOME FROM INTEREST | H1/2004 | H1/2003 |
|--------------------------------------|---------|---------|
| a) due to loans | 126 | 5 770 |
| - from related entities, of which: | 113 | |
| - from subsidiaries | 113 | |
| - from co-subsidiaries | | |
| - from associates | | |
| - from significant investor | | |
| - from dominant entity | | |
| - from other entities | 13 | 5 770 |
| b) other interest | 62 612 | 52 176 |
| - from related entities, of which: | 49 764 | 47 732 |
| - from subsidiaries | 49 764 | 47 731 |
| - from co-subsidiaries | | |
| - from associates | | 1 |
| - from significant investor | | |
| - from dominant entity | | |
| - from other entities | 12 848 | 4 444 |
| Total financial income from interest | 62 738 | 57 946 |

Note 29C.

| OTHER FINANCIAL INCOME | H1/2004 | H1/2003 |
|--|---------|---------|
| a) foreign exchange gains | 23 544 | 11 170 |
| - realised | 25 840 | (788) |
| - unrealised | (2 296) | 11 958 |
| b) release of provisions, due to: | | 1 876 |
| - financial risk - interest | | 1 876 |
| c) other, of which: | 31 821 | 6 915 |
| - revaluation of provision for mine closure costs | 22 039 | 4 302 |
| - valuation and settlement of embedded instruments | 4 554 | 819 |
| - other financial income | 5 228 | 1 794 |
| Total other financial income | 55 365 | 19 961 |

Foreign exchange gains are presented as an excess of foreign exchange gains over losses

For the first half of 2004:

| | |
|-------------------------|---------|
| Foreign exchange gains | 25 875 |
| Foreign exchange losses | (2 331) |

Note 30A.

| FINANCIAL COSTS FROM INTEREST | H1/2004 | H1/2003 |
|-------------------------------------|---------|---------|
| a) from bank and other loans: | 25 738 | 49 679 |
| - to related entities, of which: | | |
| - to subsidiaries | | |
| - to co-subsidiaries | | |
| - to associates | | |
| - to significant investor | | |
| - to dominant entity | | |
| - to other entities | 25 738 | 49 679 |
| b) other interest | 4 534 | (1 824) |
| - to related entities, of which: | | |
| - to subsidiaries | 191 | 21 |
| - to co-subsidiaries | | |
| - to associates | | |
| - to significant investor | | |
| - to dominant entity | | |
| - to other entities | 4 343 | (1 845) |
| Total financial costs from interest | 30 272 | 47 855 |

Note 30B.

| OTHER FINANCIAL COSTS | H1/2004 | H1/2003 |
|--|---------|---------|
| a) foreign exchange losses | | |
| - realised | | |
| - unrealised | | |
| b) provisions created, due to: | | 1 197 |
| - risk for budget interest | | 1 197 |
| c) other, of which: | 22 226 | 32 348 |
| - allowance for debtors due to interest | 687 | 15 338 |
| - commission | 8 766 | 694 |
| - revaluation of provision for mine closure costs | 10 307 | 7 378 |
| - valuation and settlement of embedded instruments | 1 496 | 3 388 |
| - other financial costs | 970 | 5 550 |
| Total other financial costs | 22 226 | 33 545 |

Note 31.

Information on the results from sales of all or part of shares of subordinated entities and on the means of settlement will be presented in the consolidated financial report.

Note 32.

| EXTRAORDINARY GAINS | H1/2004 | H1/2003 |
|-------------------------------------|---------|---------|
| a) profits resulting from accidents | 20 | 20 |
| b) other, by type: | | |
| Total extraordinary gains | 20 | 20 |

Note 33.

| EXTRAORDINARY LOSSES | H1/2004 | H1/2003 |
|------------------------------------|---------|---------|
| a) losses resulting from accidents | 20 | 4 |
| b) other, by type: | | |
| Total extraordinary losses | 20 | 4 |

Note 34A.

| CURRENT TAXATION | H1/2004 | H1/2003 |
|--|-----------|-----------|
| 1. Profit (loss) before taxation | 1 191 847 | 275 295 |
| 2. Differences between profit (loss) before tax and tax base (by item) | (78 374) | 47 112 |
| - provisions created | 209 509 | 211 673 |
| - provisions released | (124 146) | (142 395) |
| - interest paid | 682 | 6 229 |
| - accrued interest, recovered on tax overpayment | (8 460) | (8 543) |
| - State budget interest and interest accrued on bank loans | 4 158 | 547 |
| - positive realised exchange rate differences | (1 813) | 71 |
| - positive accrued exchange rate differences | (72 303) | (28 845) |
| - negative realised exchange rate differences | (11 567) | (4 922) |
| - negative accrued exchange rate differences | (7 051) | 3 558 |
| - realised income from derivative instruments | 221 571 | 98 351 |
| - accrued income from derivative instruments | (697 374) | (156 767) |
| - realised costs of derivative instruments | (244 709) | (35 396) |
| - accrued costs of derivative instruments | 687 433 | 103 551 |
| - other | (34 304) | |
| 3. Tax base | 1 113 473 | 219 481 |
| 4. Corporate income tax at the rate of 19%, 27% | 211 560 | 59 260 |
| 5. Increases, waivers, reliefs, write offs and reductions of tax | (241) | 84 |
| 6. Current corporate income tax charge disclosed in tax return for the period, of which: | 211 319 | 59 344 |
| - shown in income statement | 211 319 | 59 344 |
| - relating to the items, which decreased or increased equity | | |
| - relating to the items, which decreased or increased goodwill or negative goodwill | | |

Note 34B.

| DEFERRED INCOME TAX, SHOWN IN THE INCOME STATEMENT | H1/2004 | H1/2003 |
|---|---------|---------|
| - decrease (increase) due to the arise and reversal of temporary differences | 2 708 | (555) |
| - decrease (increase) due to changes in taxation rates | | |
| - decrease (increase) due to previously unrecognised tax losses, tax relief or prior period temporary differences | | |
| - decrease (increase) due to the write-off of deferred income tax assets or to inability to utilise the deferred income tax provision | 660 | |
| - other elements of deferred tax (by type) | | |
| Total deferred income tax | 3 368 | (555) |

Note 34C.

| TOTAL DEFERRED INCOME TAX | H1/2004 | H1/2003 |
|---|---------|----------|
| - recognised in equity | 56 159 | (89 692) |
| - recognised in goodwill or negative goodwill | | |

Note 34D.

| TAXATION SHOWN IN THE INCOME STATEMENT DUE TO | H1/2004 | H1/2003 |
|---|---------|---------|
| - discontinued activity | | |
| - extraordinary items | | 4 |

Note 35.

| OTHER OBLIGATORY DEDUCTIONS FROM PROFIT (LOSS INCREASE), DUE TO: | H1/2004 | H1/2003 |
|--|---------|---------|
| Total other obligatory deductions from profit (loss increase) | | |

Note 36.

| SHARE IN NET PROFIT (LOSSES) OF SUBORDINATED ENTITIES VALUED BY THE EQUITY METHOD OF WHICH: | H1/2004 | H1/2003 |
|---|---------|---------|
| - write-off of goodwill of subordinated entities | | |
| - write-off of negative goodwill of subordinated entities | | |
| - write-off of differences in valuation of net assets | | |

Note 37.

PROPOSAL OF PROFIT DISTRIBUTION / COVERAGE OF LOSSES

| Description | H1/2004 | H1/2003 |
|---|---------|---------|
| Profit / loss for the period | 977 160 | 215 396 |
| Distribution of profit / coverage of losses | 977 160 | 215 396 |
| - transfer to reserve capital | 977 160 | 215 396 |

Note 38.

Information used in the calculation of net profit per ordinary share and diluted net profit per ordinary share

| Item | Description | Number of shares | Registration date | Rights to dividends | H1/2004 | H1/2003 |
|------|---|------------------|-------------------|-----------------------|-------------|-------------|
| 1 | Ordinary shares - Act of transformation of 9.09.1991* | 53 000 000 | 12.09.1991 | per registration date | | |
| 2 | Ordinary shares - Resolution of the Extraordinary GSM of 30.04.1997 | 147 000 000 | 16.05.1997 | 01.01.1997 | | |
| 3 | Average weighted number of ordinary shares | | | | 200 000 000 | 200 000 000 |
| 4 | Net profit (loss) for 12 months (in '000PLN) | | | | 1 400 902 | 453 480 |
| 5 | Net profit (loss) per share (in PLN) | | | | 7.00 | 2.27 |
| 6 | Weighted average diluted number of ordinary shares | | | | | |
| 7 | Diluted net profit per share (in PLN) | | | | | |

*For purposes of comparison, the number of shares assumed following a stock split was authorized on the basis of a resolution of the Extraordinary General Meeting of Shareholders of 30 April 1997 (date of registration 16 May 1997)

Net profit per ordinary share is calculated as the relation of net profit of KGHM Polska Miedz S.A. for the last 12 months prior to the balance sheet date, given an average weighted number of ordinary shares of KGHM Polska Miedz S.A. remaining in the possession of shareholders in specific periods

EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

Explanatory Note Nr 1
to the Cash Flow Statement

STRUCTURE OF CASH AND CASH EQUIVALENTS
IN THE CASH FLOW STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2004 TO 30 JUNE 2004

| Item | Description | Beginning of period | End of period | Change |
|------|--|---------------------|---------------|---------|
| 1 | 2 | 3 | 4 | 5 |
| 1. | Cash in hand | 100 | 95 | (5) |
| 2. | Cash at bank | 22 875 | 49 379 | 26 504 |
| 3. | Other cash and cash equivalents, of which: | 5 | | (5) |
| | a) cash in transit | 5 | | (5) |
| 4. | Other monetary assets | 252 462 | 395 839 | 143 377 |
| | a) financial assets payable or due within 3 months from the date of their receipt, issuance, acquisition or from establishment - cash deposits, cheques, external bills of exchange and other financial assets | 252 174 | 395 417 | 143 243 |
| | b) interest from financial assets payable or due within 3 months from the date of their receipt, issuance, acquisition or from establishment | 288 | 422 | 134 |
| 5. | Total cash and cash equivalents shown in the cash flow statement | 275 442 | 445 313 | 169 871 |
| | including those having limited rights of disposal | x | 62 603 | x |

EXPLANATION OF DIFFERENCES BETWEEN BALANCE SHEET CHANGES AND
CHANGES IN THE CASH FLOW STATEMENT

Change in provisions for the period from 1 January 2004 to 30 June 2004

| Item | Description | Change |
|------|---|----------|
| 1 | 2 | 3 |
| 1 | Provisions from the balance sheet | (10 167) |
| 2 | Deferred income tax provisions- item recognised in equity | (14 618) |
| 3 | Change in provisions in the cash flow statement (1-2) | 4 451 |

Change in debtors for the period from 1 January 2004 to 30 June 2004

| Item | Description | Change |
|------|--|-----------|
| 1 | 2 | 3 |
| 1 | Short-term debtors from the balance sheet | (112 371) |
| 2 | Long-term debtors from the balance sheet | |
| 3 | Debtors due to investment activity | 4 730 |
| 4 | Change in debtors in the cash flow statement (1+2-3) | (117 101) |

Change in cash and cash equivalents for the period from 1 January 2004 to 30 June 2004

| Item | Description | Change |
|------|--|---------|
| 1 | 2 | 3 |
| 1 | Cash and cash equivalents from the balance sheet | 170 425 |
| 2 | Change in cash and cash equivalents due to exchange rate differences | 554 |
| 3 | Change in cash and cash equivalents in the cash flow statement (1-2) | 169 871 |

EXPLANATION OF DIFFERENCES BETWEEN BALANCE SHEET CHANGES AND CHANGES
IN THE CASH FLOW STATEMENT

Change in liabilities for the period from 1 January 2004 to 30 June 2004

| Item | Description | Change |
|------|--|-----------|
| 1 | 2 | 3 |
| 1 | Short term liabilities in the balance sheet | (212 851) |
| 2 | Loans | 1 575 |
| 3 | Bank loans | 10 168 |
| 4 | Other short term financial liabilities | (158 781) |
| 5 | Expenditures from other special funds | (27) |
| 6 | Liabilities due to investing activities | (74 929) |
| 7 | Other long term liabilities | |
| 8 | Change in liabilities due to operating activity in the cash flow statement (1-2-3-4-5-6+7) | 9 143 |

Change in prepayments and accruals for the period from 1 January 2004 to 30 June 2004

| Item | Description | Change |
|------|---------------------------------|--------|
| 1 | 2 | 5 |
| 1 | Accruals (in the balance sheet) | 53 999 |
| 2 | Negative goodwill | |
| I | Change in accruals (1-2) | 53 999 |

| Item | Description | Change |
|------|--|----------|
| 1 | Long term prepayments | 19 740 |
| 2 | Long term prepayments due to income tax - items recognised in equity | 24 867 |
| 3 | Short term prepayments | (35 767) |
| II | Change in prepayments (1-2+3) | (40 894) |
| III | Change in prepayments in the cash flow statement (I+II) | 13 105 |

DESCRIPTION OF ADJUSTMENTS, INFLOWS AND OUTFLOWS, WHOSE TOTAL EXCEEDS 5% OF THE TOTAL AMOUNT OF ADJUSTMENTS, INFLOWS AND OUTFLOWS AS SHOWN FOR THE GIVEN ACTIVITY IN THE CASH FLOW STATEMENT

| Item | Financial statement item | H1/2004 | H1/2003 |
|------|--|-----------|-----------|
| I. | Other items of operating activities in the cash flow statement, of which: | (374 245) | (583 626) |
| 1 | valuation of derivative and embedded instruments | 490 204 | 5 123 |
| 2 | adjustment of revaluation reserve from realised and unrealised exchange rate differences on bank loans | 13 272 | (8 862) |
| 3 | the effects of valuation of shares by the equity method settled in the undistributed result of prior years | (400 809) | (623 858) |
| 4 | gross effects of valuation related to changes in the principles of applying currency exchange rates settled in undistributed profit of prior years | 16 711 | 6 992 |
| 5 | hedging deposits paid, made by the Company in relation to open hedging transactions entered into | (57 453) | |
| 6 | reclassification of interest on loans from short term financial assets to cash and cash equivalents | | 3 157 |
| 7 | capitalised credit fees | 8 209 | |
| 8 | adjustment of cash flow due to settlement of commodity hedging instruments in operating activities revenues | (442 266) | 32 922 |
| II. | Other inflow from investing activities | 190 | |
| 1 | repayment of short-term loans | 190 | |
| III. | Other outflow from investing activities in the cash flow statement, of which: | (10 755) | (1 376) |
| 1 | costs of liquidation of tangible and intangible assets | (1 272) | (591) |
| 2 | granting of short-term loans | (500) | (785) |
| 3 | prepayment made on tangible fixed assets under construction | (8 983) | |
| IV. | Other inflow from financing activities | | |
| V. | Other outflow from financing activities | | |

ADDITIONAL EXPLANATORY NOTES

TO THE HALF-YEAR FINANCIAL STATEMENTS SA-P 2004

INFORMATION ON FINANCIAL INSTRUMENTS

| Item | Description | Financial assets held for trading | Financial liabilities held for trading | Loans and receivables originated * | Financial assets held to maturity | Financial assets available for sale |
|------------|---|-----------------------------------|--|------------------------------------|-----------------------------------|-------------------------------------|
| 1. | Beginning of the period | 398 260 | 641 746 | 253 606 | 1 428 802 | 451 250 |
| 2. | Increase | 161 157 | 862 334 | 21 713 801 | 69 396 | 1 338 |
| | - acquisition, creation, drawing | 160 151 | 859 941 | 21 712 717 | 69 135 | 1 338 |
| | - valuation | 1 006 | 70 | 922 | | |
| | - revaluation | | 2 323 | 162 | 261 | |
| | - reclassification | | | | | |
| | - other | | | | | |
| 3. | Decrease | 281 632 | 1 228 503 | 21 596 163 | 46 183 | 438 750 |
| | - disposal, release, repayment | 280 796 | 1 223 837 | 21 596 163 | 46 183 | |
| | - valuation | 836 | 4 345 | | | |
| | - revaluation | | 13 | | | |
| | - reclassification | | | | | 438 750 |
| | - other | | 308 | | | |
| 4. | End of the period | 277 785 | 275 577 | 371 244 | 1 452 015 | 13 838 |
| of which : | | | | | | |
| 4.1 | presented in balance sheet with indication of item | 277 785 | 275 577 | 371 244 | 1 452 015 | 13 838 |
| | Other short term financial assets - derivative instruments held for trading | 271 198 | | | | |
| | Other short term financial assets - derivative embedded instruments | 6 587 | | | | |
| | Other short term financial assets | | | | | |
| | Short term financial assets - other securities, financial debt instruments | | | | | |
| | Long term liabilities-bank loans/ other loans | | 11 000 | | | |
| | Long term liabilities-other financial liabilities | | 30 806 | | | |
| | Short term liabilities-bank loans/other loans | | 6 000 | | | |
| | Short term liabilities-other financial liabilities | | 7 706 | | | |
| | Other financial liabilities - derivative instruments held for trading | | 219 737 | | | |
| | Other financial liabilities - derivative embedded instruments | | 328 | | | |
| | Long term financial assets-loans granted | | | | | |
| | Short term financial assets-loans granted | | | 4 544 | | |
| | Short term financial assets-other securities, treasury bonds | | | | | |
| | Short term financial assets - unpaid interest on long term loans | | | | | |
| | Other cash assets - bank deposits | | | 366 700 | | |
| | Other cash assets - unpaid interest on debt securities | | | | 261 | |
| | Other cash assets - securities financed by the Social Fund/ Mine Closure Fund | | | | 24 737 | |
| | Long term securities | | | | 1 379 800 | |
| | Trade debtors - debtors from derivative instruments | | | | | |
| | Long term financial assets - shares | | | | | 13 838 |
| | Long term financial assets - other securities | | | | 47 217 | |
| | Other | | | | | |
| 4.2 | in off-balance sheet items | | | | | |

*from receivables originated are excluded debtors and liabilities related to the physical delivery of goods

| Item | Description | Financial assets - hedging transactions - derivative instruments | Financial liabilities - hedging transactions - derivative instruments | Financial liabilities - hedging transactions - bank loan |
|------|--|--|---|--|
| 1. | Beginning of the period | 77 565 | 537 165 | 1 328 292 |
| 2. | Increase | 45 368 | 283 669 | 2 363 |
| | - acquisition, creation, drawing | 45 368 | 283 669 | |
| | - valuation | | | 1 655 |
| | - revaluation | | | 708 |
| | -reclassification | | | |
| | -other | | | |
| 3. | Decrease | 121 | 360 421 | 307 003 |
| | - disposal, release, repayment | 121 | 230 049 | 293 486 |
| | - valuation | | | |
| | - revaluation | | | 26 |
| | - other - unsettled commissions, security deposits | | 130 372 | 13 491 |
| 4. | End of the period | 122 812 | 460 413 | 1 023 652 |

DERIVATIVE FINANCIAL INSTRUMENTS

RISK MANAGEMENT IN THE COMPANY

The main risk to which the Company is exposed in connection with its activities is the risk of changes in the prices of copper and silver and currency risk. Fluctuations in the prices of these metals have a significant impact on the financial results of the Company.

The Company employs a wide range of derivative financial instruments as risk management tools and for trading purposes. The policy and the strategy of using derivatives is defined and monitored by the Management Board.

Commodity price risk

The main risk is the effect of the generally-accepted in the metal industry method of pricing sales contracts, whereby prices are set based on average monthly prices (from the month of delivery of goods to the client) quoted on the London Metal Exchange (LME) in the case of copper, and on the London Bullion Market (LBM) in the case of silver. Both of these markets are quite small in comparison to the global financial market, due to which they are susceptible to the speculative activities of large investment funds which are able to bring about significant differences between prices set on the institutional markets, and prices which are adequate to meeting the needs of a particular sector.

The Company manages its price risk using forwards and options contracts. Some of the instruments used by the Company create a zero-cost options structure, e.g. collar-type contracts.

Some of our clients expect that the price basis in the contracts will be defined in a non-standard way (in particular with a fixed price in the long term). To meet such expectations the Company enters into commodity swaps, which permit customers to be offered the requested price and the Company to receive an average price from the month of the delivery. At the date of the final settlement the additional profit (loss) from the derivative is offset by a corresponding loss (profit) from physical sale of the goods. As a result the Company always obtains an average price from the month of the delivery.

The instruments described above are classified and recognised in the financial statements as hedging instruments. Other transactions are treated as instruments held for trading purposes. Accounting policies applied in respect of these transactions are described in the Introduction.

Currency risk

Currency risk is important to the Company since it impacts on the Company's revenues from export contracts expressed in foreign currencies, while the basic currency for the Company is the Polish złoty. Other revenues from the domestic sales contracts for products, despite being expressed in the Polish złoty, are also dependent on the USD exchange rate.

This is the reason why the Company actively manages the currency risk.

The Company hedges projected revenues which are exposed to currency risk using currency forwards, options strategies and rarely by swaps. The Company intends to protect in this way its future sales expressed in foreign currencies.

As its revenues are denominated in foreign currencies, the Company also takes on liabilities in these currencies. Thus the credits drawn constitute a hedge against fluctuations of the exchange rate and are treated as hedging transactions.

Interest rate risk

KGHM Polska Miedź S.A. is exposed to the risk of changes in short term interest rates applied to debt with variable interest rates, as well as to changes in long term interest rates in the case of drawing new or refinancing existing debt.

The Company did not hedge interest rate risk in the first half of 2004.

Credit risk

KGHM Polska Miedź S.A. is exposed to three main areas of credit risk:

- the creditworthiness of customers with whom it undertakes products sales transactions, in particular should there exist a non-standard base price;
- the creditworthiness of the financial institutions (banks/brokerages) with whom, or through whom, it undertakes derivative transactions; and
- the creditworthiness of the entities in which KGHM Polska Miedź S.A. invests, or whose securities it purchases.

Due to the derivative transactions, the Company is subject to credit risk in case the parties to a contract failed to meet their obligations with respect to financial instruments. However, in view of the high creditworthiness of its counterparties and their number, the concentration of credit risk is not significant.

RECOGNITION OF DERIVATIVES IN THE BALANCE SHEET

All derivatives have been recognised in the balance sheet and valued in their fair value. Balance sheet line items in which they are included are shown below:

| Item | 30 June 2004 [in '000 PLN] | 30 June 2003 [in '000 PLN] |
|-----------------------------|-------------------------------|-------------------------------|
| Short term financial assets | 400 597 | 314 447 |
| Short term liabilities | (810 850) | (33 261) |
| Total | (410 253) | 281 186 |

LIST OF DERIVATIVE FINANCIAL INSTRUMENTS AS AT THE BALANCE SHEET DATE

| Type of financial instrument | | 30 June 2004 | | 30 June 2003 | |
|---|----|--|--|--|--|
| | | Fair value (positive) [in'000 PLN] | Fair value (negative) [in'000 PLN] | Fair value (positive) [in'000 PLN] | Fair value (negative) [in'000 PLN] |
| INSTRUMENTS HELD FOR TRADING PURPOSES | | | | | |
| Commodity instruments – copper | | | | | |
| Swaps - exchange of floating prices for fixed | I | 4 264 | (45 836) | 1 191 | (2 676) |
| Swaps - exchange of fixed prices for floating | II | 39 885 | (4 546) | - | - |

| | | | | | |
|---|------|--------|----------|--------|---------|
| Collar contracts (Written call and put options) | | - | (34 819) | - | (411) |
| Bought call options | IV | 47 710 | - | - | - |
| Commodity instruments – silver | | | | | |
| Swaps - exchange of fixed prices for floating | V | 82 437 | (6 764) | 13 272 | (2 065) |
| Swaps - exchange of floating prices for fixed | VI | 4 496 | (76 512) | 29 054 | - |
| Written call options | VII | - | (15 522) | - | - |
| Currency instruments | | | | | |
| Forwards | VIII | 92 405 | (28 069) | 82 234 | (1 418) |
| Written call options | IX | - | (7 669) | | (422) |

| | | | | | |
|---|------|--------|-----------|--------|----------|
| CASH FLOW HEDGES | | | | | |
| Copper price risk | | | | | |
| Swaps - exchange of fixed prices for floating | X | - | - | | (3) |
| Swaps - exchange of floating prices for fixed | XI | - | (319 206) | 28 463 | (70) |
| Bought put options | XII | 17 108 | - | - | - |
| Collar contracts | XIII | 28 143 | (183 221) | 39 585 | (18 560) |
| Silver price risk | | | | | |
| Swaps - exchange of floating prices for fixed | XIV | 7 059 | (82 161) | 13 869 | (26) |
| Exchange rate risk | | | | | |
| Forwards | XV | 53 553 | - | 94 708 | (4 219) |
| Collar contracts | XVI | 16 950 | (6 197) | - | - |

| | | | | | |
|------------------------------------|-------|-----------|-----------|---------|----------|
| EMBEDDED INSTRUMENTS IN AGREEMENTS | | | | | |
| Forwards | XVII | 6 587 | (328) | 11 654 | (3 391) |
| Bought call and put options | XVIII | - | - | 417 | - |
| TOTAL INSTRUMENTS | | 400 597 | (810 850) | 314 447 | (33 261) |
| TOTAL | | (410 253) | | 281 186 | |

Other information in respect of derivative financial instruments

Due to the sufficient liquidity of the market it is possible to close and settle above mentioned transactions at any given moment by entering into a proper transaction with a counterparty or by entering an appropriate opposite transaction.

All transactions relating to copper and silver price risk are denominated in US dollars.

Exercise prices of the instruments

The Company does not disclose some parameters of the instruments, because due to specific market conditions and the short term of the transactions the disclosure of such information could significantly impair the Company's competitive position.

- (I,II) Fair value of outstanding swaps contracts. A net short position of notional volume 1 650 tonnes. The contract expiry dates are between June and December 2004. The swaps prices range from 1 696 to 2 964 USD/tonne.
- (III) The notional volume of bought put options for collar-type transactions amounts to 10.00 thousand tonnes and written call options for collar-type transactions amounts to 10.00 thousand tonnes. The expiry dates of these contracts are in June 2004 and the contracts settlement date is in July 2004. The exercise price of bought and written options is within a range of 1 645 – 1 785 USD/tonne.
- (IV) The notional volume of bought call options amounts to 39.400 thousand tonnes. The contract expiry dates are between June and December 2004. The exercise price of the options ranges from 1 950 to 3 100 USD/ tonne.
- (V,VI) Fair value of outstanding swaps contracts. A net long position of notional volume 450 thousand ounces. The contract expiry dates are between June 2004 and December 2005. The swaps prices range from 6.3725 to 6.6500 USD/troz.
- (VII) The notional volume of sold call options amounts to 7.200 mln ounces. The contract expiry dates are between January and December 2005. The exercise price of the options amounts to 6.25 USD/troz.
- (VIII) This item relates to transactions which initially represented a hedge of planned revenues from sales of the Company in the second half of 2004. Due to entering into opposite transactions the net nominal position is 0.
- (IX) The nominal value of options written is 200 mln USD. The Company uses strategies which are combined through the financing, for example, of bought copper options with written USD options. The instruments expire between July 2004 and March 2005. The exercise prices of options written range from 3.90 to 4.10 USD/PLN.
- (XI) Fair value of swap contracts for the notional volume 98.125 thousand tonnes, expiry date between June and December 2004. The swap price ranges from 1 690 to 1 841 USD/tonne. The swaps are a hedge of copper sell prices from future, highly probable physical transactions with realisation dates between June and December 2004.
- (XII) The notional volume of bought put options amounts to 45 thousand tonnes, exercise price is 2 450 USD/tonne, the expiry dates are in the first quarter of 2005. The options are a hedge of copper sell prices from future, highly probable physical transactions with realisation dates in the first quarter of 2005.
- (XIII) The notional volume of bought put options for collar transactions amounts to 90 thousand tonnes. The expiry dates for these contracts have been set between July 2004 and December 2005. The notional volume of written call options for collar transactions amounts to 90 thousand tonnes. The expiry dates for these contracts have been set between July 2004 and December 2005. The exercise price of bought put options ranges between 1 765–2 250 USD/tonne. The exercise price of written call options ranges between 1 885–2 700 USD/tonne. The options are a hedge of copper sell prices from future, highly probable physical transactions with realisation dates in the period from July 2004 to December 2005.

- (XIV) The notional volume of swaps is 26.85 mln troy ounces. The expiry dates have been set from June 2004 to June 2006. The swap prices range between 4.81 – 6.7425 USD/ troz. The swaps are a hedge of silver sell prices from future highly probable physical transactions with realisation dates in the period from June 2004 to June 2006.
- (XV) The nominal value of outstanding forwards is 273 mln USD. Minimum forward price is 3.955 USD/PLN, while the maximum forward price is 4.23 USD/PLN. The expiry dates of forwards cover the first half of 2005. The forwards are a hedge of planned revenues from sales. The forwards represent a hedge against the risk associated with future planned cash flow. The planned realisation dates for the hedged positions are between January and June 2005.
- (XVI) The nominal value of bought put options for collar transactions is 60 mln USD and written call options is 60 mln USD. The expiry dates of options range between July 2005 and December 2005. The exercise price of bought put options is 4.10 USD/PLN. The exercise price of sold call options is 4.35 USD/PLN.
- (XVII) The nominal value of outstanding forwards are as follows: for EUR sell contracts, 7 787 907.82 EUR; for USD buy contracts – 926 404.00 USD. The realisation dates for EUR sell contracts are between July 2004 and June 2017. The forward prices range between 4.1665 and 9.1016 EUR/PLN. The realisation dates for buy contracts are between July 2004 and May 2005. The forward prices range between 4.0721 and 3.7878 USD/PLN.

Fair value estimation methodology

The fair value of outstanding financial derivative instruments at the balance sheet date was set in accordance with the principles outlined in the Introduction to the financial statements.

KGHM Polska Miedź S.A. does not apply hedging with respect to shares in the net assets of foreign entities.

OTHER INSTRUMENTS

I. Investment in AIG Emerging Europe Infrastructure Fund

Based on valuation as at 31 December 2003 prepared on the basis of an Emerging Europe Infrastructure Fund report, the value of the Company's investment in this fund amounted to PLN 48 729 thousand.

In the first half of 2004 the Company obtained net shares of PLN 1 512 thousand; and paid a management fee of PLN 1 904 thousand. The Company received: PLN 52 thousand as a distribution of fees paid to the fund, with a profit on invested capital of PLN 2 932 thousand; due to dividends paid (net), PLN 1 643 thousand

Based on valuation as at 30 June 2004 the value of the Company's investment in the AIG Fund amounted to PLN 66 899 thousand. In the books of the Company the value of PLN 47 217 is maintained.

As at 30 June 2004 the Company held liabilities due to the following types of bank loan:

II. An agreement dated 18 July 2003 for bank loan in the amount of USD 200 000 thousand for KGHM Polska Miedź S.A. organised by ABN AMRO BANK NV and Bank Polska Kasa Opieki S.A. and by Citibank NA

a) Conditions for the loan drawn:

- amount of credit granted: USD 200 000 thousand
- interest: LIBOR 1M + margin, depending on the level of financial ratios
- maturity: 18 July 2008
- the final interest period began on 24 June 2004 and ended on 26 July 2004, interest (LIBOR + margin) during this period was 2.59%, while the value of interest paid on 26 July 2004 is USD 408 thousand.

b) Value as at 30 June 2004:

- the LIBOR rate increased by a margin was used for valuation; as at 30 June 2004 it amounted to 2.66%. In order to calculate USD tranches into PLN, the average NBP USD/PLN sell rate of 3.7470 was used.

The same valuation method was used as for variable interest bonds. Fair value amounted to PLN 665 291 thousand (Table 1).

The above instruments were valued in the same manner as variable interest bonds. Immediately following their coupon payment date, the value of variable interest bonds is always equal to their nominal value. During the period between payment dates, we can make use of the fact that the value of bonds will be equal to their nominal value immediately following the next payment date, while coupons between payment dates and the nominal value of bonds from the coupon payment date are discounted. Similar principles may be applied for the instruments described above. The argument for this type of procedure is that changes in the interest rate have a direct impact on the value of this instrument in the period between coupon payment dates (for variable interest instruments), in contrast to instruments with a fixed rate of interest, where changes in the variable interest rate affect the value of all coupons.

III Agreement dated 18 July 2003 for bank loan of PLN 471 130 thousand and USD 159 500 thousand for KGHM Polska Miedź S.A. organised by Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and the consortium of banks.

a) Conditions for the loan drawn:

- amount of loan drawn: PLN 471 130 thousand and USD 159 500 thousand,
- interest: WIBOR 1M, LIBOR 1M + margin, depending on the level of financial ratios,

- maturity: 18 July 2006,
- the final interest period began on 17 June 2004 and ended on 19 July 2004, interest (LIBOR+margin) during this period was 2.57%, while the value of interest paid on 19 July 2004 is USD 227 thousand.

b) Value as at 30 June 2004:

- the relevant LIBOR rates, increased by a margin, were used for valuation, these rates on 30 June 2004 being 2.66%. In order to calculate USD tranches into PLN, the average NBP USD/PLN sell rate of 3.7470 was used.

The same valuation method was used as for variable interest bonds. Fair value amounted to PLN 371 852 thousand (Table 1).

Table 1 Valuation as at 30 June 2004

| | Valuation of bank loan in Pekao S.A., USD tranche | Valuation of bank loan in ABN AMRO (base 360 days) |
|------------------------------|---|--|
| Date of valuation | 30 June 2004 | 30 June 2004 |
| Date of interest payment | 19 July 2004 | 26 July 2004 |
| Interest coupon | USD 227 thousand | USD 408 thousand |
| Nominal value | USD 99 152 thousand | USD 177 500 thousand |
| Discount rate LIBOR + margin | 2.66 % (base - 360 days) | 2.66 % (base - 360 days) |
| Discount Factor | 0.9986 | 0.9980 |
| FX sell rate | 3.7470 | 3.7470 |
| Fair Value | PLN 371 852 thousand | PLN 665 291 thousand |

These loans are shown in the balance sheet in amounts decreased by the payment of commission, long term loan by PLN 9 159 thousand, short term loan by PLN 4 332 thousand

The above instruments were valued in the same manner as variable interest bonds. Immediately following their coupon payment date, the value of variable interest bonds is always equal to their nominal value. During the period between payment dates, we can make use of the fact that the value of bonds will be equal to their nominal value immediately following the next payment date, while coupons between payment dates and the nominal value of bonds from the coupon payment date are discounted. Similar principles may be applied for the instruments described above. The argument for this type of procedure is that changes in the interest rate have a direct impact on the value of this instrument in the period between coupon payment dates (for variable interest instruments), in contrast to instruments with a fixed rate of interest, where changes in the variable interest rate affect the value of all coupons.

The credit currently owned by the Company is designated as hedging instruments.

IV. Additionally the Company possesses credit lines in the following banks:

- a) 30 mln USD - foreign currency working credit in BRE Bank S.A.
- b) 10 mln USD – credit in a currency account in BRE Bank S.A.
- c) 5 mln USD – credit in a current account in Bank Handlowy S.A.
- d) 40 mln PLN – credit in a current account in Bank Pekao S.A.

As at 30 June 2004 the Company had not made use of these credit lines.

V. Information on financial instruments:

Financial assets held to maturity - bonds of DIALOG S.A.

KGHM Polska Miedz S.A. holds bonds of DIALOG S.A. having a total nominal value of PLN 1 379 800 thousand, of which:

- a. 2 940 bonds having a total nominal value of PLN 294 000 thousand with maturity dates from 15 July 2003 to 17 July 2006.
- b. 9 150 bonds series XXI having a total nominal value of PLN 915 000 thousand purchased for the period from 15 July 2003 to 18 December 2006.
- c. 1 708 bonds series XXII having a total nominal value of PLN 170 800 thousand purchased for the period from 15 July 2003 to 18 December 2006.

VI. Financial Leasing

KGHM Polska Miedź S.A. leases assets based on four leasing agreements:

1. an agreement dated 30 August 2002 with Bank Austria Creditanstalt,
2. an agreement dated 3 December 2003 with Reiffeisen – Leasing Polska Spółka Akcyjna,
3. an agreement dated 12 February 2004 with KGHM METRACO sp. z o.o.,
4. agreement nr 93/IG/2004 dated 29 April 2004 entered into with the State Treasury.

Re: pt 1 Leasing agreement for tangible assets - computer hardware

The subject of the first agreement is the leasing of IBM computer hardware (servers). This agreement is valued at USD 1 427 thousand, initial payment – a cost of financing of USD 11 thousand was paid. The subject of the agreement is the acquisition of fixed assets for the purpose of providing hosting services managed by Dominet Bank S.A.

Instalment payments are made monthly over a period of 60 months. Maturity is in October 2007. The agreement allows the shortening of the repayment period. Interest is based on WIBOR 1M. Pursuant to this agreement the Company has the right to expand the subject of the agreement. The assets which are the subject of this agreement have been insured by the Company against risk. In the first quarter of 2004 this agreement was redenominated into PLN.

Re: pt 2. Leasing agreement for tangible assets - aircraft

The subject of the second agreement is the leasing of an aircraft to be used by the Company. This agreement is valued at USD 1 361 thousand (which, based on the agreement's fixed exchange rate, is PLN 5 191 thousand) of which USD 680 thousand represents the initial payment. As at 30 June 2004 there remain to be paid 18 equity instalments in the amount of PLN 1 964 thousand. Equity instalments are made monthly over a period of 60 months. The agreement allows the shortening of the repayment period.

Maturity is 14 December 2005. Interest is based on LIBOR from the last day of the month prior to payment.

An additional security is a bill of exchange in blanco together with a bill of exchange declaration. Pursuant to this agreement the Company incurs the costs of taking over these assets.

The assets which are the subject of the leasing agreement have been insured by the Company.

Re: pt 3. Leasing agreement for tangible assets – Production line for salt

The subject of the leasing agreement signed with KGHM Metraco sp. z o.o. is a production line for the production of salt. Future payments are based on the net value of the equipment in the amount of PLN 5 934 thousand. Capital instalments will be executed monthly. The final instalment is to be made on 15 January 2007. Interest is based on WIBOR for one-month deposits, from the first working day of the month plus two percentage points. The production line which is the subject of the leasing agreement is subject to a 24-month guarantee.

Re: pt 4. Leasing agreement for intangible assets – an agreement related to the use of (access to) geological information contained in the geological documentation of the “Głogów Głęboki” deposit.

The subject of the leasing agreement is the access given by the State Treasury, for a fee, to geological information presented in the geological documentation of the „Głogów Głęboki Przemysłowy” (Deep Industrial Głogów) copper ore deposit. The reason for acquiring this information is to prepare an application to receive a mining license to extract copper ore from the „Głogów Głęboki” deposit. Remuneration to the State Treasury amounts in total to EUR 8 214 554.00, in respect of which the first instalment amounted to EUR 814 554.00. The remaining remuneration due of EUR 7 400 000.00 is payable in ten equal annual instalments, payable by 30 June of each year. Acquisition of this license is expected in November 2004. This license will likely be granted for a period of 50 years. These liabilities are not interest bearing, and are therefore recorded in the accounts at a discounted value. After discounting, the current value of these liabilities as at 30 June 2004 amounted to EUR 5 978 872.71.

The securities attached to this agreement arise from the Civil Code and from the PGG (Prawo Górnicze i Geologiczne, or Law on Mining and Geology). The agreement allows for the termination by the State Treasury following a three-month period of notice of such, should KGHM not receive the license by 29 October 2006.

INFORMATION ON FINANCIAL ASSETS WHICH WERE AVAILABLE FOR SALE OR HELD FOR
TRADING, VALUED AT THEIR AMORTISED COST
AS AT 30 JUNE 2004

On the last day of the financial period there were no valuations of financial assets which were available for sale or held for trading at an amortised cost.

CHANGE IN VALUATION OF FINANCIAL ASSETS

The Company does not change the valuation to fair value of financial assets to valuation at the amortised cost.

INFORMATION ON WRITE – OFFS OF THE FINANCIAL ASSETS DUE TO PERMANENT
DIMINUTION IN VALUE

In the presented period there were no write-offs of the financial assets due to permanent diminution in value.

INFORMATION ON INTEREST INCOME FROM FINANCIAL DEBT INSTRUMENTS, LOANS
 GRANTED OR RECEIVABLES ORIGINATED
 FOR THE PERIOD FROM 1 JANUARY 2004 TO 30 JUNE 2004

| Item | Description | Interest income during the financial period | | | | Category of assets, to which this interest is related |
|------|--|---|--|---------------------|----------------|---|
| | | interest accrued and realised | interest accrued and not realised pursuant to payment schedule | | | |
| | | | to 3 months | from 3 to 12 months | over 12 months | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. | Financial debt instruments | 49 492 | 261 | | | Financial assets held to maturity |
| 2. | Loans granted | 8 | 118 | | | Loans and receivables originated |
| 3. | Receivables originated (i.e. arising from the granting of cash resources to a second party, contingent upon meeting the requirements of art.3 sec. 1 p.23) | 2 500 | 28 | | | Receivables originated – bank deposit |

WRITE-OFFS REVALUING LOANS GRANTED OR RECEIVABLES ORIGINATED AND ACCRUED
- UNREALISED INTEREST ON THESE DEBTORS

There were no write-offs revaluing loans granted or receivables originated due to permanent diminution in value

INFORMATION ON INTEREST COSTS OF FINANCIAL LIABILITIES
FOR THE PERIOD FROM 1 JANUARY 2004 TO 30 JUNE 2004

| Item | Description | Interest costs in financial period | | | |
|------|--|------------------------------------|--|---------------------|----------------|
| | | accrued and realised interest | accrued and unrealised interest pursuant to payment schedule | | |
| | | | to 3 months | from 3 to 12 months | over 12 months |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. | Financial liabilities held for trading of which: | 4 900 | 62 | | |
| 1a | bank and other loans | 4 550 | | | |
| 1b | leasing | 350 | 62 | | |
| 1c | other | | | | |
| 2. | Other short term financial liabilities - bank loan for hedging purposes | | | | |
| 3. | Other short term financial liabilities | | | | |
| 4. | Long term financial liabilities – long term bank loan – hedging transactions | 20 480 | 708 | | |

CASH FLOW HEDGES RECOGNISED IN EQUITY

The Company accounts for cash flow hedges in accordance with principles outlined in the Introduction to the financial statements. These principles require that the effective portion of the result from the valuation of financial instruments in the period in which such transactions are designated as cash flow hedges is recognised in equity. The amounts accumulated in equity this way are then transferred to the profit and loss when the hedged item is realised.

On the 1 June 2000 the General Meeting of Shareholders decided to establish a separate position in equity relating to the valuation of hedging transactions.

The tables below present respectively the equity balance and changes in equity due to accounting for the valuation of the effective part of the derivative instruments designated as hedging of future cash flows.

| AMOUNTS RECOGNISED IN EQUITY | 30 June 2004 [in '000 PLN] |
|--|-------------------------------|
| Revaluation reserve– hedging transactions against commodities risk (copper, silver) | (503 510) |
| Revaluation reserve– hedging transactions against exchange rate risk – forwards and options | 128 690 |
| Revaluation reserve– hedging transactions against exchange rate risk – foreign currency bank loans | 63 507 |
| REVALUATION RESERVE - TOTAL | (311 313) |

The effectiveness of hedging instruments used by the Company in the financial period is assessed and measured by comparing changes in forward prices of hedged items with the prices of forward contracts, or – in the case of options instruments – based on changes in options intrinsic value.

Gains and losses on cash flow hedging instruments

| | 30 June 2004 [in '000 PLN] Total |
|---|--|
| Accumulated result in equity achieved on cash flow hedging financial instruments, as at date of opening balance | (370 028) |
| Amount recognised in equity in the current financial period due to effective hedging transactions | (289 628) |
| Gains / losses transferred from equity to the income statement in the financial period | 348 343 |
| Gains / losses eliminated from equity adjusting the carrying amount of the hedged asset or liability | - |
| Accumulated in equity gains and losses on cash flow hedges at the balance sheet date | (311 313) |

INFORMATION ON INTEREST FROM LOANS OR RECEIVABLES ORIGINATED REVALUED
DUE TO PERMANENT DIMINUTION IN VALUE AS AT 30 JUNE 2004

KGHM Polska Miedz S.A. does not possess loans or receivables originated which were subject to revaluation due to permanent diminution in value

OFF - BALANCE SHEET LIABILITIES AND DEBTORS
AS AT 30 JUNE 2004

| Item | Type of liability | Total amount | Date |
|------|---|--------------|------------|
| 1 | 2 | 3 | 4 |
| 1. | CONTINGENT DEBTORS due to: | 74 249 | |
| 1.1 | received guarantees | | |
| - | of which from related entities | | |
| 1.2 | contested State budget issues | 73 762 | undefined |
| 1.3 | other items | 487 | undefined |
| - | of which from related entities | | |
| 2. | CONTINGENT LIABILITIES due to: | 3 518 | |
| 2.1 | granted guarantees | 3 518 | |
| - | of which to related entities | 3 518 | |
| | | 2 612 | 31.07.2004 |
| | | 906 | 04.09.2004 |
| 3. | OTHER OFF - BALANCE SHEET LIABILITIES due to: | 278 451 | X |
| 3.1 | liabilities on bills of exchange | 4 000 | 30.12.2004 |
| 3.2 | perpetual usufruct of State Treasury land | 176 019 | undefined |
| 3.3 | leased fixed assets | 3 567 | undefined |
| 3.4 | commitments due to implementation of R&D projects and other unrealised agreements | 93 753 | undefined |
| - | of which toward related entities | 7 683 | |
| 3.5 | other unresolved and disputed issues, etc. | 1 112 | undefined |

INFORMATION ON LIABILITIES TO STATE OR MUNICIPAL AUTHORITIES
AS AT 30 JUNE 2004

At the end of the first half of 2004 the Company has no liabilities to State or municipal authorities due to gaining ownership rights to buildings and structures

INFORMATION ON REVENUE, COSTS AND RESULTS OF ABANDONED ACTIVITIES
FOR THE PERIOD FROM 1 JANUARY 2004 TO 30 JUNE 2004

| Item | Description | Revenues | Costs | Result on abandoned activities |
|------|--|----------|--------|--------------------------------|
| 0 | 1 | 2 | 3 | 4 |
| I. | Operations abandoned during the financial period | 10 263 | 30 109 | (19 846) |
| 1. | Transfer of heating plant to the subsidiary Energetyka Sp.z o.o. | 10 263 | 30 109 | (19 846) |
| II. | Activities foreseen as being abandoned in the following financial year | 185 | 120 | 65 |
| 2. | Separation of the water-sewage activities of the Water Management Division as a separate entity with the equity commitment of KGHM Polska Miedź S.A. | 185 | 120 | 65 |
| III. | TOTAL (I+II) | 10 448 | 30 229 | (19 781) |

COSTS OF PRODUCTION OF PRODUCTS FOR INTERNAL USE OF THE COMPANY
FOR THE PERIOD FROM 1 JANUARY 2004 TO 30 JUNE 2004

| Item | Description | Amount |
|------|---|--------|
| 0 | 1 | 2 |
| 1. | Products transferred to tangible assets under construction, tangible assets for internal use of the Company | 944 |
| 2. | Products transferred to inventories warehouse | 11 656 |
| 3. | Other | 1 213 |
| I. | TOTAL | 13 813 |

EQUITY AND TANGIBLE INVESTMENTS
INCURRED AND PLANNED

| Item | Description | Incurred in the first half of 2004 | Planned in the next 12 months |
|------|------------------------------------|---------------------------------------|----------------------------------|
| 0 | 1 | 2 | 3 |
| I | Tangible investments | 192 822 | 650 000 |
| a | of which: environmental protection | 6 684 | 56 000 |
| II | Equity investments | 66 009 | 325 002 |

INFORMATION ON TRANSACTIONS OF ISSUERS WITH RELATED ENTITIES RELATING TO TRANSFER OF RIGHTS AND OBLIGATIONS

| Item | Name of entity | Entity with which the transaction was concluded | Transaction | | | Subject |
|------|------------------------|---|---------------------------------------|--|---|--|
| | | | Value of sales and other transactions | Value of purchase and other transactions | Subject | |
| 1. | KGHM Polska Miedź S.A. | TUW "CUPRUM" | | 4 853 | | property insurance |
| 2. | KGHM Polska Miedź S.A. | Energetyka spółka. z o.o. | 16 564 | 50 929 | purchase of services | supply of heat, power and water |
| 3. | KGHM Polska Miedź S.A. | CBPM "CUPRUM" spółka. z o.o. | | 3 524 | | R&D and design works |
| 4. | KGHM Polska Miedź S.A. | MCZ S.A. | | 5 067 | | medical services |
| 5. | KGHM Polska Miedź S.A. | CBJ spółka. z o.o. | | 15 193 | | quality services |
| 6. | KGHM Polska Miedź S.A. | KGHM Polish Copper Ltd | 413 998 | | copper and silver products sales through intermediary services | |
| 7. | KGHM Polska Miedź S.A. | KGHM Kupferhandelsges m.b.H. | 140 070 | | copper products sales through intermediary services | |
| 8. | KGHM Polska Miedź S.A. | KGHM Metraco spółka. z o.o. | 88 793 | 262 183 | exclusive rights to perform intermediary services in the sale of acid, copper and rock salt | copper scrap, chemical materials and machines |
| 9. | KGHM Polska Miedź S.A. | Pol-Miedź Trans spółka. z o.o. | | 123 070 | | transport services |
| 10. | KGHM Polska Miedź S.A. | "Zagłębie" Lubin SA | | 2 765 | | sponsoring |
| 11. | KGHM Polska Miedź S.A. | DIALOG S.A. | 49 948 | | interest bonds | |
| 12. | KGHM Polska Miedź S.A. | Minova-Ksante Sp. z o.o. | | 4 066 | | purchase of goods for resale |
| 13. | KGHM Polska Miedź S.A. | KGHM Metale S.A. | | 6 400 | | acquisition of shares of PHP Mercus Sp. z o.o. |
| 14. | KGHM Polska Miedź S.A. | PPH Mercus Sp. z o.o. | | 151 899 | | purchase of materials for supply purposes |

The above information includes typical business transactions as well as unusual transactions related to the acquisition of shares, bonds and other. Additionally, KGHM Polska Miedź S.A. has indirect interests in subsidiaries and associates of the lower level in the Capital Group. The full scope of relations will be presented in the consolidated financial statement.

DATA CONCERNING ENTITIES HAVING A CAPITAL RELATIONSHIP WITH THE ISSUER
AS AT 30 JUNE 2004

| Item | Name of entity | Degree of management control % | Mutual debtors | Mutual liabilities | Mutual operating and financial costs | Mutual operating and financial revenues | Mutual long term investment |
|------|--|--|----------------|--------------------|--------------------------------------|---|-----------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. | CBPM Cuprum Sp. z o.o. | 100.00 | 302 | 4 301 | 3 528 | 5 | |
| 2. | KGHM Polish Copper Ltd. | 100.00 | 34 337 | | 413 050 | | |
| 3. | Dolnośląska Spółka Inwestycyjna S.A. | 77.46 directly owned + 22.54 indirectly owned | 7 | | 102 | 35 | |
| 4. | Miedziove Centrum Zdrowia S.A. | 100.00 | 32 | 968 | 5 149 | 280 | |
| 5. | KGHM Metale S.A. | 100.00 | 117 | 22 | 254 | 836 | |
| 6. | Energetyka Sp. z o.o. | 100.00 | 10 007 | 17 333 | 44 512 | 13 813 | |
| 7. | Centrum Badań Jakości Sp. z o.o. | 100.00 | 100 | 3 145 | 15 261 | 883 | |
| 8. | KGHM Kupferhandelsges mbH. | 100.00 | 37 120 | | | 144 491 | |
| 9. | Pol-Miedź Trans Sp. z o.o. | 100.00 | 261 | 8 833 | 123 117 | 1 477 | |
| 10. | DIALOG S.A. | 100.00 | 40 | 604 | 1 370 | 49 948 | 1 379 800 |
| 11. | KGHM Congo sprl | 99.98 | 27 040 | | 47 | | |
| 12. | KGHM Metraco Sp. z o.o. | 98.96 | 15 247 | 35 382 | 262 190 | 88 791 | |
| 13 | TUW Cuprum | 93.80 directly owned + 3.09 indirectly owned | 2 552 | 2 866 | 7 046 | 4 395 | |
| 14. | Zagłębie Lubin Sportowa Spółka Akcyjna | 41.00 directly owned + 38.51 indirectly owned | 10 | 18 | 2 765 | 13 | |
| 15 | Minova -Ksante Sp. z o.o. | 30.00 | 27 | 648 | 4 066 | 331 | |
| 16 | PHP Mercus Sp. z o.o. | 47.37 directly owned + 52.63 indirectly owned | 146 | 28 932 | 151 933 | 545 | |
| 17 | Interferie Sp.z o.o. | 3.95 directly owned + 96.05 indirectly owned | 1 052 | 361 | 1 331 | 6 | |
| | Total* | X | 128 397 | 103 413 | 622 671 | 718 899 | 1 379 800 |

*Additionally, KGHM Polska Miedź S.A. has indirect interests in subsidiaries and associates of the lower level in the Group. The full scope of relations will be presented in the consolidated financial statement.

INFORMATION ON JOINT VENTURES NOT CONSOLIDATED FULLY OR BY THE EQUITY
METHOD IN THE FIRST HALF OF 2004

In the first half of 2004 the Company did not have joint ventures with other entities

AVERAGE EMPLOYMENT IN THE FIRST HALF OF 2004

| Item | Description | Average employment |
|------|--|--------------------|
| 0 | 1 | 2 |
| 1. | Employees: | 17 788 |
| a. | white-collar workers | 4 292 |
| b. | blue-collar workers | 13 496 |
| 2. | Trainees | 1 |
| 3. | Persons on maternity leave or unpaid leave | 17 |
| I | EMPLOYMENT IN TOTAL | 17 806 |

INFORMATION ON REMUNERATION AND ON ADVANCES, LOANS, CREDITS AND
GUARANTEES GRANTED TO MANAGEMENT AND SUPERVISORY PERSONNEL OF KGHM
POLSKA MIEDŹ S.A. IN THE FIRST HALF OF 2004

| Item | Description | Management Board | Supervisory Board |
|------|---|------------------|-------------------|
| 1. | 2. | 3. | 4. |
| 1. | Remuneration, together with profit sharing, paid by the issuer: | 1 739 | 443 |
| 1.1 | by contract, for the fulfilment of management and supervisory functions in the first half of 2004 (for time in the position)* | 1 070 | 284 |
| 1.2 | for recalled members of the Management Board (remuneration paid after recall) | 607 | |
| 1.3 | due to other contracts (<i>of which: due to employment contracts with members of the Supervisory Board elected by the employees</i>) | 62 | 159 |
| 2. | Remuneration, together with profit sharing, paid by the issuer's subsidiaries and associates due to the fulfilment of supervisory functions and due to other contracts | 212 | 50 |
| 3. | Transactions of the issuer, and subsidiary and associated entities, with spouses, relatives related in a straight line to the first or second degree, or related due to the providing of care, adoption or guardianship with management or supervisory personnel. | none | |

In the financial period the Company did not grant advances, credits, loans and guarantes for members of the Management Board and Supervisory Board

**The monthly remuneration of Supervisory Board members was established based on a resolution of the Ordinary General Meeting dated 29 May 2003, being:*

- *for the Chairman of the Supervisory Board, 2.5 times the average monthly pre-tax wage in the commercial sector, without profit sharing, for the last month of the prior quarter, and*
- *2.2 times the wage as calculated above for the Deputy Chairman, and 2 times the wage for the remaining members of the Supervisory Board*

SIGNIFICANT EVENTS OF PRIOR YEARS ACCOUNTED FOR WITHIN
THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2004

| Item | Description of events | Effect on financial result (+ , -) |
|------|--|--------------------------------------|
| 0 | 1 | 2 |
| 1. | Refund of overpayment of property tax minus payment of taxation from prior years | 10 909 |
| 2. | Refund of insurance premiums | 4 395 |
| 3. | Adjustment of mining fees | (2 360) |
| 4. | VAT for 2001 | (34) |
| 5. | Income tax for previous years with interest | 331 |
| 6. | Other corrections related to prior years | 196 |
| I. | TOTAL | 13 437 |

SIGNIFICANT EVENTS WHICH OCCURRED AFTER THE BALANCE SHEET DATE AND WHICH
WERE NOT ACCOUNTED FOR IN THE FINANCIAL STATEMENTS FOR
THE FIRST HALF OF 2004

Contract for the sale of copper cathodes.

On 3 September 2004 a contract was approved for the sale of copper cathodes in the years 2004 - 2008, concluded between KGHM Polska Miedź S.A. and Trafigura Beheer B.V. Amsterdam, Branch Office Lucerne (Switzerland), dated 14 July 2004 (with an amendment dated 26 July 2004), as a result of which, pursuant to an understanding between the contracting parties, this agreement became binding.

The approving party is ABN Amro Bank NV - the Agent for credit organised for KGHM Polska Miedź S.A. (based on an agreement dated 18 July 2003) by ABN Amro Bank NV, Bank Polska Kasa Opieki SA and Citibank NA. For the purposes of this credit agreement, the agreement entered into between KGHM Polska Miedź S.A. and Trafigura Beheer B.V. secures the credit agreement, and replaces the multi-year contract for the supply of copper cathodes signed by KGHM Polska Miedź S.A. and Glencore International AG dated 15 July 2003.

The value of the contract between KGHM Polska Miedź S.A. and Trafigura Beheer B.V. Amsterdam - calculated as an estimate based on the copper price and the National Bank of Poland exchange rate of 2 September 2004 - is estimated at USD 316 575 thousand, i.e. PLN 1 153 220 thousand. The contract provides for contractual penalties for late payments.

Settlement and supply for this export contract will begin starting from October 2004, and will be executed systematically until June 2008.

The total estimated value of all contracts entered into between KGHM Polska Miedź S.A. and Trafigura Beheer B.V. Amsterdam during the last 12 months amounts to PLN 1 158 345 thousand.

INFORMATION ABOUT RELATION BETWEEN LEGAL ANTECEDENT OF THE COMPANY AND THE COMPANY AND THE METHOD AND SCOPE OF TRANSFER OF ASSETS AND EQUITY AND LIABILITIES.

The legal antecedent of the Company was a State-owned enterprise Kombinat Górniczo - Hutniczy Miedzi in Lubin transformed into a State-owned, joint stock company pursuant to principles set down in the law dated 13 July 1990 on the privatisation of State-owned enterprises.

INFORMATION ON CORRECTIONS TO INFLATION LEVEL.

The financial statements and comparative financial data are not subject to correction due to inflation.

CHANGES TO DATA SHOWN IN THE FINANCIAL STATEMENTS AND IN COMPARABLE DATA, VERSUS THOSE OF PREVIOUSLY- PREPARED AND PUBLISHED FINANCIAL STATEMENTS

There are some differences between the presented financial statements with respect to the comparative financial data versus those previously published in the financial statements for the first half of 2003, arising from the adjustment of comparative periods to the principles of accounting and methodology of presentation introduced on 1 January 2004.

| | as at 30.06.2003 |
|---|------------------|
| Value of assets prior to changes in methodology | 8 385 537 |
| - change in exchange rate for valuation of long term debt securities | 3 342 |
| - effects of changes in the value of long term shares in subordinated entities valued by the equity method | (599 647) |
| - tax asset due to change in exchange rate for valuation | (57) |
| - change in exchange rate for valuation of short term debtors denominated in foreign currencies | 2 082 |
| - change in exchange rate for valuation of short term financial assets denominated in foreign currencies | 4 470 |
| Value of assets after changes in methodology | 7 795 727 |
| Value of equity and liabilities based on previously-published data | 8 385 537 |
| - change in exchange rate for valuation of hedging instruments recognised in revaluation reserve | 31 832 |
| - effects of changes in exchange rate for valuation of assets and liabilities recognised in result from prior years | 6 992 |
| - effects of changes in the value of long term shares in subordinated entities valued by the equity method and recognised in the result from prior years | (623 858) |
| - effects of changes in the value of long term shares in subordinated entities valued by the equity method and recognised in the result of the current period | 24 211 |
| - effects of changes in exchange rate for valuation of assets and liabilities recognised in result of the period | 2 218 |
| - tax provision due to changes in exchange rate for valuation | 9 571 |
| - change in exchange rate for valuation of short term liabilities | (40 776) |
| Value of equity and liabilities after changes in methodology | 7 795 727 |

CHANGES OF ACCOUNTING POLICIES IN RELATION TO PRIOR FINANCIAL PERIOD

In relation to previously applied accounting principles, changes have been carried out in the current-period half year financial statements in the following areas:

- establishment of the exchange rate for valuation of assets and liabilities denominated in foreign currencies. The currency exchange rate of the bank in which the largest operations were executed has been replaced by the average exchange rate of the National Bank of Poland,
- valuation of long term shares in subordinated entities by the equity method,
- change in the manner of presentation of the result on settlement of commodity hedging instruments in the income statement, the effect of which is exclusion of this result from financial income and its recognition as an adjustment of revenues from sales,
- an adjustment in costs of sales and in financial costs due to the reversal of recognition of an embedded financial instrument in an agreement.

The effects of changes in accounting principles in the current period impacted the result from prior years in the following manner:

- the change in exchange rates increased undistributed profit from prior years PLN 13 564 thousand
- the change in the valuation of long term shares by the equity method decreased undistributed profit from prior years (PLN 400 809 thousand)

In addition, the change in the exchange rate for the valuation of future cash flow hedging instruments (including credit denominated in USD) increased revaluation reserve by the amount of PLN 35 455 thousand.

Additional explanatory notes
Note nr 18

CORRECTIONS TO ERRORS, THEIR REASON, DESCRIPTION AND IMPACT ON THE MATERIAL AND FINANCIAL SITUATION AND ON THE FINANCIAL RESULT

There were no errors in the current period.

Additional Explanatory Notes
Note Nr 19

GOING CONCERN CONSIDERATION

The statements of the Company have been prepared under the going concern concept. There are no reasons suggesting any threats to the going concern consideration in the foreseeable future.

Additional Explanatory Notes
Note Nr 20

MERGER OF COMPANIES

There were no mergers of companies in the current financial period. This financial statements does not contain data on merged companies.

OTHER ADDITIONAL EXPLANATORY INFORMATION

FINANCIAL COMMITMENT OF KGHM POLSKA MIEDŹ S.A. IN DIALOG S.A.

As at 30 June 2004 the financial commitment of KGHM Polska Miedź S.A. in DIALOG S.A. comprised:

- investments in shares at cost of purchase – PLN 875 735 thousand, and
- the value of bonds at cost of purchase – 1 379 800 thousand.

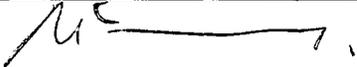
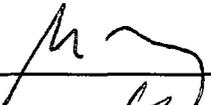
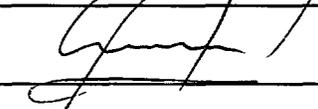
- A. The Management Board of KGHM Polska Miedź S.A., in preparing the financial report for the first half of 2004, decided to make a change in accounting principles with respect to the valuation of long term shares in subordinated entities with effect as at 1 January 2004. Pursuant to art. 28 sec.1 of the law dated 29 September 1994, it was decided to value this group of assets by the equity method, recognising that this method, by directly showing the effects of the economic activities of subordinated entities, will better reflect the value of these shares in the accounts of KGHM Polska Miedź S.A. than the valuation method applied until now based on historical cost, including in particular the shares of DIALOG S.A., which according to the new method of valuation are worth PLN 86 115 thousand. The effects of this change in accounting principles, pursuant to para. 2 sec. 1 pt. 46 of the Decree of the Council of Ministers dated 16 October 2001 regarding the detailed requirements which should be met by a prospectus or summary prospectus (Dz.U. from 2001 Nr 139, item 1568 with later changes), have been recognised in the opening balance sheet for comparative data, i.e. as at 1 January 2003, in the amount *in minus* of PLN 875 735 thousand and as an adjustment of the financial result for 2003 in the amount *in plus* of PLN 95 699 thousand. The remaining amount of PLN 9 584 thousand was charged to the financial result of the current year.
- B. The telecommunications market in Poland is dynamically changing, and DIALOG S.A. is in a phase of intensive growth, aimed at acquiring the maximum number of new subscribers, improving its subscriber structure by focusing on business customers, and at developing new services. The Management Board of DIALOG S.A. in 2003 and 2004 also continued to consistently realise a restrictive program of optimising costs, which led to a clear improvement in the profitability of operating activities. In the first half of 2004 the company achieved an operating profit of PLN 37 512 thousand (EBITDA amounted to PLN 89 517 thousand).

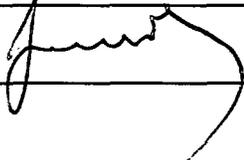
The Management Board of KGHM Polska Miedź S.A. views the above actions as the basis for an increase in the value of DIALOG S.A. and is of the opinion that the results achieved by DIALOG S.A. in the first half of 2004 confirm the appropriateness of the activities undertaken and permits the assumption that the consistently realised path of actions will lead to the economic development of the company, crystallisation of the value of its telecommunications assets and to a rapid increase in the value of these assets.

KGHM Polska Miedź S.A., through its representatives on the Supervisory Board, will monitor the permanence of the process of improvement in the financial situation of DIALOG S.A. and, keeping in mind its own capacity for investment, will finance the development of this subsidiary in a measured way.

As at the date of preparation of this report, the Management Board of KGHM Polska Miedź S.A. had not yet made a decision as to what specific actions to take as respects restructurisation of the debt of DIALOG S.A. towards KGHM Polska Miedź S.A. due to the purchase of bonds by KGHM Polska Miedź S.A. in the amount of PLN 1 379 800 thousand. The purpose of this restructurisation would be to establish an optimal financing structure for this company by using equity and debt in such a way as to ensure that the costs of debt servicing did not restrain the development possibilities of this company. In order to develop a program of restructurisation, reliable cash flow forecasts, among others, are being prepared which reflect the current situation and operational possibilities of the company. Any eventual decisions regarding restructurisation of the debt of DIALOG S.A. towards KGHM S.A. may lead to the necessity to carry out an adjustment in the value of its bonds in the accounts of KGHM Polska Miedź S.A.

Until this work is finished, the Management Board of KGHM Polska Miedź S.A. is not in a position to determine the eventual amount of such an adjustment of debtors due to bonds, which is why such adjustments have not been recognised in the financial statements of KGHM Polska Miedź S.A. as at 30 June 2004. Any eventual adjustments, to the extent they are necessary, will be recognised in the accounts of the fourth quarter of 2004.

| SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD | | | |
|---|---------------------------|---|---|
| DATE | FIRST, LAST NAME | POSITION | SIGNATURE |
| 16 September 2004 | Wiktor Błądek | President of the Management Board |  |
| 16 September 2004 | Jarosław Andrzej Szczepak | Vice President of the Management Board |  |
| 16 September 2004 | Andrzej Kowalczyk | Vice President of the Management Board |  |
| 16 September 2004 | Andrzej Krug | Vice President of the Management Board |  |
| 16 September 2004 | Marek Szczerbiak | Vice President of the Management Board |  |

| SIGNATURE OF PERSON RESPONSIBLE FOR COMPANY ACCOUNTING | | | |
|--|------------------|------------------|---|
| DATE | FIRST, LAST NAME | POSITION | SIGNATURE |
| 16 September 2004 | Jacek Sieniawski | Chief Accountant |  |

KGHM POLSKA MIEDŹ S.A.

**REPORT ON THE ACTIVITIES
OF THE COMPANY
IN THE FIRST HALF OF 2004**

Lubin, September 2004

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To ensure comparability, data of the reports for the first half of 2003 and the full year 2003 have been restated as respects presentation of the result from the disposal of hedging instruments. A discussion of the differences in relation to previously-published reports is provided in *additional explanatory note nr 16 of the Financial Statements*.

Due to the change in accounting principles, as announced by the Company in current report nr 44/2004 dated 24 August 2004, the financial result – a net profit – as published in the SA-Q II/2004 report for the second quarter in the amount of PLN 496 825 thousand and the accrued net profit of PLN 957 812 thousand, in both instances was increased by PLN 19 347 thousand, while retained profit from prior years was reduced by PLN 400 809 thousand.

I. COMPANY PROFILE

1. ORGANISATIONAL STRUCTURE

Company activities

The activities of the Company are primarily comprised of the following:

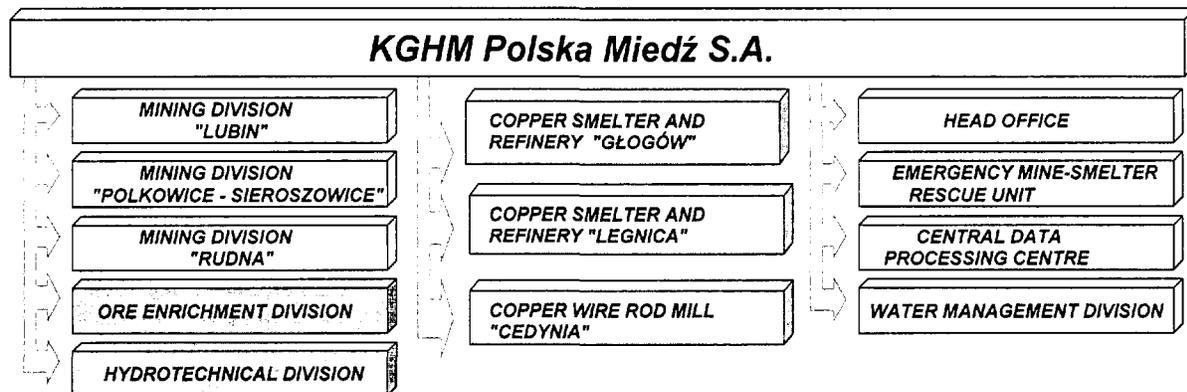
- mining of metal ore,
- production of precious and non-ferrous metals and salt,
- processing of light and non-ferrous metals,
- management of wastes,
- wholesale sales based on direct or contractual payments,
- storage and preservation of goods,
- financial holding associations,
- geological-exploratory activities, research and technical analysis,
- generation and distribution of electrical energy and of steam and hot water, generation of gas, and distribution of gaseous fuels through a supply network,
- professional emergency rescue services,
- scheduled and non-scheduled air transport,
- telecommunications and computer-related services.

Changes in the organisational structure

In the first half of 2004 there were 11 Divisions with a Head Office comprising the multi-divisional organisational structure of KGHM Polska Miedź S.A.

The organisational structure of KGHM Polska Miedź S.A. as at 30 June 2004 is presented in the chart below:

Diagram 1. Organisational structure of the Company as at 30 June 2004



Composition of the Supervisory Board

During the period from 1 January 2004 to 16 April 2004 the composition of the Supervisory Board was as follows:

- Bohdan Kaczmarek Chairman
- Jerzy Markowski Deputy Chairman
- Jan Rymarczyk Secretary
- Jerzy Kisilowski
- Janusz Maciejewicz
- Marek Wierzbowski

as well as the following employee-elected members:

- Józef Czyczerski
- Leszek Hajdacki
- Ryszard Kurek

By Resolutions Nrs 9/2004 and 10/2004 of the Ordinary General Meeting of KGHM Polska Miedź SA dated 16 April 2004 the following persons were recalled from the Supervisory Board: Bohdan Kaczmarek and Jerzy Kisilowski. By Resolution Nr 11/2004 of the Ordinary General Meeting the following persons were appointed to the Supervisory Board: Tadeusz Janusz and Jan Stachowicz.

Composition of the Supervisory Board was then as follows:

- Jerzy Markowski Deputy Chairman
- Jan Rymarczyk Secretary
- Tadeusz Janusz
- Janusz Maciejewicz
- Jan Stachowicz
- Marek Wierzbowski

as well as the following employee-elected members:

- Józef Czyczerski
- Leszek Hajdacki
- Ryszard Kurek

By Resolution Nr 66/V/04 of the Supervisory Board of KGHM Polska Miedź S.A. dated 7 June 2004, Janusz Maciejewicz was chosen as Chairman of the Supervisory Board.

As at 30 June 2004 the Supervisory Board functioned in the 9-person form as above.

During the Extraordinary General Meeting on 1 July 2004 a Member of the Supervisory Board, Jan Stachowicz, submitted his resignation from the Supervisory Board. By Resolution Nr 6/2004 of the Extraordinary General Meeting on 1 July 2004, Ms Elżbieta Niebisz was appointed to the Supervisory Board.

Composition of the Management Board

During the period from 1 January 2004 to 29 March 2004 the Management Board of KGHM Polska Miedź S.A. functioned in the following form:

- Stanisław Speczik President of the Management Board
- Grzegorz Kubacki Vice President of the Management Board for Employee Affairs
- Tadeusz Szelaż Vice President of the Management Board for Production
- Jarosław Andrzej Szczepek Vice President of the Management Board for Finance-Economics

By Resolutions Nrs 21/V/04, 25/V/04 and 26/V/04 of the Supervisory Board of KGHM Polska Miedź S.A. dated 29 March 2004 the following persons were recalled from the Management Board: Stanisław Speczik, Grzegorz Kubacki and Tadeusz Szelaż. By Resolution Nr 24/V/04 dated 29 March 2004, Wiktor Błądek was appointed as President of the Management Board, while by resolutions nrs 29/V/04, 30/V/04 and 31/V/04 the following persons were appointed to the Management Board: Andrzej Kowalczyk, Andrzej Krug and Marek Szczerbiak. By Resolution Nr 28/V/04 Jarosław Andrzej Szczepek was appointed as First Vice President of the Management Board. Following these changes the composition of the Management Board was as follows:

- Wiktor Błądek President of the Management Board
- Jarosław Andrzej Szczepek First Vice President of the Management Board,
Vice President of the Management Board for Finance-Economics
- Andrzej Kowalczyk Vice President of the Management Board for Equity Investments
- Andrzej Krug Vice President of the Management Board for Employee Affairs
- Marek Szczerbiak Vice President of the Management Board for Production

Ownership structure

As at 30 June 2004, the following shareholders held a number of shares representing 5% or more of the share capital of the Company, as well as 5% or more of the total number of votes on the General Meeting of the Company, based on information received by the Company pursuant to art. 147 of the Law on the public trading of securities:

- The State Treasury - 88 567 589 shares (44.28% of the share capital),
- Powszechna Kasa Oszczędności Bank Polski S.A. - 10 750 922 shares (5.38% of the share capital),
- Deutsche Bank Trust Company Americas - depositary bank in the depositary receipt program of the Company, which as at 30 June 2004 held 10 116 182 shares (5.06% of the share capital).

In July 2004 Deutsche Bank Trust Company Americas (depositary bank in the depositary receipt program) reduced its share of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. to a level below 5%. As at 7 July 2004 it owned 9 604 406 shares, representing 4.80% of the share capital of the Company and granting the right to the same number of votes at the General Meeting.

2. ECONOMIC ACTIVITIES

Production results

In the first half of 2004 the Company increased its extraction of copper ore (dry weight) by 5.9% versus the comparable prior period. This was possible thanks to implementation of the new labor organisation system, WSP (which resulted in a maximum use of labor time during „working days” and an intensification of labor during „free days”).

Despite further improvement of the system of ore selection (among others through an increase of selective exploitation), due to a deterioration in geological conditions copper content in ore decreased by 2.0% and silver content by 3.9%. This decrease in the quality of ore was compensated by an increase in extraction, as a result of which the amount of copper in extracted ore increased by 4.0%, and silver by 1.8%.

Similarly, despite a decrease in the quality of concentrate (a decrease in copper content by 2.2% and silver by 4.5%) the amount of copper and silver in produced concentrate increased respectively by 3.6% and 1.2% in comparison to the first half of the prior year, mainly due to an increase in the production of concentrate by 6.0% (dry weight).

Production results in mining and smelting are presented in the table below:

Table 1. Production results in mining

| | Unit | 2003 | I-VI 2003 | I-VI 2004 | Change * (%) |
|---|--------|--------|-----------|-----------|--------------|
| Copper ore ** (dry weight) | '000 t | 28 515 | 14 244 | 15 090 | 105.9 |
| of which mineral exploited from deposit *** | '000 t | 25 831 | 13 123 | 13 160 | 100.3 |
| Copper content in ore | % | 1.99 | 2.00 | 1.96 | 98.0 |
| Silver content in ore | g/t | 54 | 55 | 53 | 96.4 |
| Copper concentrate (dry weight) | '000 t | 1 880 | 951 | 1 008 | 106.0 |
| Copper content in concentrate | % | 26.8 | 26.8 | 26.2 | 97.8 |
| Silver content in concentrate | g/t | 708 | 716 | 684 | 95.5 |

* I-VI 2003 = 100%

** As defined by the Ruling of the Council of Ministers dated 6 April 2004 regarding the Polish Classification of Goods and Services (known as PKWiU).

*** As defined by the Law on Mining and Geology dated 27 July 2001 and by executory provisions to the Law.

Table 2. Production results in smelting

| | Unit | 2003 | I-VI 2003 | I-VI 2004 | Change * (%) |
|---------------------|------|-----------|-----------|----------------|--------------|
| Copper products: | | | | | |
| Electrolytic copper | t | 529 616 | 264 955 | 268 443 | 101.3 |
| Wire rod | t | 215 213 | 101 787 | 117 851 | 115.8 |
| Round billets | t | 15 719 | 8 824 | 11 074 | 125.5 |
| Granular copper | t | 1 718 | 892 | 890 | 99.8 |
| Other products: | | | | | |
| Metallic silver | kg | 1 223 193 | 558 921 | 665 768 | 119.1 |
| Metallic gold | kg | 356 | 150 | 295 | 196.7 |
| Crude lead | t | 20 134 | 10 071 | 10 767 | 106.9 |
| Sulphuric acid | t | 619 658 | 315 608 | 310 705 | 98.4 |

* I-VI 2003 = 100%

During the described period, despite less favorable copper concentrate quality parameters, the Company increased the production of its basic products - copper and copper products and of silver - thanks to increased concentrate production and to better co-ordination of smelter operations.

The significant increase in wire rod production (15.8%) and in round billets (25.5%) is a result of increased activity on the processed copper market, while the increase in silver production (19.1%) is mainly due to the maintenance and modernisation work carried out in the first half of 2003 in the Precious Metals Plant at the HM Głogów smelter.

The nearly doubled increase in metallic gold production is the result of an agreement by the Company with the National Bank of Poland, which anticipates the refining by the Company of around 300-400 kg of gold scrap in the years 2004-2007. Additionally, thanks to modernisation of the Lead Section at the HM Głogów smelter, the Company increased its production of crude lead by 6.9%.

Product sales structure

In relation to the comparable prior period there was an increase in the sales volumes of copper and silver in the first half of 2004. 271 348 t of copper were sold, i.e. 3.7% (9 746 t) more than in the first six months of 2003. Silver sales amounted to 709 930 kg and were higher by 17.0% (103 234 kg) than in the comparable prior period.

Table 3. Sales volume for primary products

| | Unit | 2003 | I-VI 2003 | I-VI 2004 | Change * (%) |
|----------------------------|------|-----------|-----------|----------------|--------------|
| Copper and copper products | t | 523 853 | 261 602 | 271 348 | 103.7 |
| - of which export ** | t | 350 616 | 183 937 | 180 690 | 98.2 |
| Silver | kg | 1 326 560 | 606 696 | 709 930 | 117.0 |
| - of which export ** | kg | 1 232 744 | 564 018 | 662 100 | 117.4 |
| Gold | kg | 352 | 170 | 133 | 78.2 |
| - of which export ** | kg | 76 | 0 | 2 | x |

* I-VI 2003 = 100%

** together with sales to European Union countries

Table 4. Revenues from the sale of products (in '000 PLN)

| | 2003 | I-VI 2003 | I-VI 2004 | Change * (%) |
|-----------------------------|------------------|------------------|------------------|--------------|
| Copper and copper products | 3 668 359 | 1 764 984 | 2 578 461 | 146.1 |
| - of which export ** | 2 431 929 | 1 234 107 | 1 700 265 | 137.8 |
| Silver | 832 920 | 349 251 | 489 714 | 140.2 |
| - of which export ** | 776 077 | 324 409 | 451 385 | 139.1 |
| Gold | 16 171 | 7 413 | 6 704 | 90.4 |
| - of which export ** | 3 777 | 0 | 96 | x |
| Other products and services | 176 182 | 84 113 | 129 511 | 154.0 |
| - of which export ** | 52 689 | 25 178 | 45 697 | 181.5 |
| Total | 4 693 632 | 2 205 761 | 3 204 390 | 145.3 |
| - of which export ** | 3 264 472 | 1 583 694 | 2 197 443 | 138.8 |

* I-VI 2003 = 100%

** together with sales to European Union countries

Revenues from the sale of KGHM Polska Miedź S.A. products amounted to PLN 3 204 390 thousand and were 45.3% higher than those of the first half of 2003 mainly as a result of higher copper and silver prices and to a higher sales volume. As respects sales of copper products there was an increase in revenues of 46.1%. Revenues from silver sales versus the comparable period of 2003 were higher by 40.2%, while gold revenues were lower by 9.6% due to a lower volume of sales.

Geographical structure of product sales

In the first six months of 2004 the domestic sales volume of copper products represented 33.4% of total copper sales, with export and European Union sales accounting for 66.6%.

During this period the largest foreign customers of the copper produced by KGHM Polska Miedź S.A. were Germany and France.

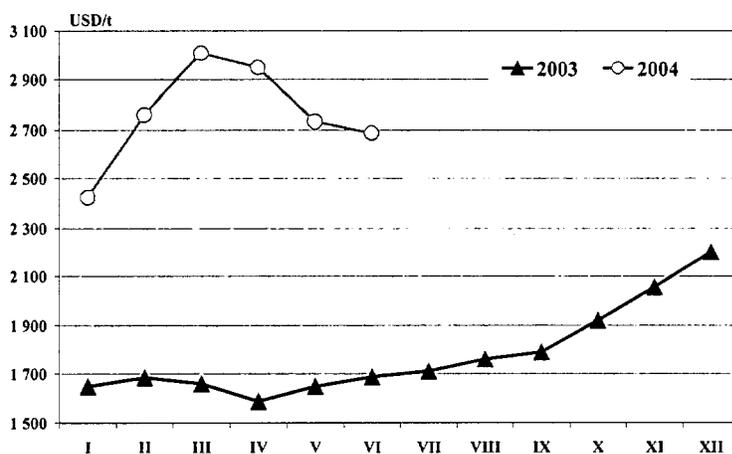
In the first six months of 2004 silver sales amounted to 709 930 kg. 6.7% was sold on the domestic market, while 93.3% represented export and European Union sales volume.

The largest physical foreign customers of silver were Belgium, Germany and Great Britain.

Macroeconomic sales conditions

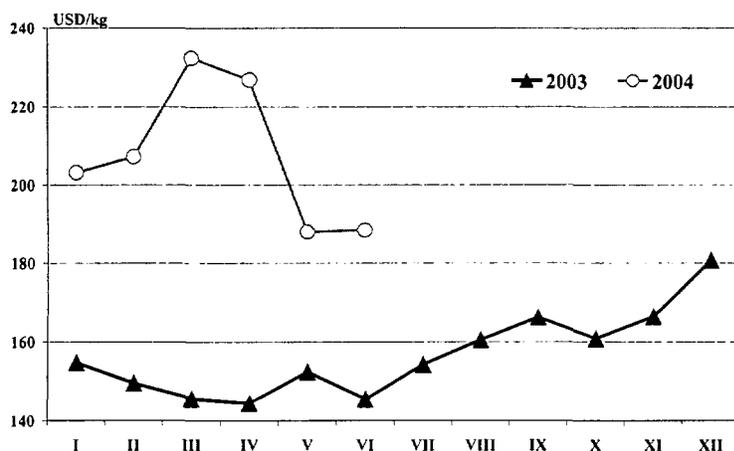
In the first half of 2004 there was a significant increase in copper prices on the global market versus the comparable period of 2003. Average half-year electrolytic copper quotations on the London Metal Exchange amounted to 2 762 USD/t and were 67.2% higher than in the comparable period of 2003, when they amounted to 1 652 USD/t.

Chart 1. Copper quotations on the LME



Silver quotations on the global market in the first half of 2004 achieved a level 39.6% higher versus the comparable prior period of 2003. Average half-year silver prices according to the London Bullion Market Association amounted to 208 USD/kg (6.47 USD/troy ounce), while in the comparable prior period they amounted to 149 USD/kg (4.63 USD/troy ounce).

Chart 2. Silver quotations per the LBMA



The average USD exchange rate for the first half of 2004 was at a similar level as in the comparable prior period of 2003, and amounted to 3.86 PLN/USD, while in the prior year it amounted to 3.87 PLN/USD.

3. EMPLOYMENT

Employment as at 30 June 2004 was lower by 295 persons than at the end of the first half of 2003, and 337 persons lower than the level as at 31 December 2003. The first half of 2004 was a further period of consistent realisation of the employment reduction program in the Company as a result of conducting a rational personnel policy.

In the course of restructurisation, based on art. 231 of the Labor law, 61 supply-related employees were transferred to PHP Mercus Sp. z o.o. and 223 power plant workers to Energetyka Sp. z o.o. from the Smelter Divisions of the Company.

Employment at the end of the first half of 2004 versus the comparable prior period is shown in the following table.

Table 5. End-of-period employment

| | 31.12.2003 | 30.06.2003 | 30.06.2004 | Change * (%) |
|-----------------|------------|------------|------------|--------------|
| Mines | 11 431 | 11 363 | 11 488 | 101.1 |
| Smelters | 4 379 | 4 410 | 3 996 | 90.6 |
| Other Divisions | 2 184 | 2 179 | 2 173 | 99.7 |
| Total | 17 994 | 17 952 | 17 657 | 98.4 |

* 30.06.2003 = 100%

II. INVESTMENTS

1. INVESTMENTS IN TANGIBLE ASSETS

Realisation of tangible investment expenditures in the first half of 2004 as compared with the first half of 2003 is presented in the table below.

Table 6. Investment expenditures ('000 PLN)

| | 2003 | I-VI 2003 | I-VI 2004 | Change* (%) |
|------------------|----------------|----------------|----------------|--------------|
| Mining | 299 345 | 76 474 | 152 029 | 198.8 |
| Smelting | 96 951 | 27 709 | 27 474 | 99.2 |
| Other activities | 27 544 | 5 400 | 13 319 | x 2.5 |
| Total | 423 840 | 109 583 | 192 822 | 176.0 |

* I-VI 2003 = 100%

Table 7. Structure of realised investments ('000 PLN)

| | 2003 | I-VI 2003 | I-VI 2004 | Change* (%) | Share in structure (%) |
|-------------------------|----------------|----------------|----------------|--------------|------------------------|
| Development, of which : | 191 410 | 59 244 | 109 678 | 185.1 | 56.9 |
| - in mining | 140 643 | 44 310 | 87 070 | 196.5 | 45.2 |
| - in smelting | 43 233 | 11 779 | 17 514 | 148.7 | 9.1 |
| Replacing equipment | 151 423 | 30 424 | 59 297 | 194.9 | 30.8 |
| Modernisation | 44 210 | 8 426 | 13 574 | 161.1 | 7.0 |
| Conformatory work | 17 654 | 9 185 | 863 | 9.4 | 0.4 |
| Other | 19 143 | 2 304 | 9 410 | x 4.1 | 4.9 |
| TOTAL, of which: | 423 840 | 109 583 | 192 822 | 176.0 | 100.0 |
| IT | 22 302 | 4 032 | 10 122 | x 2.5 | 5.2 |
| Ecology ** | 30 040 | 15 491 | 6 684 | 43.1 | 3.5 |

* I-VI 2003 = 100%

** Projects directly connected with environmental protection - serving environmental protection and water management, and projects indirectly connected with environmental protection - each activity bringing additional effects from environmental protection.

Major tasks and facilities realised in the first half of 2004:

- continued construction of shafts: R-XI together with ventilation, R-IX, SG-1 and SG-2 to ensure full use of the extraction capacity of the mines,
- initiation of preparatory work connected with construction of shaft SW-4,
- purchase of geological information in order to carry out geological documentation of the Głogów Głęboki (Deep Głogów) deposit as a basis of application for a license,
- the continuation of projects aimed at increasing the production capacity of the refining vats hall at the HM Głogów smelter - increasing the production capacity of the Copper Electrorefining Section by around 40 000 tonnes of copper cathode annually,
- modernisation and replacement of the machinery park in the mines,
- continued replacement of flotation machinery in the Ore Enrichment Plants,
- modernisation, automation and exchange of machinery and equipment and of production systems in the Ore Enrichment Plants,
- modernisation of the washing-cooling unit hall at the HM Głogów smelter,
- exchange and modernisation of smelter machinery and units,
- investments in the conveyor belt and pipeline systems,
- modernisation of the hydrotransportation network,
- modernisation of the electrical power generation infrastructure and of general equipment, and
- counteracting the negative impact of the Żelazny Most tailings pond on the environment.

The main areas of investment in the years 2004-2008 are the following:

- mining of the deposit in currently licensed areas,
- gaining of a license to mine the Głogów Głęboki – Przemysłowy (Deep Industrial Głogów) deposit to maintain the level of production over the long term,
- implementation of the most modern techniques and technology to minimise operating costs,
- ensuring the management and sale of sulphuric acid,
- minimising environmental impact, and
- other investments related to reducing costs.

2. EQUITY INVESTMENTS

The following actions were undertaken in the KGHM Polska Miedź S.A. Group in the first half of 2004:

Acquisition of shares in the increased share capital of companies. Purchases of shares.

- „Energetyka” sp. z o.o.

On 2 June 2004 court registration was carried out of a change in the share capital of the company „Energetyka” sp. z o.o. with its registered head office in Lubin. The share capital of the company was increased by PLN 61 842 thousand. All shares in the increased share capital were acquired by KGHM Polska Miedź S.A., covering them by a contribution in kind valued at PLN 56 842 thousand and cash of PLN 5 000 thousand. The share capital of the company after registration amounts to PLN 125 107 thousand and is divided into 1 251 070 shares of PLN 100 each. KGHM Polska Miedź S.A. owns 100% of the shares of this entity.

Those assets transferred as a contribution in kind are related to the Power Plant of the HM Głogów Copper Smelter and to the Power Plant of the HM Legnica Copper Smelter (land, buildings and constructions, fixed assets, intangible assets). Transferal of these assets is aimed at concentrating the power generation activities of KGHM Polska Miedź S.A. into a single entity, and at improving the structure of the Group by granting "Energetyka" sp. z o.o. the role of sole electrical and heating energy operator for KGHM Polska Miedź S.A.

- PHP „MERCUS” spółka z o.o.

On 5 April 2004 an agreement was signed between KGHM Metale S.A. and KGHM Polska Miedź S.A. for the sale of shares of PHP „Mercus” sp. z o.o. Based on this agreement KGHM Polska Miedź S.A. acquired 2 979 shares for PLN 6 400 thousand, i.e. PLN 2 148.23 per share, with a nominal value of PLN 565.55 per share.

On 20 April 2004 court registration was carried out of a change in the share capital of the company PHP „MERCUS” spółka z o.o. The share capital of the company was increased by PLN 1 317 thousand through the creation of 2 328 shares with a nominal value of PLN 565.55 per share. All shares in the increased share capital were acquired by KGHM Polska Miedź S.A., acquiring them for the total amount of PLN 5 001 thousand.

After registration of this change in share capital, and as a result of the acquisition on 5 April 2004 by KGHM Polska Miedź S.A. from KGHM Metale S.A. of 2 979 shares based on a sales agreement, KGHM Polska Miedź S.A. is the owner of 5 307 shares of PHP „MERCUS” spółka z o.o., representing 47.4% of the share capital of the company. The remaining share capital of PHP „MERCUS” spółka z o.o. is owned by KGHM Metale S.A.

The share capital of the company after registration amounts to PLN 6 474 thousand and is divided into 11 203 shares of PLN 565.55 each.

The assets acquired are aimed at making PHP „MERCUS” spółka z o.o. the leading supplier of the Divisions of KGHM Polska Miedź S.A.

– **POL-MIEDŹ TRANS spółka z o.o.**

On 26 April 2004 the Extraordinary General Meeting of POL-MIEDŹ TRANS spółka z o.o. resolved to increase the share capital of the company by PLN 2 995 thousand, through the creation of 5 990 new shares with a nominal value of PLN 500 each. All shares in the increased share capital were acquired by KGHM Polska Miedź S.A. covering them by a contribution in kind valued at PLN 2 995 thousand and cash of PLN 0.3 thousand.

Transferal of these assets to POL-MIEDŹ TRANS spółka z o.o. was aimed at putting the assets of KGHM Polska Miedź S.A. and POL-MIEDŹ TRANS spółka z o.o. in order.

After court registration of this increase, the share capital of POL-MIEDŹ TRANS spółka z o.o. amounts to PLN 140 418 thousand.

– **InfoMonitor Biuro Informacji Gospodarczej S.A.**

On 23 March 2004 court registration was carried out of the data provider company InfoMonitor Biuro Informacji Gospodarczej S.A. KGHM Polska Miedź S.A. acquired 669 shares with a nominal value of PLN 1000 each, paid for entirely in cash in the amount of PLN 1 338 thousand, representing 16.73% of the share capital of the company.

The subject of activities of InfoMonitor Biuro Informacji Gospodarczej S.A. is the gathering, storing and disclosure of economic information.

Dividends received

KGHM Polska Miedź S.A. received a total of PLN 70 398 thousand in dividends in the first half of 2004, of which from:

- | | |
|---|----------------------|
| – Polkomtel S.A. | PLN 68 216 thousand, |
| – AIG Emerging Europe Infrastructure Fund | PLN 1 526 thousand, |
| – CBJ sp. z o.o. | PLN 325 thousand, |
| – MINOVA – KSANTE Spółka z o.o. | PLN 331 thousand. |

Other forms of financing Group companies

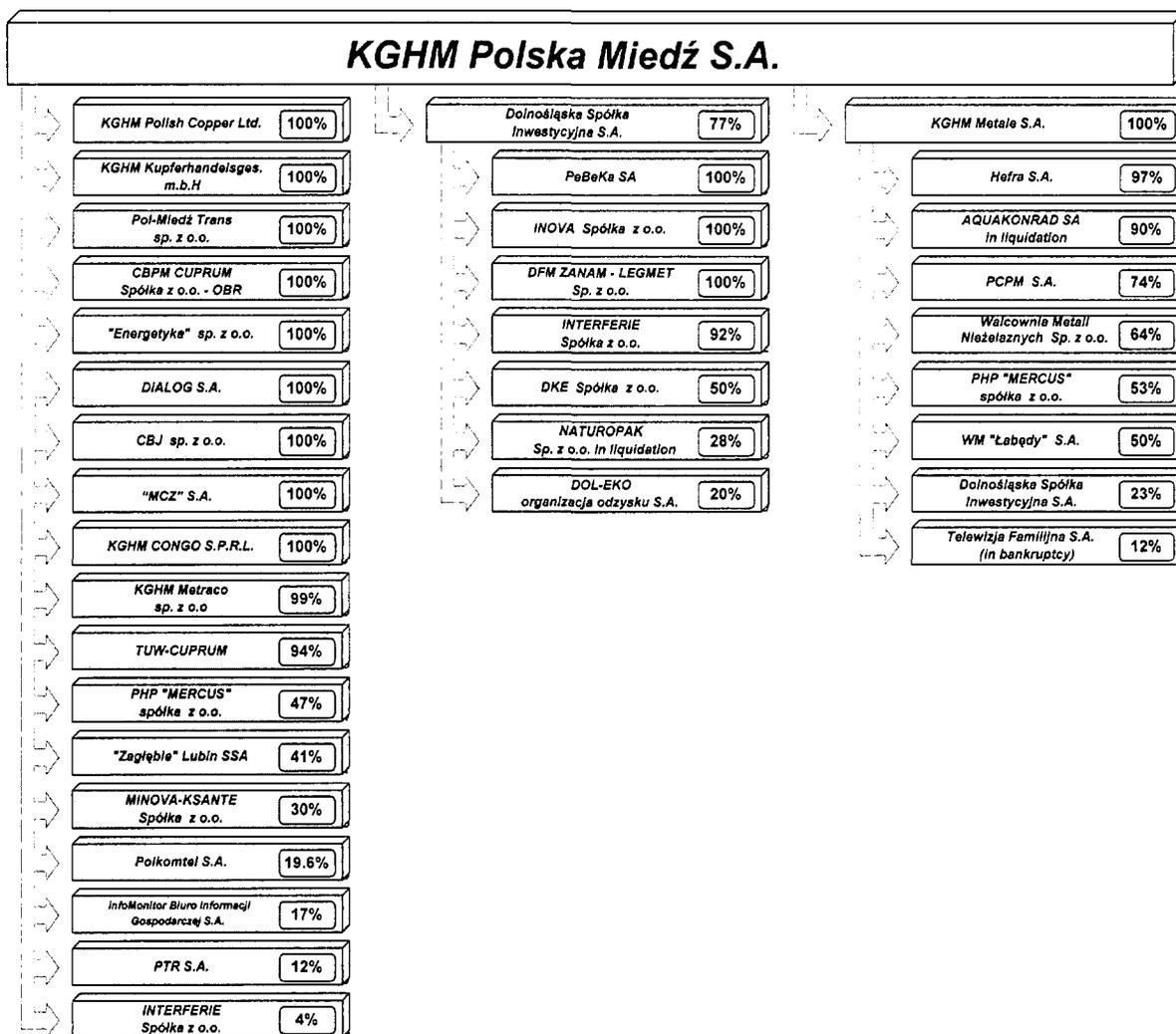
Apart from the previously-mentioned payments to capital, entities of the KGHM Polska Miedź S.A. Group were financed in the form of loans granted and bonds acquired.

- "MCZ" S.A. - on 17 November 2003 an agreement was signed between KGHM Polska Miedź S.A. and "MCZ" S.A. for a loan in the amount of PLN 3 500 thousand. Maturity of this loan was set at 31 December 2004. The purpose of this loan was to improve the liquidity of the company.
- „Zagłębie” Lubin SSA – on 25 February 2004 in Lubin an agreement was signed between KGHM Polska Miedź S.A. and „Zagłębie” Lubin SSA for a loan in the amount of PLN 500 thousand. Maturity of this loan was set at 31 December 2004. The purpose of this loan was to improve the liquidity of the company.

Other equity investments

In 2004 KGHM Polska Miedź S.A. continued to participate in the AIG Emerging Europe Infrastructure Fund. The value of its investment in the Fund as at 30 June 2004 was PLN 66 899 thousand. In the first half of 2004 the Company acquired shares in the net amount of 1 512 thousand. It paid a management fee of PLN 1 904 thousand. The Company received PLN 52 thousand as a distribution of payments. Profit from invested capital amounted to PLN 2 932 thousand, while net dividends received amounted to PLN 1 526 thousand.

In 2004 KGHM Polska Miedź S.A. maintained the financing of DIALOG S.A. The total value of debt of DIALOG S.A. towards KGHM Polska Miedź S.A. in this regard as at 30 June 2004 was PLN 1 379 800 thousand.



Decrease in value of shares due to a change in accounting principles

Due to a change in accounting principles the value of shares in subordinated entities was reduced by PLN 381 462 thousand. The effects of this valuation were settled as at 30 June 2004, which increased the net profit for the first half of 2004 by PLN 19 347 thousand and decreased undistributed profit from prior years by PLN 400 809 thousand.

This change in accounting principles relates to the application of the equity method to the valuation of long term shares in subordinated entities. In the opinion of the Company the equity method, by directly showing the effects of the economic activities of subordinated entities, will better reflect the value of these shares in the accounts of KGHM Polska Miedź S.A. than the valuation method applied until now (according to the cost of purchase decreased by the write-off due to permanent diminution of value).

Likewise, based on this opinion and on the process of adapting the Company to IAS (in particular IAS 28) respecting the defining of significant influence, the Company has recognised as justifiable the classification of Polkomtel S.A. as an associated entity and therefore the valuation of its shares by the equity method.

III. FINANCIAL STATEMENTS AND ANALYSIS

1. BALANCE SHEET: ASSETS

Total assets increased by PLN 334 192 thousand in relation to their amount at end-2003.

Table 8. Assets and their structure as at end of period ('000 PLN)

| | 31.12.2003 | 30.06.2003 | 30.06.2004 | Change * (%) | Share (%) |
|------------------------|------------------|------------------|------------------|--------------|-----------|
| Non-current assets | 6 220 756 | 5 894 921 | 6 290 949 | 101.1 | 72.8 |
| Intangible assets | 23 896 | 15 538 | 51 957 | x 2.2 | 0.6 |
| Tangible fixed assets | 3 132 309 | 2 975 681 | 3 109 301 | 99.3 | 36.0 |
| Long term debtors | 46 716 | 46 614 | 46 716 | 100.0 | 0.5 |
| Long term investments | 2 717 588 | 2 619 770 | 2 802 468 | 103.1 | 32.4 |
| Long term prepayments | 300 247 | 237 318 | 280 507 | 93.4 | 3.2 |
| Current assets | 2 085 243 | 1 900 806 | 2 349 242 | 112.7 | 27.2 |
| Inventory | 776 931 | 851 880 | 802 390 | 103.3 | 9.3 |
| Short term debtors | 543 535 | 522 660 | 655 906 | 120.7 | 7.6 |
| Short term investments | 759 430 | 483 725 | 849 832 | 111.9 | 9.8 |
| Short term prepayments | 5 347 | 42 541 | 41 114 | x 7.7 | 0.5 |
| TOTAL ASSETS | 8 305 999 | 7 795 727 | 8 640 191 | 104.0 | 100.0 |

* 31.12.2003 = 100%

An important item in non-current assets is long term investments, which during the first half of 2004 increased by over 3%, primarily due to an increase in equity commitment in the following companies:

- „Energetyka” spółka z o.o. - the acquisition of shares in the increased share capital through the transfer of a contribution in kind and payment of cash (altogether PLN 61 842 thousand).
- PHP „MERCUS” spółka z o.o. - the acquisition of shares from KGHM „Metale” S.A. (PLN 6 400 thousand) and the acquisition of shares in the increased share capital (PLN 5 001 thousand).
- Pol-Miedź Trans spółka z o.o. - the acquisition of shares in the increased share capital through the transfer of a contribution in kind and payment of cash (altogether PLN 2 995 thousand)
- InfoMonitor Biuro Informacji Gospodarczej S.A. – the acquisition of shares in a newly-created company (PLN 1 338 thousand)

Shares and participatory units in the amount of PLN 1 420 349 thousand mainly relate to subordinated entities. These assets were valued in the balance sheet of KGHM using the equity method in the amount of PLN 1 359 294 thousand (PLN 1 918 988 thousand – based on purchase price). The largest adjustment in valuation was with respect to the shares of DIALOG S.A. and Polkomtel S.A. Their balance sheet value at the end of the first half of 2004 amounted respectively to PLN 86 115 thousand (PLN 875 735 thousand – based on purchase price) and PLN 705 817 thousand (PLN 437 250 thousand – based on purchase price).

Apart from shares, an important item in investments is represented by the bonds of DIALOG S.A. The value of the debt securities of this company did not change in comparison to the level at the end of 2003, and amounts to PLN 1 379 800 thousand.

Contributions in kind had a significant impact on the balance sheet value of non-current assets. Due to a restructuring in power generation management, assets from the power plant of the HM Głogów and HM Legnica smelters were transferred to the company "Energetyka" Sp. z o.o., thus reducing the level of tangible fixed assets in KGHM Polska Miedź S.A. by a net amount of PLN 47 463 thousand. The net book value of assets transferred to the company Pol-Miedź Trans spółka z o.o. meanwhile amounted to PLN 2 319 thousand.

The tangible investments program also had a significant impact on the level of non-current assets. During the first half of 2004 the Company incurred expenses for the construction and purchase of fixed assets in the amount of PLN 192 822 thousand – during this same period depreciation costs amounted to PLN 140 913 thousand.

The reduction in long term prepayments mainly relates to the deferred income tax asset.

The more-than-doubled increase of intangible assets during the first half of 2004 is mainly due to the wording of an agreement signed with the State Treasury for granting access to geological information related to the Głogów Głęboki – Przemysłowy (Deep Industrial Głogów) copper ore deposit. The increase in intangible assets in this regard amounted to PLN 32 282 thousand.

The largest item in current assets is short term investments, especially derivative instruments and monetary assets. As a result of the valuation of derivative instruments to fair value, their value was reduced from PLN 480 690 thousand at the end of 2003 to PLN 400 597 thousand at the end of June 2004. During this same period cash and cash equivalents increased from PLN 274 400 thousand to PLN 444 825 thousand. The majority of this item is in the form of short term bank accounts, which were created among others in relation to the planned early repayment of syndicated credit.

During the first half of 2004 there was a quantitative increase in copper inventory and in the unit cost of production, being the basis for its valuation. Both of these factors had an impact on the increase in the balance sheet value of inventory by over 3.3%.

The high copper prices, along with revenues from sales, justify the higher level of short term debtors compared to the prior year.

2. BALANCE SHEET: EQUITY AND LIABILITIES

With respect to their level at the end of the prior year there was a significant change in the structure of equity and liabilities. The high profit achieved in the first half of 2004 and the simultaneous repayment of a portion of liabilities increased the share of equity in the assets financing structure.

Table 9. Sources of financing of assets and their structure, as at end of period ('000 PLN)

| | 31.12.2003 | 30.06.2003 | 30.06.2004 | Change * (%) | Structure (%) |
|---|------------|------------|------------------|--------------|---------------|
| EQUITY | 3 655 189 | 3 721 992 | 4 639 170 | 126.9 | 53.7 |
| Share capital | 2 000 000 | 2 000 000 | 2 000 000 | 100.0 | 23.1 |
| Reserve capital | 1 194 236 | 1 190 378 | 1 624 204 | 136.0 | 18.8 |
| Revaluation reserve | 436 164 | 933 084 | 425 051 | 97.5 | 4.9 |
| Profit (loss) from prior years | (612 349) | (616 866) | (387 245) | 63.2 | x |
| Net profit (loss) | 637 138 | 215 396 | 977 160 | 153.4 | 11.3 |
| LIABILITIES AND PROVISIONS FOR LIABILITIES | 4 650 810 | 4 073 735 | 4 001 021 | 86.0 | 46.3 |
| Provisions for liabilities | 1 322 485 | 1 404 022 | 1 312 318 | 99.2 | 15.2 |
| Long term liabilities | 1 420 447 | 9 126 | 939 677 | 66.2 | 10.9 |
| Short term liabilities | 1 758 077 | 2 487 850 | 1 545 226 | 87.9 | 17.9 |
| Accruals and deferred income | 149 801 | 172 737 | 203 800 | 136.0 | 2.3 |
| TOTAL EQUITY AND LIABILITIES | 8 305 999 | 7 795 727 | 8 640 191 | 104.0 | 100.0 |

* 31.12.2003 = 100%

In the first half of 2004 reserve capital was increased by PLN 411 557 thousand due to distribution of profit for 2003 and by PLN 18 411 thousand due to a transfer of revaluation reserve.

Due to the valuation of transactions and to the settlement of hedging instruments, the revaluation reserve increased by PLN 23 260 thousand. Other factors (the disposal of fixed assets and the surplus of the provision for temporary differences in income tax over the tax asset) led to a decrease in the revaluation reserve by PLN 34 373 thousand.

Provisions for liabilities are comprised of: the revalued provision for employee benefits due to retirement-disability and other rights (PLN 684 344 thousand), the provision for mine closure costs (PLN 361 905 thousand) and other provisions totalling PLN 266 069 thousand, including PLN 196 547 thousand due to deferred income tax.

Equity was reduced by the loss from prior years. The level of this loss from prior years is mainly the result of the change in the method of valuation of shares of subordinated entities (valuation by the equity method).

In comparison to the end of 2003 liabilities (both short and long term) significantly decreased, from PLN 3 178 524 thousand to PLN 2 484 903 thousand. This decrease primarily relates to bank and other loans. In the first half of 2004 the Company reduced its level of debt from PLN 1 535 250 thousand to PLN 1 040 652 thousand – a portion of this debt was repaid early, prior to maturity. Besides bank loans, there was also a decrease in short term liabilities due to financial instruments (by PLN 163 956 thousand) and related to trade liabilities (o PLN 72 092 thousand).

Changes in the structure of equity and liabilities impacted the level of assets financing ratios:

Table 10. Assets financing ratios

| | 2003 | I-VI 2003 | I-VI 2004 |
|--|------|-----------|-----------|
| Level of assets coverage by equity | 0.5 | 0.5 | 0.6 |
| Level of non-current assets coverage by equity | 0.6 | 0.7 | 0.8 |
| Level of non-current assets coverage by long term capital | 1.0 | 0.9 | 1.1 |
| Level of current assets coverage by short term liabilities | 0.9 | 1.3 | 0.7 |

Ratios calculated based on end-of-period balance sheet levels

Off-balance sheet liabilities and debtors

As at 30 June 2004 contingent debtors of the Company amounted to PLN 74 249 thousand, of which PLN 73 762 thousand related to contested State budget issues. Off-balance sheet liabilities at the end of the first half of 2004 amounted to PLN 281 969 thousand, of which PLN 3 518 thousand were contingent liabilities due to guarantees and securities granted to related entities.

Among off-balance sheet liabilities the most important were:

- liabilities due to the perpetual usufruct of State Treasury land for a period of 99 years in the amount of PLN 176 019 thousand – these liabilities are not subject to payment but only represent the basis for an annual fee paid to the State Treasury,
- liabilities in the amount of PLN 93 753 thousand due to R&D, inventions and other unrealised work (of which due to an agreement with AIG Emerging Europe Infrastructure Fund in the amount of PLN 46 737 thousand).

3. LIQUIDITY

Financial resources

The structure of Company cash and cash equivalents is shown in the table below:

Table 11. Structure of Company cash and cash equivalents (*000 PLN)

| | 31.12.2003 | 30.06.2003 | 30.06.2004 | Change * (%) |
|---------------------------------|------------|------------|------------|--------------|
| Cash on hand | 99 | 111 | 95 | 96.0 |
| Cash at bank | 21 346 | 3 632 | 48 891 | x 2.3 |
| Other cash and cash equivalents | 5 | 75 | 0 | x |
| Other monetary assets: | 252 950 | 161 880 | 395 839 | 156.5 |
| Total cash and cash equivalents | 274 400 | 165 698 | 444 825 | 162.1 |

* 31.12.2003 = 100%

There was an increase in cash and cash equivalents, which is due both to the introduction of new forms of settlement with clients as well as to an improvement in the cash position of the Company which is dependent on the situation on the currency and metals markets.

The level of fixed term bank deposits (other monetary assets) remained high in order to maintain liquidity for the Company and for the voluntary early repayment of syndicated credit organised by PKO BP SA and Pekao S.A. This repayment in the amount of USD 99 152 thousand was executed in July and August 2004.

Financial income from the depositing of periodically free cash resources and short-term investments is shown below:

Table 12. Financial income from bank deposits and short-term investments ('000 PLN)

| | 2003 | I-VI 2003 | I-VI 2004 | Change * (%) |
|--------------------------|--------|-----------|-----------|--------------|
| On-demand accounts | 136 | 8 | 212 | x 26.5 |
| Securities | 96 128 | 47 483 | 49 753 | 104.8 |
| Fixed term bank accounts | 3 654 | 968 | 2 528 | x 2.6 |
| Total | 99 918 | 48 459 | 52 493 | 108.3 |

* I-VI 2003 = 100%

Periodically free cash resources deposited in bank accounts generated financial income in the amount of PLN 2 528 thousand. The increase in income from fixed term bank accounts was due to a higher level of available cash and cash equivalents.

Financial income from fixed term bank accounts and short term investments, which relates primarily to interest received on the bonds of Telefonía DIALOG S.A., remained at a comparable level to the prior year.

Credit servicing in the first half of 2004

Pre-export credit organised by ABN AMRO BANK N.V. , Bank Polska Kasa Opieki S.A. and CITIBANK NA and a consortium of other banks in the amount of USD 200 000 thousand.

This agreement was signed on 18 July 2003, the credit was drawn on 22 July 2003 in the amount of USD 200 000 thousand, of which USD 181 342 thousand was used to repay a bank loan arising from a credit agreement signed on 21 June 2002 with ABN AMRO BANK NV and J.P. Morgan PLC, and USD 15 000 thousand was used to repay a loan signed on 28 December 2001 with Bank Handlowy S.A., while the remaining amount was used as an initial deposit to the Debt Servicing Reserve Account, pursuant to the conditions of the Credit Agreement.

On the date the credit agreement was signed the interest amounted to LIBOR 1M + a margin of 2.2%. In later periods the margin will be within a range of 0.5% - 2.5%, depending on the level of financial ratios indicated by the Company (beginning with data for the financial year ending 31 December 2003). Since June 2004 the credit margin has been 1.3%, this change in margin being due to the provisions of the Credit Agreement.

This bank loan is amortised, repayment of the first credit instalment was made three months after the date the agreement was signed, with further instalments being made monthly, beginning from this date (a total of 58 unequal monthly instalments). The final instalment payment on this credit is set for 18 July 2008.

In the first half of 2004 the Company repaid debt in the amount of USD 15 000 thousand from Company funds pursuant to the maturity dates set out in the Credit Agreements dated 18 July 2003.

Two currency credit organised by Bank Polska Kasa Opieki S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. and a consortium of other banks in the amount of USD 159 500 thousand and PLN 471 130 thousand.

This agreement was signed on 18 July 2003, the credit was drawn on 14 August 2003 for USD 159 500 thousand and PLN 471 130 thousand, and was designated for the refinancing of liabilities in the amount of PLN 915 000 thousand and USD 43 500 thousand, arising due to the signing on 19 December 2001 a two-currency syndicated credit agreement in the form of a revolving line of credit organised by Bank Polska Kasa Opieki S.A. and Powszechna Kasa Oszczędności Bank Polski SA, pursuant to the conditions of the Credit Agreement.

On the date the credit agreement was signed the interest amounted to WIBOR 1M and LIBOR 1M + a margin of 2.2%. In later periods the margin will be within a range of 0.5% - 2.5%, depending on the level of financial ratios indicated by the Company (beginning with data from the financial year ending 31 December 2003). Since June 2004 the credit margin has been 1.3%. This change in margin is due to the provisions of the Credit Agreement.

On 14 November 2003 early repayment was made on a portion of the credit in the amount of PLN 100 000 thousand, and PLN 150 000 thousand on 30 December 2003.

Additionally in the first half of 2004 the Company made early repayment of the following debt:

- PLN 200 000 thousand on 30 March 2004,
- PLN 21 120 thousand on 16 April 2004, and
- USD 60 000 thousand on 17 May 2004.

These repayments were made due to the good financial situation of the Company and using its own funds.

The maturity for the remaining outstanding credit is 18 July 2006.

Operating credit in BRE Bank S.A.

On 10 April 2003 the Company signed an agreement with BRE Bank S.A. for foreign currency operating credit in the amount of USD 30 000 thousand with interest of LIBOR 1M + 0.90%. As at 30 November 2003, being the final date for making use of this credit, the Company had not drawn on the credit. The Company has the possibility of renewing this credit in the years 2004-2005 in situations outlined by the credit agreement.

Lines of credit in current accounts

The Company has access to lines of credit in current accounts:

- in Bank Handlowy S.A. up to USD 5 000 thousand ,
- in BRE Bank SA up to USD 10 000 thousand ,
- in PeKaO S.A. up to PLN 40 000 thousand.

As at 30 June 2004 the Company had not made use of these lines.

4. INCOME STATEMENT

Basic elements of the income statement are shown below:

Table 13. Income statement ('000 PLN)

| | 2003 | I-VI 2003 | I-VI 2004 | Change * (%) |
|--|----------------|----------------|------------------|--------------|
| Revenues from the sale of products, goods for resale and materials | 4 740 788 | 2 215 934 | 3 220 507 | 145.3 |
| Operating costs | 4 310 009 | 2 051 356 | 2 283 736 | 111.3 |
| Profit from sales | 430 779 | 164 578 | 936 771 | x 5.7 |
| Other operating income | 62 594 | 35 810 | 37 960 | 106.0 |
| Other operating costs | 135 455 | 73 563 | 61 649 | 83.8 |
| Operating profit | 357 918 | 126 825 | 913 082 | x 7.2 |
| Financial income | 959 048 | 380 783 | 491 866 | 129.2 |
| Financial costs | 518 896 | 232 329 | 213 101 | 91.7 |
| Result on extraordinary items | 17 | 16 | 0 | x |
| Profit (loss) before taxation | 798 087 | 275 295 | 1 191 847 | x 4.3 |
| Obligatory deductions from profit | 160 949 | 59 899 | 214 687 | x 3.6 |
| Net profit (loss) | 637 138 | 215 396 | 977 160 | x4.5 |

* I-VI 2003 = 100%

In the first half of 2004 the Company generated:

- a profit from sales of PLN 936 771 thousand,
- a loss on other operating activities of PLN 23 689 thousand,
- a profit on financial activities of PLN 278 765 thousand.

In relation to the comparable period of 2003 the following factors had a decisive impact on the result from sales:

- the increase in copper prices by 67.2% and silver by 39.8%,
- the increase in the copper sales volume by 3.7% and silver by 17%,
- the increase in the unit copper production cost expressed in PLN by 5.3%.

Table 14. Basic factors impacting the financial result of KGHM Polska Miedź S.A.

| | Unit | 2003 | I-VI 2003 | I-VI 2004 | Change * (%) |
|-------------------------------------|---------|-----------|-----------|-----------|--------------|
| Sales of copper and copper products | t | 523 853 | 261 602 | 271 348 | 103.7 |
| Silver sales | kg | 1 326 560 | 606 696 | 709 930 | 117.0 |
| Average copper prices on the LME | USD/t | 1 780 | 1 652 | 2 762 | 167.2 |
| Average silver prices on the LBM | USD/kg | 157 | 149 | 208 | 139.6 |
| Average exchange rate per NBP | PLN/USD | 3.89 | 3.87 | 3.86 | 99.7 |
| Unit copper production cost | PLN/t | 6 237 | 5 998 | 6 315 | 105.3 |
| Unit copper production cost | USD/t | 1 603 | 1 550 | 1 638 | 105.7 |

* I-VI 2003 = 100%

In the first half of 2004 revenues from the sale of copper and silver represented 95.7% of revenues from the sale of products, and were higher by PLN 953 940 thousand, i.e. by 45.1% in relation to the comparable prior period.

The loss on other operating activities of (PLN 23 689 thousand) in the first half of 2004 was composed of the following ('000 PLN):

- the excess of provisions created over released (23 307),
- donations granted (6 070),
- adjustments revaluing assets (4 117),
- other, including adjustment of property tax for prior years + 9 805.

The profit on financial activities of PLN 278 765 thousand was mainly composed of the following ('000 PLN):

- profit from the sale of investments 112 121,
- dividends received 70 398,
- interest 32 466,
- result on the revaluation of investments 30 641,
- an excess of positive exchange rate differences 23 544,
- other 9 595.

The profit before tax was reduced by taxation of PLN 214 687 thousand. The tax calculated using a rate of 19% of the taxable base was PLN 211 560 thousand, which was decreased by an adjustment to prior period taxation of PLN 241 thousand and increased due to temporary differences by PLN 3 368 thousand.

In accordance with the requirements of the tax law, the basis for taxation (taxable income) was established by the adjustment of profit before taxation, as shown in the table below:

Table 15. Adjustment to profit before taxation by the change in taxable base ('000 PLN)

| | |
|---|-----------|
| Profit before taxation | 1 191 847 |
| Adjustment of revenues, of which: | (569 699) |
| increase of revenues | 236 407 |
| decrease of revenues | 806 106 |
| Adjustment of costs, of which: | 496 057 |
| increase of costs | 472 342 |
| decrease of costs | 968 399 |
| Other adjustments (of which donations of PLN 4 432) | (4 732) |
| Taxable income | 1 113 473 |

5. FINANCIAL RATIOS

In the first half of 2004 the Company achieved a higher net profit than in the comparable prior period, impacting the Company's financial ratios.

Basic economic relationships describing the activities of KGHM Polska Miedź S.A. are shown below:

Table 16. Liquidity and profitability ratios

| | 2003 | I-VI 2003 | I-VI 2004 |
|---------------------------------------|------|-----------|-----------|
| Current liquidity (multiple) | 1.2 | 0.8 | 1.5 |
| Quick liquidity (multiple) | 0.7 | 0.4 | 1.0 |
| ROA - return on assets (%) | 7.7 | 2.8 | 11.3 |
| ROE - return on equity (%) | 17.4 | 5.8 | 21.1 |
| Debt ratio (%) | 40.1 | 34.3 | 31.1 |
| Durability of financing structure (%) | 75.9 | 64.7 | 78.8 |

The good situation on the metals market and the high level of profit led to a significant improvement in the liquidity and profitability ratios and in the financial structure of KGHM Polska Miedź S.A.

6. OPERATING ACTIVITY COSTS

The financial result of the Company is significantly impacted by the costs of electrolytic copper production.

Table 17. The unit cost of electrolytic copper production

| | Unit | 2003 | I-VI 2003 | I-VI 2004 | Change * (%) |
|---|----------|-------|-----------|-----------|--------------|
| Total unit cost of copper production | PLN/t | 6 237 | 5 998 | 6 315 | 105.3 |
| | USD/t | 1 603 | 1 550 | 1 638 | 105.7 |
| | USc/lb | 73 | 70 | 74 | 105.7 |
| of which: cash cost of copper production (total cost minus depreciation) | PLN /t | 5 800 | 5 557 | 5 890 | 106.0 |
| | USD/t | 1 491 | 1 436 | 1 527 | 106.3 |
| | USc/lb | 68 | 65 | 69 | 106.3 |
| USD exchange rate | PLN /USD | 3.89 | 3.87 | 3.86 | 99.7 |

* I-VI 2003 = 100%

The total unit cost of copper production denominated in PLN in relation to the comparable prior period of 2003 increased by 5.3%, alongside an increase in electrolytic copper production by 1.3%.

Copper production costs represent around 75% of total costs by type. The structure of costs by type is shown in the table below:

Table 18. The structure of costs by type (%)

| | 2003 | I-VI 2003 | I-VI 2004 |
|----------------------------------|------|-----------|-----------|
| Depreciation | 7.0 | 7.2 | 6.2 |
| Materials and energy consumption | 33.8 | 35.3 | 37.3 |
| External services | 18.3 | 17.0 | 16.8 |
| Labor costs | 34.2 | 33.5 | 32.8 |
| Taxes and fees | 5.1 | 5.4 | 5.2 |
| Other | 1.6 | 1.6 | 1.7 |

In the first half of 2004 costs by type increased by PLN 203 475 thousand, i.e. by 9.8%, and were primarily impacted by:

- the increase in materials and energy consumption by PLN 118 736 thousand, mainly due to an increase in prices: scrap used (by PLN 78 439 thousand alongside an increase in volume by 3.4%), fuels (by PLN 12 976 thousand) and grinding mediums and foam-forming reagents in the Ore Enrichment Plants (by PLN 5 182 thousand),
- an increase in labor costs by PLN 50 391 thousand, mainly due to realisation of an Agreement of the Management Board of KGHM Polska Miedź S.A. with trade unions regarding an increase of basic wage rates by 7 % beginning on 1 January 2004 and the initiation of contributions to the PPE (Employees Retirement Program),
- an increase in the amount of external services by PLN 30 486 thousand, including preparatory mining work contracted externally by PLN 21 909 thousand,

The total unit copper production cost was 6 315 PLN/t – i.e. 5.3% higher than in the comparable prior period. This increase in costs mainly relates to:

- materials consumption (due to an increase in the value and quantity of scrap),
- labor costs (due to an increase in basic wage rates by 7%, charges on wages, the creation of a provision for payment of a special bonus in the month of July 2004 and to employee benefits related to the introduction in 2004 of the Employees Retirement Program), and
- external services (due to the increased scope of preparatory mining work contracted externally).

7. RISK MANAGEMENT

The financial results of KGHM Polska Miedź S.A. depend to a significant extent on market-related factors, primarily: copper prices on the LME, silver prices on the London Bullion Market Association and on the USD/PLN exchange rate. The primary objective of the Company's risk management policy is the stabilisation of financial flows. The Company is actively pursuing this policy, with its present goals being determined by conditions prevailing on the markets and by the internal situation in the Company. The actions undertaken are aimed at insuring that the long-term financial condition of the Company remains healthy, as well as supporting the process of medium-term strategic decision taking as respects investment activities and reflecting the sources for financing investments.

In the course of realising these assumptions, the Company makes use of financial and derivative commodity instruments. KGHM applies an integrated risk management policy. This means an overall approach to market risk, and not one focused on its individual elements. As a result flexible hedging strategies are applied, enabling the Company to focus on the amount of cash generated and on the total financial result.

As respects the question of managing price risk, the Company applies a consistent and gradual approach. As metals prices rise, or the PLN depreciates, new hedging strategies are implemented which encompass an ever-larger part of production / revenues and further future periods. Thanks to this it is possible to hedge against unexpected falls in prices on the silver and copper markets, as well as rapid strengthening of the PLN. This type of approach also guarantees the achievement of ever-higher average hedged prices and exchange rates. Thanks to this the Company is able to avoid committing significant tonnage/amounts at a single price level. Due however to the nature of the derivative instruments market and its prices, the hedging of price levels is for a maximum of two years.

This does not mean, however, that commitment to a more expansive investment program will not also lead to the necessity to hedge prices over the long term.

The Company entered the year 2004 with a rising trend in metals prices, which led these prices to their maximum level in March 2004. During this period there was also a weakening of the PLN, which during the latter part of April reached its lowest level.

In the first half of 2004, given the constant upgrading of metals prices forecasts by financial institutions and analytical firms, the risk management policy was aimed at taking advantage of the optimal moment to engage in hedging against metals prices and exchange rate risks for the year 2005.

In the course of realising a consistent approach to risk management policy, in the first half of 2004 further hedging strategies were implemented on the copper market while simultaneously settling previous transactions. Simultaneously, as a result of the restructuring of hedging positions carried out at the end of 2003, in the first half of 2004 the Company took advantage of the opportunities which appeared for greater participation in rises in metals prices.

Due to the deepening, together with the rise in copper spot prices, of negative differences between forward and spot prices, the Company to a significant extent made use of options instruments enabling participation in any eventual price rises. As a result the Company hedged a portion of its planned copper sales in 2005 at favorable levels, which increases the probability of the Company achieving positive financial results in 2005.

With respect to activities on the currency market, the Company took advantage of the weakening of the PLN by implementing a hedging strategy for 2005. Likewise, due to strengthening of the PLN at the end of the prior half year, the Management Board decided to close those hedging positions it had held on the currency market during the period from July to December 2004, by entering into opposite transactions.

With respect to unsettled transactions, the Company in its financial result recognised positive changes due to the valuation of derivative instruments in the amount of PLN 158 024 thousand and negative changes in the amount of PLN 146 731 thousand.

The amount transferred from equity to the income statement during the period amounted to (PLN 348 343 thousand).

Based on the principle of recognising under equity the effective part of the result from the valuation of hedging transactions in the period during which such transactions are designated as a hedge of future cash flow, the following amounts were recognised under equity of the Company (revaluation reserve) as at the balance sheet date:

- copper and silver prices (PLN 503 510 thousand),
- exchange rate PLN 128 690 thousand,
- exchange rate for foreign-denominated loans PLN 63 507 thousand.

8. CONTESTED ISSUES

As at 30 June 2004 the total amount of unresolved contested issues both by and against the Company amounted to PLN 120 806 thousand, including debtors of PLN 86 410 thousand and liabilities of PLN 34 396 thousand.

The largest proceedings being pursued by the Company as respects debtors as at the end of the first half of 2004 relate to:

- **debtors due to additional VAT in 2000**

The amount contested is PLN 24 927 thousand. Proceedings were initiated on 3 July 2003 by the submittal of an appeal to the Supreme Administrative Court (known as the NSA) of twelve decisions dated 30 May 2003 by the Legnica branch of the Tax Office in Wrocław. In the opinion of the Company this additional VAT is the result of the Tax Control Authority inspectors including tax exempt items in total sales.

- **property tax on underground mining works in the ZG Lubin mine for 1998**

The amount contested is PLN 9 948 thousand. Proceedings are underway before the Regional Administrative Court in Wrocław. In the opinion of the Company these underground mining works are not subject to taxation.

With respect to liabilities the largest contested proceedings underway according to the law as at as at 30 June 2004 relate to:

- **payment of damages due to a loss of water quality from the AQ1 and AQ2 water supplies by the activities of the „Lubin” mine of KGHM Polska Miedź S.A. on the terrain of the municipality (Gmina) of Warta Bolesławiecka.**

The amount contested is PLN 12 299 thousand. The suit dated 24 March 2003 was submitted to the Regional Court in Legnica, Section I (Civil cases) by BOBMARK INTERNATIONAL Sp. z o.o. with its registered head office in Warsaw. The Court is completing its hearings in this matter. It has ordered the Company to submit documents which serve to support its position in these proceedings, and to submit a request to allow expert testimony to be heard together with the relevant surrounding circumstances. The Court has not set a date for these hearings.

- **fee for use of a patent for the period 1 January 1997 to 31 December 2002**

The amount contested is PLN 10 602 thousand. The suit of TKW Combustion Sp. z o.o. in Głowno was submitted to the Regional Court in Świdnica, Section VI Economic Cases, on 30 July 2003. In the opinion of KGHM Polska Miedź S.A. this suit is groundless due to the fact that the basis for utilisation of this project is licensing agreement 1/91 dated 25 July 1991, authorising the Company to make use of this project for an indefinite period, with a licensing fee only for the first five years of use of the project. The Court, in a ruling dated 13 January 2004, suspended the proceedings until the matter of the patent for the invention is decided. The proceedings on invalidation of the patent had not been concluded as at 30 June 2004.

On 30 June 2004 the NSA in Warsaw orally announced its verdicts on the cassation appeals of KGHM Polska Miedź S.A. as respects the payment from profit for the years 1996 and 1997. The NSA in Warsaw turned down the cassation appeals. A justification of these verdicts in writing will be prepared by the NSA at a later period.

None of the issues being pursued before a Court or being appealed before the Tax Office in Wrocław would subject the Company to liabilities as respects the payment of taxation in arrears arising from the above-mentioned decisions. A successful resolution of these issues would mean for the Company a refund of taxation paid together with interest due.

9. REALISATION OF FINANCIAL FORECASTS

In the current report dated 1 July 2004 the Company published its basic assumptions to the adjusted Budget for 2004 together with a financial projection anticipating revenues from the sale of products, goods for resale and materials of PLN 5 920 mln and a net profit of PLN 1 342 mln. These figures are based on the adjusted „Company Budget for 2004”, approved by the Supervisory Board of the Company on 30 June 2004.

Details of the forecast results and basic assumptions are shown in the table below:

Table 19. Realisation of Company forecast for 2004 after first half

| | Unit | 2004 Budget * | Adjusted 2004 Budget ** | I-VI 2004 | Advance on 2004 Budget *** (%) |
|--|---------|------------------|-------------------------------|-----------|--------------------------------------|
| Copper prices | USD/t | 2 000 | 2 550 | 2 762 | 108.3 |
| Silver prices | USD/kg | 161 | 193 | 208 | 107.8 |
| Exchange rate | PLN/USD | 3.80 | 3.80 | 3.86 | 101.6 |
| Electrolytic copper production | '000 t | 532 000 | 545 000 | 268 443 | 49.3 |
| Silver production | t | 1 173 | 1 255 | 666 | 53.1 |
| Revenues from the sale of products, goods for resale and materials | mln PLN | 5 173 | 5 920 | 3 221 | 54.4 |
| Profit before taxation | mln PLN | 805 | 1 639 | 1 192 | 72.7 |
| Net profit | mln PLN | 652 | 1 342 | 977 | 72.8 |

* Published in current report dated 29 January 2004

** Published in current report dated 1 July 2004

*** Calendar advance of work=49.6%

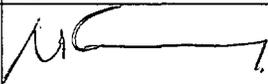
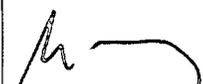
After the first 6 months of 2004 the Company had achieved 54.4% of planned revenues from the sale of products, goods for resale and materials for the year, and 71.4% of the anticipated net profit for 2004. The high level of advancement of the adjusted Budget assumptions in this regard is due to the macroeconomic conditions assumed for the second half of 2004 based on the principle of prudent valuation.

The Company does not anticipate any threat to achieving its financial projections, despite the fact that in relation to the Budget assumptions for 2004 current forecasts for the second half of 2004 anticipate a strengthening of the PLN versus the USD as well as a slight increase in copper and silver prices.

This evaluation of the realisation of forecast financial results for 2004 does not reflect the assumed revaluation of telecommunications assets in the second half of 2004.

The process is currently underway of preparing to take a decision regarding the future of DIALOG S.A. based on the accepted strategy of KGHM Polska Miedź S.A., which assumes an eventual exit from its telecommunications investments and concentration on its core business, which is the extraction and processing of non-ferrous metals.

Work is also continuing on developing a concept for restructuring the corporate debt of DIALOG S.A.

| Signatures of all Members of the Management Board | | | |
|---|---------------------------|---|---|
| Date | First, Last name | Position/Function | Signature |
| 16 September 2004 | Wiktor Błądek | President of the Management Board |  |
| 16 September 2004 | Jarosław Andrzej Szczepek | Vice President of the Management Board |  |
| 16 September 2004 | Andrzej Kowalczyk | Vice President of the Management Board |  |
| 16 September 2004 | Andrzej Krug | Vice President of the Management Board |  |
| 16 September 2004 | Marek Szczerbiak | Vice President of the Management Board |  |

METHODOLOGY USED IN THIS REPORT

Assets financing ratios:

Level of assets coverage by equity – ratio of equity to total assets,

Level of non-current assets coverage by equity – ratio of equity to non-current assets,

Level of non-current assets coverage by long term capital – ratio of equity, provisions for liabilities and long term liabilities to non-current assets,

Level of current assets coverage by short term liabilities – ratio of short term liabilities and special funds to current assets.

Liquidity and profitability ratios:

Current liquidity – ratio of current assets to short term liabilities,

Quick liquidity – ratio of current assets, minus inventory, to short term liabilities

ROA – return on assets (%) – ratio of net profit to total assets x 100,

ROE – return on equity (%) – ratio of net profit to equity x 100,

Debt ratio (%) – ratio of liabilities, accruals and deferred income to total equity and liabilities,

Durability of financing structure (%) – ratio of equity, long term provisions for liabilities and long term liabilities to total equity and liabilities.

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