

## APPENDIX A: FINANCIAL STATEMENTS

### Auditors' Explanatory Introduction to the Financial Statements

The financial statements presented in Appendix A represent a free translation of, but not an alternative to, the financial statements in Chapters VII and VIII of the Polish offering circular. The paragraph note numbering in the free translation has been changed to facilitate referencing within the Offering Circular. Certain changes have been made to the format of the financial statements and to make their presentation more consistent with the Offering Circular.

The fixed assets of the Company were valued as at 1st January, 1995 in accordance with a relevant government directive. As a result, the closing balances in the financial records and balance sheet at 31st December, 1994 do not agree with the opening balances in the financial records and balance sheet at 1st January, 1995.

It should also be noted that a new Accounting Law which came into force on 1st January, 1995 resulted in the Company adopting new accounting policies. These are presented in section 3 of Part I of Appendix A. The Accounting Law also required, that financial statements for the 12 months ended 31st December, 1994 be disclosed in a comparable format. As a result, the 1994 statutory financial statements were adjusted to comply with the presentation requirements of the Accounting Law. The 1994 financial statements in statutory and adjusted form, together with a reconciliation thereof, are presented in Section 4 of Part I of Appendix A. In addition, the unconsolidated audited financial statements of the Company as at and for the three years ended 31st December, 1996 are presented in Section 5 of Part I of Appendix A and the audited consolidated statements as at and for the two years ended 31st December, 1996 are presented in Section 9 of Part I of Appendix A.

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## PART I: AUDITED FINANCIAL STATEMENTS AND AUDITORS' REPORTS

### 1. Opinion on the financial statements

#### 1.1. Opinion on the audited financial statements

To the shareholders of KGHM Polska Miedź S.A.

This report is presented in connection with the public offer of the shares of KGHM Polska Miedź S.A.

On the basis of the information contained in point 2 of Appendix A of the Offering Circular (the "Prospectus") and of the information received from the Management Board we have compiled the financial statements of the Company for the following 12 month periods: 1 January to 31 December 1994, 1 January to 31 December 1995 and 1 January to 31 December 1996 in accordance with the requirements stated in the Regulation of the Council of Ministers dated 11 October 1994 on the detailed requirements for prospectuses and information memoranda for the issue of shares (Dz. U. No. 128, entry 631 and that of 1996 No. 126, entry 691) ("the Prospectus Requirements") and in the Regulation of the Chairman of the Securities Commission dated 5 April 1995 on the scope of additional information presented in the financial statements of entities other than banks which are, or are applying to be, listed.

The preparation of the above mentioned financial statements is the responsibility of the Management Board.

The audit of the financial statements for the 12 months ended 31 December 1994 was carried out in accordance with the provisions of the Law dated 19 October 1991 on the auditing and publication of financial statements and on chartered accountants and their self-government (Dz. U. No. 111, entry 480 with later amendments) and with the provisional standards for the audit of financial statements issued by the National Chamber of Chartered Accountants.

The audits for the 12 months ended 31 December 1995 and 31 December 1996 were carried out in accordance with the provisions of the Accounting Law and of the auditing standards introduced by the National Chamber of Chartered Accountants by Resolution No. 144/96 of the National Chamber of Chartered Accountants dated 16 January 1996.

The financial statements for the 12 months ended 31 December 1994 were prepared in accordance with the provisions of the Directive of the Minister of Finance dated 15 January 1991 on accounting principles (Dz. U. No. 10, entry 35 with later amendments) and on a going concern basis, and those for the 12 month periods ended 31 December 1995 and 31 December 1996 were prepared in accordance with the Accounting Law.

The opinions of the auditors on the financial statements of the Company for the 12 month periods ended 31 December 1994, 31 December 1995 and 31 December 1996 are presented in their original form in point 2 of Part 1 of Appendix A of the Prospectus.

In our opinion the presentation of the Company's financial statements included in the Prospectus and the scope of the information disclosed comply with the Prospectus Requirements and the Regulation of the Chairman of the Securities Commission dated 5 April 1995 on the scope of additional information presented in the financial statements of entities other than banks which are, or are applying to be, listed.

In our opinion, based on our review of the audited financial statements for the 12 month periods ended 31 December 1994, 31 December 1995 and 31 December 1996 as well as the reports and opinions of the auditors on the audit of the financial statements, the financial statements give a true and fair view of the Company's financial position, the results of its operations, and its cash flows for the periods then ended.

Without qualifying our opinion as to the truth and fairness of the audited financial statements, we would like to draw attention to the following facts:

1. In accordance with the Directive of the Council of Ministers dated 25 January 1994 on the reduction of taxable income by investment expenditure incurred and on the reduction of corporate income tax, the Company took advantage of relief of PLN 70,068,837.68 and PLN 170,518,104.56 for 1994 and 1995 respectively. The effect of applying the relief was 100% depreciation of the qualifying fixed assets. In accordance with letter No. PO H/469/95 of the Ministry of Finance dated 26 September 1995 regarding the method of accounting for tangible and intangible fixed assets as at 1 January 1995 by companies owned by the State Treasury, the Company adjusted the gross book value of its fixed assets. The



adjustment resulted in a reduction of the gross book value of tangible and intangible fixed assets by PLN 3,154,921,093.23 and a reduction by the same amount of accumulated depreciation.

2. The Company included in its 1996 financial statements the effects of significant events relating to prior years including, among others, the effects of the reversal of writing down to net book value fixed assets taken over from a state-owned enterprise and performed an adjustment reversing the 100% depreciation of fixed assets subjected to investment relief in 1994 and 1995.

Moreover, in 1996 the Company implemented new principles for provisions for future expenses and potential losses. Consequently, the 1996 profit and loss account has been charged with additional provisions.

In order to ensure the comparability of information, the financial statements for the 12 months ended 31 December 1994 were adjusted in the Prospectus to comply with current presentation requirements.

All the information in Appendix A of the Prospectus is presented in PLN thousands and takes into account the redenomination of the zloty which took place on 1 January 1995.

Chartered Accountants

BDO Binder Sp. z o.o.  
00-467 Warszawa, ul. Jazdów 8A

*"Joe Smoczyński"*

Joe Smoczyński  
No. C-1/1182

Entity authorised to audit  
financial statements No. 523

Represented by:

*"Maria Janiak"*

Maria Janiak  
No. 7763/2281

*"Tomasz Zdziebkowski"*

Tomasz Zdziebkowski

*"Tomasz Adamczyk"*

Tomasz Adamczyk

Lubin, 22nd April, 1997

## **1.2. Opinion on the restated audited financial statements**

To the shareholders of KGHM Polska Miedź S.A.

This report is presented in connection with the public offer of the shares of KGHM Polska Miedź S.A.

On the basis of the information contained in point 2 of Part 1 Appendix A of the Prospectus and of the information received from the Management Board we have compiled in point 5.5.8 of this Appendix the financial statements of the Company for the 12 month periods from 1 January to 31 December 1994, 1 January to 31 December 1995 and 1 January to 31 December 1996 in a comparable manner.

The restatement of the data in the audited and approved financial statements of KGHM Polska Miedź S.A. for the years 1994, 1995 and 1996 was carried out by the Management Board to obtain comparable data by restating the accounts to reflect the effects of the following events:

- recording tangible and intangible fixed assets assumed following the transformation of state-owned entities into joint stock companies ("S.A.'s") at initial historic values, and charging depreciation thereon from 1 January 1995 ("regrossing");
- changes in the depreciation principles regarding fixed assets subject to investment relief in the years 1994-1995;
- creating provisions for anticipated losses and costs relating to prior periods, and charging the creation of such provisions to the 1996 financial result.

We have audited the restated financial statements presented in point 5.5.8 of this Appendix.

We confirm that the restatement was carried out in accordance with methodology consistent with the provisions of the Accounting Law as described in point 3 of this Appendix and that the restated financial statements give a true and fair view of the Company's financial position as at 31 December 1994, 31 December 1995 and 31 December 1996, the results of its operations and cash flows for the 12 month periods then ended.

Chartered Accountants

BDO Binder Sp. z o.o.  
00-467 Warszawa, ul. Jazdów 8A

*"Joe Smoczyński"*

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No. C-1/1182

Entity authorised to audit  
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Represented by:

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*"Tomasz Zdziebkowski"*

Tomasz Zdziebkowski

*"Tomasz Adamczyk"*

Tomasz Adamczyk

Lubin, 22nd April, 1997

### 1.3. Information on the relationship between the Issuer and its legal predecessor

KGHM Polska Miedź S.A. was founded on 9th September, 1991 as a result of the transformation of the state owned enterprise Kombinat Górniczo-Hutniczy Miedzi in Lubin. On the day of the transformation, the fixed assets, liabilities and debtors of the state owned enterprise were assumed fully by the Company. The equity of the Company was created out of the state owned enterprise's fund and its founding fund. KGHM Polska Miedź S.A. was entered in the Commercial Register of the District Court in Legnica on 12th September, 1991 under number RHB 621.

## 2. Source documentation underlying the financial statements presented in the Prospectus

The financial statements presented in the Prospectus are based on the following information sources:

- the financial statements of KGHM Polska Miedź S.A. for the 12-month periods ended 31st December, 1994, 1995 and 1996, and on the financial records of the Company;
- resolutions of general meetings of shareholders approving the above, financial statements and the distribution of net profit;
- representations of the Management Board regarding events which were not reported in the financial statements, and on source documents regarding these events;
- information drawn from general and sub ledgers and from source documentation for the periods presented;
- information received from the Management Board regarding other circumstances which could have a material influence on the financial position of the Company.
- the reports and the opinions of the chartered accountants who audited the unconsolidated and consolidated financial statements of the Company for the financial periods presented in this Prospectus.

### 2.1. Opinion of the auditors on the financial statements of KGHM Polska Miedź S.A. for the 12 months ended 31st December 1994

to the Shareholders, the Supervisory Board and the Management Board  
of KGHM Polska Miedź S.A. ul. M. Curie-Skłodowskiej 48, Lubin

- I. We have audited the financial statements of KGHM Polska Miedź S.A. in Lubin for the period from 1st January to 31st December, 1994, which consist of the following:
1. the balance sheet as at 31st December, 1994, which shows total assets, and total equity and liabilities of PLZ 26,573,683,728,100;
  2. the profit and loss account for the period from 1st January to 31st December, 1994, which shows profit before tax of PLZ 6,412,596,122,400 and profit after tax of PLZ 3,511,270,616,600;
  3. the Management Board Report on the Company's operations.
- and the Company's financial records which form the basis for the preparation of these financial statements.
- II. We have conducted the audit in accordance with the following laws and regulations:
- the provisions of the Law dated 19th October, 1991 on the auditing and publication of financial statements and on chartered accountants and their self-government (Dz.U. No. 111, entry 480 with later amendments);
  - the Directive of the Council of Ministers dated 29th July, 1991 on detailed conditions for prospectuses for the issue of shares by companies applying to be listed (Dz.U. No. 71, entry 308);
  - Resolution No. 10/10/92 dated 6th November, 1992 and No. 46/34/94 dated 16th February, 1994 issued by the National Chamber of Chartered Accountants on the standards applicable to Chartered Accountants.
- III. With regard to the fact that the audit was for the financial statements prepared as at 31st December 1994, the audit of the reconciliation with the state budget was also the annual reconciliation.
- IV. In our opinion the financial statements have been prepared in accordance with the following laws and regulations:
1. the Directive of the President of the Republic of Poland dated 27th June, 1934 – the Commercial Code (Dz.U. No. 57, entry 502 with later amendments);
  2. the Directive of the Minister of Finance dated 15th January, 1991 on the principles of accounting (Dz.U. No. 10, entry 35 with later amendments);
  3. the Directive of the Minister of Finance dated 27th March, 1992 on the financial assets classified as tangible and intangible fixed assets, principles and rates of depreciation, and methods and timing of the revaluation of fixed assets (Dz.U. No. 30, entry 130 with later amendments),
- and they give a true and fair view of the result of the Company's operations during the period under audit as well as the financial position of KGHM Polska Miedź S.A. as at 31st December, 1994.
- |  |   |
|--|---|
| <p>Tomasz Zdziebkowski<br/>President of the Management Board<br/><i>"Tomasz Zdziebkowski"</i><br/>BDO Binder<br/>Spółka z o.o.</p> <p>Audit supervisors:<br/>Maria Janiak<br/><i>"Maria Janiak"</i><br/>Chartered Accountant<br/>No. 7763/2281<br/>Lubin, 21st April, 1995</p> | <p>Andrzej Kuligiewicz<br/>President of the Management Board<br/><i>"Andrzej Kuligiewicz"</i><br/>KPS – Usługi Księgowe<br/>Spółka z o.o.</p> <p>Andrzej Kuligiewicz<br/><i>"Andrzej Kuligiewicz"</i><br/>Chartered Accountant<br/>No. 2043/960</p> |
|--|---|

### Statement by the reporting accountant regarding the above opinion of the auditor

The total assets balance, and the total equity and liabilities balance, stated in the above opinion do not correspond to the balances shown in the Company's balance sheet presented in Point 5.1. of this Appendix. The difference is due to the adjustment of the approved balance sheet as at 31st December, 1994 to ensure its compliance with the requirements of the Accounting Law. The differences between the total assets, and total equity and liabilities balances are presented in section 4 of this Appendix below.

#### 2.2. Opinion of the auditors on the financial statements of KHGM Polska Miedź S.A. for the 12 months ended 31st December 1995

to the Shareholders, the Supervisory Board and the Management Board of  
KHGM Polska Miedź S.A. ul. M. Curie-Skłodowskiej 48, Lubin

I We have audited the financial statements of KHGM Polska Miedź S.A. in Lubin for the period from 1st January, to 31st December, 1995, which consist of the following:

1. the balance sheet as at 31st December, 1995, which shows total assets, and total equity and liabilities, PLN 3,892,316,891.94;
2. the profit and loss account for the period from 1st January to 31st December, 1995, which shows profit before tax of PLN 835,782,652.03 and profit after tax of PLN 481,905,110.68;
3. the cash flow statement, which shows a decrease in cash and cash equivalents of PLN 131,689,062.46;
4. the notes to the financial statements;
5. the Management Board Report on the Company's operations

and the Company's financial records which form the basis for the preparation of these financial records.

II. We have carried out the audit in accordance with the following:

- the provisions of the Accounting Law dated 29th September, 1994 (Dz.U. No. 121, entry 591);
- auditing standards issued by the National Chamber of Chartered Accountants.

III. In our opinion the attached financial statements prepared on the basis of correctly kept financial records are, in all material aspects, in accordance with:

- the Directive of the President of the Republic of Poland dated 27th June, 1934 – the Commercial Code (Dz.U. No. 57, entry 502 with later amendments);
- the provisions of the Accounting Law dated 29th September, 1994, (Dz.U. No. 12, entry 591), consistently applied.

The financial statements agree in form and content with current laws and regulations and with the Company's Statutes. They give a true and fair view of the result of the Company's operations for the audited period and its financial position as at 31st December, 1995.

The information in the Management Board Report on operations is consistent with the information in the financial statements.

IV. Without qualifying our opinion as to the truth and fairness of the audited financial statements, we draw attention to the following facts:

1. In accordance with the Directive of the Council of Ministers dated 25th January, 1994 on the reduction of taxable income by investment expenditure incurred and on the reduction of corporate income tax, the Company took advantage of relief of PLN 70,068,837.68 and PLN 170,518,104.56 for 1994 and 1995 respectively. The effect of applying the relief was 100 per cent. depreciation of the qualifying fixed assets.
2. In accordance with letter No. PO H/469/95 of the Ministry of Finance dated 26th September, 1995 regarding the method of accounting for tangible and intangible fixed assets as at 1st January, 1995



by companies owned by the State Treasury, the Company adjusted the gross book value of its fixed assets. The adjustment resulted in a reduction of the gross book value of tangible and intangible fixed assets by PLN 3,154,921,093.23 and a reduction by the same amount of accumulated depreciation.

3. With regard to the fact that the audit was for the financial statements prepared as at 31st December, 1995, the audit of the reconciliation with the State Treasury was also the annual reconciliation.

BDO Binder Spółka z o.o.  
in Warsaw

*"Tomasz Zdziebkowski"*

Tomasz Zdziebkowski  
President of the Management Board

Audit supervisors:

Maria Janiak

*"Maria Janiak"*

Chartered Accountant  
No. 7763/228

Lubin, 22nd April, 1996

PROVIDUM S.A.  
Legnica Branch  
KPS – Usługi Księgowe

*"Andrzej Kuligiewicz"*

Andrzej Kuligiewicz  
Vice-President of the Management Board

Andrzej Kuligiewicz

*"Andrzej Kuligiewicz"*

Chartered Accountant  
No. 2043/960

**2.3. Opinion of the auditors on the financial statements of KHGM Polska Miedź S.A. 12 months ended 31st December, 1996**

to the Shareholders, the Supervisory Board  
and the Management Board of KHGM Polska Miedź S.A.  
ul. M. Curie-Skłodowskiej 48, Lubin

We have audited the financial statements of KHGM Polska Miedź S.A. in Lubin, which consist of the following:

- the balance sheet as at 31st December, 1996, which shows total assets, and total equity and liabilities, of PLN 4,346,118,165.55;
- the profit and loss account for the period from 1st January to 31st December, 1996, which shows net profit of PLN 147,224,857.33;
- the cash flow statement for the period from 1st January to 31st December, 1996, which shows a decrease in cash and cash equivalents of PLN 67,491,030.52;
- the notes to the financial statements,

and we have also audited the Company's financial records forming the basis for the preparation of these financial statements. The preparation of these financial statements is the responsibility of the Management Board. Our responsibility is to express an opinion on those financial statements based on the results of our audit.

We have carried out the audit in accordance with the following:

- the provisions of the Accounting Law dated 29th September, 1994 (Dz.U. No. 121, entry 591);
- auditing standards issued by the National Chamber of Chartered Accountants.

In our opinion the financial statements have been prepared in all material aspects:

- on the basis of correctly kept financial records,

- in agreement in form and content with the provisions of the Accounting Law dated 29th September, 1994,
- in accordance with accounting principles defined in the above law, consistently applied.

The financial information contained in the Management Board Report on operations for 1996 is consistent with the information given in the financial statements.

In our opinion the financial statements of KGHM Polska Miedź S.A. for 1996 show a true and fair view of all the material information necessary to evaluate the results of operations, cash flows and financial position of the Company as at 31st December, 1996.

Without qualifying our opinion as to the truth and fairness of the audited financial statements, we draw attention to the fact that the Company included in its 1996 financial statements the effects of significant events relating to prior years, including, among others, the effects of the reversal of writing down to net book value fixed assets taken over from a state-owned enterprise and performed an adjustment reversing the 100% depreciation of fixed assets subjected to investment relief in 1994 and 1995.

Moreover, in 1996 the Company implemented new principles for creating provisions for future expenses and potential losses. Consequently, the 1996 profit and loss account has been charged with additional provisions.

The new principles for creating provisions have been described in the accounting principles included in the notes to the financial statements. Detailed information on the effect of significant prior year events recorded for the first time in the 1996 financial statements has been presented in Annex 4 to the notes to the financial statements.

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Entity authorised to audit  
financial statements No. 523

Represented by:

*"Tomasz Zdziebkowski"*

Tomasz Zdziebkowski

Audit supervisors:

Maria Janiak

*"Maria Janiak"*

Chartered Accountant  
No. 7763/2281

Lubin, 5th March, 1997

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Andrzej Kuligiewicz

Andrzej Kuligiewicz

*"Andrzej Kuligiewicz"*

Chartered Accountant  
No. 2043/960

*"Anna Stasiak"*

Anna Stasiak

### 3. Principles applied for the valuation of assets, and equity and liabilities, and for the measurement of the financial result

#### 3.1. Intangible fixed assets

Intangible fixed assets comprise two groups of assets:

- rights acquired over assets for business use;
- long term payments on account of intangible fixed assets.

Rights acquired over assets are valued on the basis of purchase price, whereas payments on account of intangible fixed assets are valued on the basis of costs incurred.

Depreciation is calculated on a straight-line basis using depreciation rates stipulated by the Minister of Finance's Directive dated 20th January, 1995 relating to the depreciation of tangible and intangible fixed assets, and the revaluation of tangible fixed assets, (Dz. U. No.7, Entry 34, with later amendments)

In 1994, intangible assets included computer software and other rights over assets and investments in environmental protection zones.

### 3.2. Tangible fixed assets

Tangible fixed assets comprise fixed assets commissioned and under construction.

Tangible fixed assets, except for land and assets under construction, are shown at net book value (gross book value less accumulated depreciation).

The Company's fixed assets comprise:

- assets owned or co-owned by the Company, which are complete, whose useful economic lives at the moment of transfer to use are expected to exceed one year, and are intended for own use or for transfer to a third party;
- assets belonging to third parties which are leased or rented and where the Company is entitled to charge depreciation.

Fixed assets undergo periodic revaluations in accordance with regulations issued by the Minister of Finance.

The historic cost of fixed assets is the purchase or manufacturing cost and is increased by subsequent expenditure incurred on their improvement.

Depreciation includes planned and unplanned write-downs.

Unplanned write downs relate to the depreciation of fixed assets which do not generate income, e.g. fixed assets sold or scrapped.

Depreciation charges are precisely determined through the systematic allocation of the initial value of the fixed asset and the planned period of use, and through the application of depreciation rates set out in the Minister of Finance's Directive dated 20th January, 1995 regarding the depreciation of tangible and intangible fixed assets, and the revaluation of tangible fixed assets.

Depreciation is charged in full to costs, regardless of the tax limitations for 1995 and 1996 stipulated by the above mentioned Directive. Housing was also depreciated in 1995 and 1996.

In general, fixed assets whose initial book value exceeds PLN 2,000 are depreciated on a straight-line basis. However, in individual cases a reducing balance method is applied to: plant, machinery and vehicles (except for passenger cars). Assets with a value not exceeding PLN 2,000 are fully depreciated when brought into use.

Assets under construction are valued and stated at the amount of expenditure incurred to purchase or manufacture the assets. Foreign exchange losses and interest expense incurred to finance a fixed asset during the period of its construction are capitalised.

In 1995 the initial value of fixed assets assumed from the state enterprise and remaining in the financial records as at 1st January, 1995 was reduced by the accumulated depreciation of these assets ("netting down").

In 1996 the principles for the valuation of fixed assets reverted to those in force prior to 1st January, 1995, due to the Constitutional Court Resolution dated 15th May, 1996. This Resolution decreed that tangible and intangible fixed assets assumed from state owned enterprises should be stated at initial gross book value, i.e. the gross book value which was shown in the financial records of the state owned enterprise. As a result, the fixed assets were restated at their initial value and accumulated depreciation on the basis of the revaluation as at 1st January, 1995.

Investment relief relating to fixed assets purchases and capital expenditure incurred in 1994 and 1995 was treated in the same manner as depreciation charges, i.e. included in the financial records as accumulated depreciation of fixed assets, and simultaneously charged to operating costs or other operating costs. As a result of applying investment relief, the Company was entitled to reductions in taxable income amounting to 50 per cent. of the investment relief. The reductions were included in corporate tax settlements only in the years subsequent to the application of the relief. This additional reduction is treated as a permanent timing difference in the calculation of deferred tax. In 1996 the Company did not take advantage of investment relief.

Another methodological change introduced in 1996 was the reversal of the 100% depreciation of fixed assets subjected to investment relief in 1994 and 1995, and the re-depreciation of these assets for 1994 and 1995 in accordance with prevailing depreciation rates.

In 1994 perpetual usufruct of land was treated as a tangible fixed asset, and as a long term liability towards the State Treasury.

The effects of the events described above and rejected in the restated financial statements, namely the "netting down" and the depreciation of assets subject to investment relief, over periods in accordance with accounting practice and principle prevailing on 31st December, 1996. Detailed notes relating to the adjustments are presented in points 5.5.8 and 9.5.8 of this Appendix.

### **3.3. Long-term investments**

Long-term investments are made up of:

- shares not purchased for trading purposes;
- long-term securities;
- long-term loans.

Shares and securities are valued at purchase cost during the year. At the balance sheet date they are stated at cost less any diminution in value considered to be permanent. The valuation of debt notes at the balance sheet date is increased by interest accrued but not received over the period.

Loans are valued at nominal value during the year end. At the balance sheet date they are stated at the amount due for payment in accordance with the principle of prudent valuation.

### **3.4. Debtors, creditors and loans**

Debtors and creditors (including credits and loans) in Polish currency during the financial year are shown at original transaction value.

Foreign currency debtors and creditors are valued during the year on the basis of the average exchange announced by the President of the National Bank of Poland (the "NBP") as at the date of the transaction.

At the balance sheet date, debtors and disputed claims are valued at the amount due for payment, and stated net of provisions. Creditors at balance sheet date are valued and stated at the amounts due for payment. At the balance sheet date foreign currency debtors, disputed claims and creditors are translated in accordance with the average exchange rate of the NBP. In 1994, debtors were not reduced by provisions in the financial records.

### **3.5. Stocks**

Stocks comprise:

- finished goods;
- semi-finished products and work in progress;
- materials;
- goods for resale.

Finished products are valued during the year at actual manufacturing cost, calculated on the basis of average costs for the period. At the balance sheet date, the finished product balance is calculated using the prudence principle, i.e. at the lower of cost or net realisable value.

Materials and goods for resale in stock during the year are valued at purchase cost, and stocks are issued at weighted average cost. At the balance sheet date the goods for resale and materials are valued using the prudence principle.

Stocks are stated in the balance sheet net of stock write-offs and provisions.

Semi-finished products and work in progress are valued at actual production cost calculated on the basis of the stage of completion, however not higher than their net realisable value.

In 1994, stocks were valued as follows:

- goods for resale and materials – according to standard price corrected by variances
- finished products – according to actual technical cost of production
- work in progress – according to actual technical cost of production.



### 3.6. Short-term investments

Short-term investments include shares, treasury bills and treasury bonds. Short-term investments, with the exception of debt notes, are valued at the lower of purchase cost and net sales value at the balance sheet date. The sales price of shares quoted on the stock exchange is calculated on the basis of stock exchange quotations at the balance sheet date reduced by the stockbrokers' margin. Debt notes are stated at their sales price at the balance sheet date. The difference between the sales price and purchase cost is treated as financial income or cost.

### 3.7. Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank accounts as well as deposits, cheques and bills of exchange of third parties due not more than 3 months after the date of issue.

Cash at bank and in hand is valued at nominal value. Foreign currency is converted at the balance sheet date using the average NBP exchange rate for that day.

Cash in bank accounts and on deposit is shown inclusive of accrued interest due.

### 3.8. Prepayments, accruals and deferred income

Prepayments include expenditure and assets which will be utilised in periods after those in which the expenditure was incurred.

Accruals include costs which had not been invoiced at the balance sheet date and potential costs whose exact amounts or date of transaction were not known, at the time the financial statements were prepared.

Prepayments and accruals are written off over time.

Deferred income includes:

- transactions invoiced for which payment has been received, but for which delivery has not occurred;
- unrealised foreign exchange gains;
- sums which increase the debtors amount, for which provisions were previously made;
- grants and subsidies received for future capital development and research projects;
- negative goodwill arising when the purchase price of an entity is below the book value of its assets, or a capital contribution is above the net book value of assets contributed in kind.

### 3.9. Equity

Equity comprises share capital created in accordance with the regulations in force at the time of its creation.

Share capital is stated at nominal value in accordance with the Company's Statute and the commercial register.

Reserve capital is created in accordance with the Company's Statute from appropriations of net profit and from transfers of other reserve capital and fixed asset revaluation reserve.

Fixed asset revaluation reserve capital is the difference between the net book value of fixed assets before and after revaluation as at 1st January, 1995. This reserve capital is reduced as revalued fixed assets are sold.

Other reserve capital is created on the basis of resolutions passed by the general meeting of shareholders concerning the appropriation of net profit to cover future period costs and losses.

In 1996 a change in methodology resulted in provisions for future period costs and losses being included in the result of the year.

### 3.10. Provisions

In accordance with art. 37 of the Accounting Law dated 29th September, 1994 and on the basis of policies formulated by the Management Board, provisions are created for the following:

- doubtful debts and disputed claims;
- risk, possible losses and the consequences of other events, if information thereon is realistic and the effect is quantifiable which in 1996 comprises provisions for mine abandonment (calculated on the basis of extracted ore), tax issues in dispute and environmental penalties;

- deferred income tax resulting from timing differences arising out of the treatment of transactions under tax and accounting regulation.

In 1994, provisions for deferred tax were not created.

Provisions for mine abandonment were created for the first time in the 1996 financial records and related to the exploitation of the mines for the previous 35 years. This provision was calculated based on the assumed total cost of closing mining operations and was divided into periods before and after 1996. In the restated financial statements, the provision of PLN 120,000 thousand was allocated to prior years, taking into account annual ore extraction, and the level of inflation in these years (reflecting the level of purchasing power of the Zloty in previous years).

Provisions for disputed tax issues and environmental penalties in the years 1994 and 1995 were created from net profit in the form of reserve capital. In 1996 these provisions were charged to the profit and loss account. Reserve capital concerning the above threats was released by a resolution passed by the general shareholders' meeting in 1997.

In order to make the financial statements comparable these provisions were reallocated to prior periods either through the profit and loss account or through profits/losses of prior years through the balance sheets.

### **3.11. Special funds**

Special funds comprise:

- A Company Social Fund created in accordance with the provisions of the Law on Company Social Funds;
- A Bonus Fund created from appropriations of net profit in accordance with the resolutions of the general meeting of shareholders;
- A fund for other purposes created from appropriations of net profit in accordance with the resolutions of the general meeting of shareholders.
- In 1994, in place of the Company Social Fund, separate social and housing funds were established.

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

Sales revenue is the amount due from customers, excluding duty and less value added tax.

The point of sale is defined as follows:

- for domestic sales – the date of transferring products to the customer in accordance with the conditions of the sales agreement,
- for export sales – the date when the products cross the border, as confirmed by the customs office.

### **3.13. Operating costs**

The Company records costs in the cost by function and the cost by type formats.

- Operating costs comprise all of the costs relating to the normal operations of the Company excluding other operating costs, financial costs and extraordinary losses. Included in operating costs and disclosed separately are cost of goods and products sold, selling costs and general administration costs.
- Cost of products and services sold comprise those costs of producing products and rendering services which are proportionate to sales revenue. Cost of goods and materials sold represents the purchase cost of those goods and materials which are proportionate to sales revenue. The costs of manufacturing products and rendering services represent direct manufacturing costs and an appropriate percentage of indirect manufacturing costs.

The profit and loss account is prepared:

- for presentation of the financial statements using the cost by type format version 2 (appendix no. 4/2 of the Accounting Law);
- for management purposes in the cost by function format, version 2 (appendix 4/4 of the Accounting Law).

### **3.14. Other operating income and costs**

Other operating income and costs relate to activities which are not directly connected with the ordinary activities of the Company, but which affect its financial result. In 1994, other operating income and costs were not disclosed as separate line items in the profit and loss account.

### **3.15. Financial income and financial costs**

Included in financial income are the following:

- dividends, and other income from legal entities,
- income from the sale of securities,
- interest received on debtors and loans,
- discount received on bills of exchange, cheques from third parties and securities,
- interest receivable on bank accounts and deposits,
- realised foreign exchange gains.

Financial costs comprise:

- the purchase cost of securities sold,
- cost of sales of shares in other companies,
- interest paid on loans and credits,
- interest on late payments to creditors,
- discount paid on the sales of bills of exchange, cheques to third parties and securities,
- provisions for financial risks,
- foreign exchange losses.

### **3.16. Extraordinary gains and losses**

Extraordinary gains and losses consist of the effects of nonrecurring events, arising outside the normal course of the Company's operations. In 1994, extraordinary gains and losses included income and costs not related directly to the normal operations of the Company.

### **3.17 Principles for the measurement of the financial results**

The measurement of the financial result is based on the following important accounting principles:

- the accruals principle; the recording in the financial records and financial statements of all the transactions of a given financial period regardless of whether the transactions were settled at the balance sheet date
- the matching principle of costs with income in accordance with which the measurement of the financial results was based upon the income of the financial period, the costs relating to the same financial period, other operational income and costs, financial income and costs, and extraordinary income and losses to create gross profit.

### **3.18. Corporate income tax and other obligatory reductions in profit**

Included in obligatory reductions in profit, in addition to corporate income tax (together with the deferred tax provision), are the following:

- in 1994        - tax on pay increases over the legal limit for state owned entities,  
                     - interest on capital from companies wholly owned by the State Treasury,
- in 1995        - interest on capital from companies wholly owned by the State Treasury ,
- in 1996        - payments of a proportion of profit to the state treasury.

## **4. Differences between the financial statements included in the Prospectus and those previously published**

The financial statements of KGHM Polska Miedź S.A. for the 12 months ended 31 December 1994 presented below differ from the audited financial statements of the Company for that year since they have been adjusted in order to comply with the requirements of the Accounting Law and the Prospectus Requirements.

Unconsolidated balance sheet as at 31st December, 1994 – restated for the 1.01.1995 opening balance sheet

	Note	As published PLN'000	Adjustment PLN'000	Adjusted PLN'000
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible assets . . . . .		6,900.1	60.0	6,960.1
Tangible assets . . . . .		1,527,807.1	(64,657.9)	1,463,149.2
Long-term investments . . . . .		142,523.8	—	142,523.8
Long-term debtors . . . . .		—	6,107.9	6,107.9
<b>Total fixed assets . . . . .</b>	1)	<b>1,677,231.0</b>	<b>(58,490.0)</b>	<b>1,618,741.0</b>
<b>Current assets</b>				
Stocks . . . . .		357,724.5	104.4	357,828.9
Debtors . . . . .		332,565.1	(11,854.6)	320,710.5
Short-term investments . . . . .		840.2	—	840.2
Cash at bank and in hand . . . . .		286,078.4	—	286,078.4
<b>Total current assets . . . . .</b>	2)	<b>977,208.2</b>	<b>(11,750.2)</b>	<b>965,458.0</b>
<b>Prepayments . . . . .</b>	3)	<b>2,929.9</b>	<b>(60.0)</b>	<b>2,869.9</b>
<b>TOTAL ASSETS . . . . .</b>		<b>2,657,369.1</b>	<b>(70,300.2)</b>	<b>2,587,068.9</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity . . . . .</b>				
Share capital . . . . .		530,000.0	—	530,000.0
Called up share capital not paid . . . . .		—	—	—
Reserve capital . . . . .		1,357,430.7	58,493.2	1,415,923.9
Revaluation reserve capital . . . . .		58,493.2	(58,493.2)	—
Other reserve capital . . . . .		37,889.5	—	37,889.5
Profit/(loss) for prior years . . . . .		679.8	—	679.8
Profit for the year . . . . .		—	351,127.9	351,127.9
<b>Total equity . . . . .</b>	4)	<b>1,984,493.2</b>	<b>351,127.9</b>	<b>2,335,621.1</b>
<b>Provisions . . . . .</b>	5)	<b>5,780.7</b>	<b>(5,746.6)</b>	<b>34.1</b>
<b>Creditors . . . . .</b>				
Amounts falling due after more than one year . . . . .	6)	75,020.8	(64,553.6)	10,467.2
Amounts falling due within one year . . . . .		225,166.4	—	225,166.4
<b>Total creditors . . . . .</b>		<b>300,187.2</b>	<b>(64,553.6)</b>	<b>235,633.6</b>
<b>Accruals and deferred income . . . . .</b>		<b>15,780.1</b>	<b>—</b>	<b>15,780.1</b>
<b>Profit for the year . . . . .</b>	7)	<b>351,127.9</b>	<b>(351,127.9)</b>	<b>—</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,657,369.1</b>	<b>(70,300.2)</b>	<b>2,587,068.9</b>



Explanatory notes to the adjustment of the unconsolidated balance sheet as at 31st December, 1994 –  
adjusted for the purposes of the 1.01.1995 opening balance sheet

ASSETS

1. Fixed assets *przebiebie*

	PLN'000
Reclassification of research and development work from prepayments . . . . .	60.0
Reclassification of perpetual usufruct of land to off-balance sheet items . . . . .	(64,553.6)
Reclassification from short-term debtors . . . . .	9,479.7
Reduction of long-term debtors by provisions . . . . .	(3,371.8)
Fixtures and fittings transferred to current assets, fixed assets under construction . . . . .	(325.4)
Fixtures and fittings transferred to fixed assets and assets under construction . . . . .	221.1
	<u>(58,490.0)</u>

2. Current assets

Reclassification from fixture and fittings . . . . .	104.4
Reclassification to long-term debtors . . . . .	(9,479.7)
Reduction of debtors by provisions . . . . .	(2,374.9)
	<u>(11,750.2)</u>

3. Prepayments

Reclassification of research and development work to intangible fixed assets . . . . .	(60.0)
	<u>(70,300.2)</u>

Total adjustments . . . . .

EQUITY AND LIABILITIES

4. Equity

	PLN'000
Reclassification of revaluation reserve capital to reserve capital . . . . .	(58,493.2)
Creation of reserve capital from revaluation reserve capital . . . . .	58,493.2
Transfer of financial result from the net profit for the year . . . . .	351,127.9
	<u>351,127.9</u>

5. Provisions

Reduction by:	(3,371.8)
Provisions for long-term debtors . . . . .	(2,374.8)
Provisions for short-term debtors . . . . .	
	<u>(5,746.6)</u>

6. Amounts falling due within one year

Transfer of liabilities relating to the perpetual usufruct of land to off-balance sheet items . . . . .	(64,553.6)
	<u>(64,553.6)</u>

7. Profit for the year

Reclassification to equity . . . . .	(351,127.9)
	<u>(351,127.9)</u>
	<u>(70,300.2)</u>
Total adjustments . . . . .	

**Unconsolidated profit and loss account for the 12 months ended 31st December, 1994 before and after adjustments**

	Note	As published PLN'000	Adjustment PLN'000	Adjusted PLN'000
Revenue from sales of goods and products . .	1)	2,695,103.1	(29,572.3)	2,665,530.8
Cost of goods and products sold . . . . .	2)	(1,733,242.1)	(19,855.4)	(1,713,386.7)
<b>Gross profit . . . . .</b>		<b>961,861.0</b>	<b>(9,716.9)</b>	<b>952,144.1</b>
Selling costs . . . . .		(46,919.0)	—	(46,919.0)
General administration costs . . . . .		(266,708.8)	—	(266,708.8)
Other operating income . . . . .	3)	—	4,833.5	4,833.5
Other operating costs . . . . .	4)	—	11,613.6	(11,613.6)
<b>Profit on operations . . . . .</b>		<b>648,233.2</b>	<b>(16,497.0)</b>	<b>631,736.2</b>
Income from investments in other entities of which . . . . .	5)	—	6,704.5	6,704.5
Subsidiaries . . . . .		—	6,194.2	6,194.2
Associates . . . . .		—	504.0	504.0
Income from other long-term investments . .		—	—	—
Other financial income . . . . .	5)	—	37,741.5	37,741.5
Interest payable and similar charges . . . .	6)	—	34,537.7	(34,537.7)
<b>Profit before extraordinary items and tax .</b>		<b>648,233.2</b>	<b>(6,588.7)</b>	<b>641,644.5</b>
Extraordinary items: . . . . .		(6,973.6)	(6,588.7)	(384.9)
Extraordinary gains . . . . .	7)	6,217.2	(6,182.9)	34.3
Extraordinary losses . . . . .	8)	(13,190.8)	(12,771.6)	(419.2)
<b>Profit before tax . . . . .</b>		<b>641,259.6</b>	<b>—</b>	<b>641,259.6</b>
Corporate income tax . . . . .		(260,899.6)	—	(260,899.6)
Other obligatory reductions of profit . . .		(29,233.0)	—	(29,233.0)
<b>Net profit. . . . .</b>		<b>351,127.0</b>	<b>—</b>	<b>351,127.0</b>
Redenomination of the zloty . . . . .		0.9	—	0.9
<b>Net profit. . . . .</b>		<b>351,127.9</b>	<b>—</b>	<b>351,127.9</b>

Explanatory notes regarding the adjustment of the unconsolidated profit and loss account for the 12 months ended 31st December 1994

PLN '000

**1. Revenue from sales of goods and products**

Increase in revenue from sales of services due to a reclassification from profit on other sales . . . . .	2,139.4
Increase in revenue from sales of materials due to a reclassification from profit of other sales . . . . .	15,055.4
Income from financial operations reclassified to financial income . . . . .	(41,691.7)
Profit on other sales reclassified to sales revenue and cost of sales and to other operating income and expenses . . . . .	(5,075.4)
	<u>(29,572.3)</u>

**2. Cost of goods and products sold**

Cost of goods sold – at purchase cost reclassified from profit on other sales . . . . .	12,451.6
Cost of financial operations transferred to financial costs . . . . .	(32,307.0)
	<u>(19,855.4)</u>

**3. Other operating income**

Reclassified from extraordinary gains . . . . .	3,428.7
Reclassified from sales of fixed assets . . . . .	1,404.8
	<u>4,833.5</u>

**4. Other operating costs**

Reclassified from extraordinary losses . . . . .	10,541.0
Cost of fixed assets sold reclassified from profit on other sales . . . . .	1,072.6
	<u>11,613.6</u>

**5. Financial income**

Dividends from shareholdings reclassified from sales income . . . . .	6,704.5
Interest received reclassified from sales income . . . . .	22,471.3
Interest received reclassified from extraordinary gains . . . . .	2,754.3
Other items reclassified from sales income . . . . .	12,515.9
	<u>44,446.0</u>

**6. Financial costs**

Interest payable reclassified from costs of sales . . . . .	32,307.0
Interest payable reclassified from extraordinary losses . . . . .	2,230.7
	<u>34,537.7</u>

**7. Extraordinary gains**

Reclassified to other operating income . . . . .	(3,428.7)
Reclassified to financial income . . . . .	(2,754.2)
	<u>(6,182.9)</u>

**8. Extraordinary losses**

Reclassified to other operating costs . . . . .	(10,540.9)
Interest transferred to financial costs . . . . .	(2,230.7)
	<u>(12,771.6)</u>

## 5. The unconsolidated financial statements of KGHM Polska Miedź S.A.

### 5.1. Unconsolidated balance sheets

		As at 31st December,		
	Note	1994	1995	1996
		PLN'000	PLN'000	PLN'000
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets . . . . .	1)	6,960.1	6,993.6	9,705.8
Tangible fixed assets . . . . .	2)	1,463,149.2	2,266,140.6	2,448,694.1
Long-term investments . . . . .	3)	142,523.8	192,984.0	518,733.1
Long-term debtors. . . . .	4)	6,107.9	19,577.6	15,705.8
<b>Total fixed assets . . . . .</b>		<b>1,618,741.0</b>	<b>2,485,695.8</b>	<b>2,992,838.9</b>
<b>Current assets</b>				
Stocks . . . . .	5)	357,828.9	556,995.5	731,251.9
Debtors . . . . .	6)	320,710.5	416,366.5	340,500.1
Short-term investments . . . . .	7)	840.2	273,714.7	186,601.7
Cash at bank and in hand . . . . .	8)	286,078.4	154,389.3	86,898.3
<b>Total current assets . . . . .</b>		<b>965,458.0</b>	<b>1,401,466.0</b>	<b>1,345,252.0</b>
<b>Prepayments . . . . .</b>	9)	<b>2,869.9</b>	<b>5,155.1</b>	<b>8,027.3</b>
<b>TOTAL ASSETS. . . . .</b>		<b>2,587,068.9</b>	<b>3,892,316.9</b>	<b>4,346,118.2</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital . . . . .	10)	530,000.0	530,000.0	530,000.0
Called up share capital not paid . . . . .		—	—	—
Reserve capital . . . . .	11)	1,415,923.9	1,699,865.7	2,108,835.0
Revaluation reserve capital . . . . .	12)	—	827,992.3	789,947.5
Other reserve capital . . . . .	13)	37,889.5	37,910.7	34,521.7
Profit /(loss) for prior years . . . . .		679.8	—	—
Profit for the year . . . . .		351,127.9	481,905.9	147,224.9
<b>Total equity . . . . .</b>		<b>2,335,621.1</b>	<b>3,577,674.6</b>	<b>3,610,529.1</b>
<b>Provisions . . . . .</b>	14)	<b>34.1</b>	<b>5,706.8</b>	<b>273,947.2</b>
<b>Creditors</b>				
Amounts falling due after more than one year . . . . .	15)	10,467.2	11,000.0	6,700.0
Amounts falling due within one year. . . . .	16)	225,166.4	287,240.7	424,121.7
<b>Total creditors . . . . .</b>		<b>235,633.6</b>	<b>298,240.7</b>	<b>430,821.7</b>
<b>Accruals and deferred income . . . . .</b>	17)	<b>15,780.1</b>	<b>10,694.8</b>	<b>30,820.2</b>
<b>TOTAL EQUITY AND LIABILITIES. . . . .</b>		<b>2,587,068.9</b>	<b>3,892,316.9</b>	<b>4,346,118.2</b>



## 5.2. Unconsolidated profit and loss accounts

For the 12 months ended 31st December

	Note	1994 PLN'000	1995 PLN'000	1996 PLN'000
Revenue from sales of goods and products . . . . .	18)	2,665,530.8	3,469,579.6	3,351,021.3
Revenue from sales of goods and materials . . . . .		58,392.9	56,809.2	78,267.0
Revenue from sales of products . . . . .		2,607,137.9	3,412,770.4	3,272,754.3
Cost of goods and products sold . . . . .	19)	(1,713,386.7)	(2,175,059.8)	(2,593,114.7)
Cost of goods and materials sold . . . . .		(54,677.9)	(50,350.1)	(69,823.6)
Cost of manufacturing products sold . . . . .		(1,658,708.8)	(2,124,709.7)	(2,523,291.1)
<b>Gross profit . . . . .</b>		<b>952,144.1</b>	<b>1,294,519.8</b>	<b>757,906.6</b>
Selling costs . . . . .	19)	(46,919.0)	(51,482.5)	(52,996.6)
General administration costs . . . . .	19)	(266,708.8)	(271,250.4)	(266,166.6)
Other operating income . . . . .	20)	4,833.5	5,758.9	16,544.9
Other operating costs . . . . .	21)	(11,613.6)	(243,947.0)	(64,950.4)
<b>Profit on operations . . . . .</b>		<b>631,736.2</b>	<b>733,598.8</b>	<b>390,337.9</b>
Income from investments in other entities, of which:	22)	6,704.5	3,558.2	124.5
Subsidiaries . . . . .		6,194.2	3,558.2	—
Associates . . . . .		504.0	—	76.4
Income from other long-term investments, of which:	22)	—	—	—
Subsidiaries . . . . .		—	—	—
Associates . . . . .		—	—	—
Other financial income . . . . .	22)	37,741.5	613,272.8	627,496.4
Financial costs . . . . .	23)	(34,537.7)	(513,819.6)	(554,803.1)
<b>Profit before extraordinary items and tax . . . . .</b>		<b>641,644.5</b>	<b>836,610.2</b>	<b>463,155.7</b>
Extraordinary items: . . . . .		(384.9)	(827.6)	(8,122.7)
Extraordinary gains . . . . .	24)	34.3	151.4	262.9
Extraordinary losses . . . . .	25)	(419.2)	(979.0)	(8,385.6)
<b>Profit before tax . . . . .</b>		<b>641,259.6</b>	<b>835,782.6</b>	<b>455,033.0</b>
Corporate income tax . . . . .	26)	(260,899.6)	(337,610.7)	(270,576.6)
Other obligatory reductions of profit . . . . .	27)	(29,233.0)	(16,266.9)	(37,231.5)
<b>Profit after tax . . . . .</b>		<b>351,127.0</b>	<b>481,905.0</b>	<b>147,224.9</b>
Redenomination of the zloty . . . . .	28)	0.9	0.9	—
<b>Net profit . . . . .</b>	29)	<b>351,127.9</b>	<b>481,905.9</b>	<b>147,224.9</b>
<b>Net profit per share (in PLN) . . . . .</b>		<b>66.25</b>	<b>90.93</b>	<b>27.78</b>
<b>Net profit per share (in PLN) after the share capital increase as a result of a resolution of the general shareholders' meeting dated 30th April 1997 (see note 10) . . . . .</b>		<b>1.76</b>	<b>2.41</b>	<b>0.74</b>

### 5.3. Unconsolidated cash flow statements

Item	For the 12 months ended 31st December		
	1994	1995	1996
	PLN'000	PLN'000	PLN'000
<b>Cash flow from operations:</b>			
<b>Net profit.</b>	<b>351,127.9</b>	<b>481,905.9</b>	<b>147,224.9</b>
<b>Adjustments:</b>			
Depreciation	230,872.6	307,502.4	122,231.6
Unrealised exchange gains/losses	—	—	7,927.5
Interest and dividends received and paid	(3,519.9)	(4,522.8)	(41,920.5)
Debtors provision	—	6,877.3	14,524.9
Other provisions	3,059.3	72.5	196,416.4
Corporate income tax charge	260,899.6	337,610.7	270,576.6
Corporate income tax paid	(300,850.2)	(406,353.1)	(156,296.6)
Profits or losses on disposals of investments and capital items	3,064.9	44,785.4	2,539.3
Change in stock	(1,823.2)	(199,166.6)	(174,256.4)
Change in debtors	(91,136.6)	(27,684.1)	22,757.4
Change in short-term creditors (except loans and credits) and special funds	38,672.8	50,190.1	(28,029.1)
Change in prepayments	(2,644.8)	(2,285.2)	(2,818.4)
Change in creditors and accruals	(4,252.1)	(5,085.4)	20,071.6
Other items:	(27,871.0)	(44,944.9)	24,234.5
— Appropriation of profit to the Social Fund	(14,491.0)	(17,353.2)	(19,224.3)
— Adjustment of net profit for interest on capital	—	—	37,231.6
— Conversion of debtors into shares in other entities	(14,838.1)	(19,022.7)	—
— Write-downs updating the value of securities	996.4	(8,407.5)	—
— Other	461.7	(161.5)	6,227.2
<b>Total adjustments</b>	<b>104,471.4</b>	<b>56,996.3</b>	<b>277,958.8</b>
<b>Net cash inflow from operations</b>	<b>455,599.3</b>	<b>538,902.2</b>	<b>425,183.7</b>
<b>Cash flow from investing activities</b>			
(Purchase)/sale of intangible fixed assets	(2,644.7)	(2,135.3)	(5,136.5)
(Purchase)/sale of tangible fixed assets	(154,090.4)	(306,139.8)	(425,325.8)
(Purchase)/sale of shares in subsidiaries and other securities issued by subsidiaries	(1,144.2)	(29,661.9)	(124,262.0)
(Purchase)/sale of shares in associates and other securities issued by associates	—	458.0	17,808.7
(Purchase)/sale of other long-term investments	(900.0)	—	(114,649.4)
(Purchase)/sale of other shares and securities, including short-term investments	(1,170.4)	(264,466.9)	89,283.1
Loans received/(repaid)	460.9	958.1	549.9
Dividends received/(paid)	6,704.5	3,558.2	124.5
Interest received/(paid)	2,655.4	1,624.1	46,173.1
Other items	(3,570.9)	(1,569.1)	(9,386.4)
<b>Net cash outflow from investing activities</b>	<b>(153,699.8)</b>	<b>(597,374.6)</b>	<b>(524,820.8)</b>

For the 12 months ended 31 December

**Cash flow from financing activities**

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Proceeds/repayment of long-term bank loans . . . . .	—	—	—
Proceeds/repayment of long-term loans . . . . .	(4,000.0)	2,000.0	(4,300.0)
Issue/purchase of long-term debentures and other securities . . . . .	—	—	—
Proceeds/repayment of short-term bank loans . . . . .	(58,275.9)	—	191,928.5
Proceeds/repayment of short-term loans . . . . .	1,000.0	(6,000.0)	—
Issue/purchase of short-term debentures and other securities . . . . .	—	—	—
Dividends and other payments to the shareholders . . . . .	—	—	(37,231.6)
Leasing and hire purchase repayments . . . . .	—	—	—
Income from shares issued and from additional payments to capital . . . . .	—	—	—
Interest paid . . . . .	(5,840.0)	(659.4)	(4,377.1)
Other items: . . . . .	(29,037.7)	(68,557.3)	(113,873.7)
Bonuses from profit paid to employees . . . . .	(29,037.7)	(67,090.1)	(90,503.8)
Holiday benefits . . . . .	—	—	(18,397.6)
Other . . . . .	—	(1,467.2)	(4,972.3)
<b>Net cash inflow/(outflow) on financing activities . . . . .</b>	<b>(96,153.6)</b>	<b>(73,216.7)</b>	<b>32,146.1</b>
<b>Change in cash and cash equivalents . . . . .</b>	<b>205,745.9</b>	<b>(131,689.1)</b>	<b>(67,491.0)</b>
<b>Cash and cash equivalents – beginning of period . . . . .</b>	<b>80,332.5</b>	<b>286,078.4</b>	<b>154,389.3</b>
<b>Cash and cash equivalents – end of period . . . . .</b>	<b>286,078.4</b>	<b>154,389.3</b>	<b>86,898.3</b>

**5.4. Notes to the unconsolidated financial statements**

**Notes to the unconsolidated balance sheets**

**Note 1 – Intangible assets**

As at 31st December

**1.1. Intangible assets by group**

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Organisation costs incurred when founding or expanding a joint stock company . . . . .	—	—	—
Research and development costs . . . . .	60,0	314,8	270,9
Goodwill . . . . .	—	—	—
Concessions, patents, licences and similar items . . . . .	1,100.2	1,700.9	3,716.8
Computer software . . . . .	3,015.9	2,523.0	3,717.7
Perpetual usufruct of land . . . . .	—	105,2	121,6
Other intangible assets . . . . .	2,784.0	2,349.7	1,878.8
Payments on account of intangible assets . . . . .	—	—	—
<b>6,960.1</b>	<b>6,993.6</b>	<b>9,705.8</b>	

## 1.2. Movements in intangible fixed assets

Movements in intangible fixed assets during the  
12 months ended 31st December, 1994  
(PLN'000)

	Total	Research and development costs	Concessions, patents, licences	Software	Other
<b>1 Gross book value – beginning of period . . . . .</b>	<b>6,918.7</b>	<b>—</b>	<b>608.5</b>	<b>1,832.4</b>	<b>4,477.8</b>
<b>2 Additions: . . . . .</b>	<b>2,707.3</b>	<b>60.0</b>	<b>928.3</b>	<b>1,719.0</b>	<b>—</b>
2.1 Completion of capital development. . . . .	2,644.8	—	928.3	1,716.5	—
2.2 Gifts received . . . . .	2.5	—	—	2.5	—
2.3 Other . . . . .	60.0	60.0	—	—	—
<b>3 Disposals: . . . . .</b>	<b>7.6</b>	<b>—</b>	<b>—</b>	<b>6.3</b>	<b>1.3</b>
3.1 Write-off of fully amortised intangible assets . . . . .	7.6	—	—	6.3	1.3
<b>4 Gross book value – end of period . . . . .</b>	<b>9,618.4</b>	<b>60.0</b>	<b>1,536.8</b>	<b>3,545.1</b>	<b>4,476.5</b>
<b>5 Accumulated depreciation – beginning of period. . . . .</b>	<b>1,450.4</b>	<b>—</b>	<b>28.9</b>	<b>175.4</b>	<b>1,246.1</b>
<b>6 Depreciation-changes during the period (6.1-6.2) . . . . .</b>	<b>1,207.9</b>	<b>—</b>	<b>407.7</b>	<b>353.8</b>	<b>446.4</b>
6.1 Additions: . . . . .	1,215.5	—	407.7	360.1	447.7
Depreciation charge . . . . .	1,031.8	—	224.0	360.1	447.7
Depreciation relating to investment relief. . . . .	183.7	—	183.7	—	—
6.2 Disposals: . . . . .	7.6	—	—	6.3	1.3
Assets scrapped . . . . .	7.6	—	—	6.3	1.3
<b>7 Accumulated depreciation – end of period . . . . .</b>	<b>2,658.3</b>	<b>—</b>	<b>436.6</b>	<b>529.2</b>	<b>1,692.5</b>
<b>8 Net book value – end of period.</b>	<b>6,960.1</b>	<b>60.0</b>	<b>1,100.2</b>	<b>3,015.9</b>	<b>2,784.0</b>



Movements in intangible fixed assets  
during the 12 months ended  
31 December 1995 (PLN'000)

	Total	Research and development costs	Concessions, patents, licences	Software	Perpetual usufruct land	Other
<b>1 Gross book value –</b>						
beginning of period . . . . .	9,618.4	60.0	1,536.8	3,545.1	—	4,476.5
<b>2 Additions: . . . . .</b>	<b>3,146.6</b>	<b>278.6</b>	<b>1,174.0</b>	<b>1,579.6</b>	<b>113.0</b>	<b>1.4</b>
2.1 Purchase . . . . .	94.5	—	—	—	94.5	—
2.2 Completion of capital development . . . . .	2,040.9	47.0	399.3	1,576.1	18.5	—
2.3 Gifts received . . . . .	1.9	—	—	1.9	—	—
2.4 Other . . . . .	1,009.3	231.6	774.7	1.6	—	1.4
<b>3 Disposals: . . . . .</b>	<b>1,854.9</b>	<b>—</b>	<b>3.5</b>	<b>1,187.0</b>	<b>—</b>	<b>664.4</b>
3.1 Assets scrapped . . . . .	37.9	—	—	37.9	—	—
3.2 "Netting-down" . . . . .	671.2	—	3.5	3.3	—	664.4
3.3 Other . . . . .	1,145.8	—	—	1,145.8	—	—
<b>4 Gross book value –</b>						
end of period . . . . .	<b>10,910.1</b>	<b>338.6</b>	<b>2,707.3</b>	<b>3,937.7</b>	<b>113.0</b>	<b>3,813.5</b>
<b>5 Accumulated depreciation –</b>						
beginning of period . . . . .	2,658.3	—	436.6	529.2	—	1,692.5
<b>6 Depreciation – changes in</b>						
the period (6.1-6.2). . . . .	<b>1,258.2</b>	<b>23.8</b>	<b>569.7</b>	<b>885.6</b>	<b>7.8</b>	<b>(228.7)</b>
<b>6.1 Additions: . . . . .</b>	<b>2,398.4</b>	<b>23.8</b>	<b>573.2</b>	<b>1,357.9</b>	<b>7.8</b>	<b>435.7</b>
Ongoing depreciation . . . . .	1,785.5	23.8	412.7	907.1	7.8	434.1
Depreciation relating to investment relief . . . . .	549.0	—	133.9	415.1	—	—
"Netting-down" . . . . .	63.9	—	26.6	35.7	—	1.6
<b>6.2 Disposals: . . . . .</b>	<b>1,140.2</b>	<b>—</b>	<b>3.5</b>	<b>472.3</b>	<b>—</b>	<b>664.4</b>
Writing off fully amortised intangible assets . . . . .	67.3	—	—	67.3	—	—
Assets scrapped . . . . .	401.7	—	—	401.7	—	—
"Netting-down" . . . . .	671.2	—	3.5	3.3	—	664.4
<b>7 Accumulated depreciation –</b>						
end of period . . . . .	<b>3,916.5</b>	<b>23.8</b>	<b>1,006.3</b>	<b>1,414.8</b>	<b>7.8</b>	<b>1,463.8</b>
<b>8 Net book value – end of</b>						
period. . . . .	<b>6,993.6</b>	<b>314.8</b>	<b>1,701.0</b>	<b>2,522.9</b>	<b>105.2</b>	<b>2,349.7</b>

Movements in intangible fixed assets during the 12 months ended 31st December, 1996 (PLN'000)

	Total	Research and development costs	Concessions, patents, licences	Software	Perpetual usufruct land	Other
1 Gross book value – beginning of period . . .	10,910.1	338.6	2,707.3	3,937.7	113.0	3,813.5
2 Additions: . . . . .	5,842.0	66.8	2,424.9	2,636.1	44.9	669.3
2.1 Purchase . . . . .	0.9	—	—	—	0.9	—
2.2 Completion of capital development . . . . .	5,135.6	40.4	2,421.4	2,624.1	44.0	5.7
2.3 "Regrossing" . . . . .	667.1	—	3.5	—	—	663.6
2.4 Other . . . . .	38.4	26.4	—	12.0	—	—
3 Disposals: . . . . .	431.1	—	229.6	172.0	8.8	20.7
3.1 Giving as contribution for share capital . . . . .	40.7	—	1.2	31.9	7.6	—
3.2 Assets scrapped . . . . .	263.4	—	101.4	140.1	1.2	20.7
3.3 Other . . . . .	127.0	—	127.0	—	—	—
4 Gross book value – end of period . . . . .	16,321.0	405.4	4,902.6	6,401.8	149.1	4,462.1
5 Accumulated depreciation beginning of period . . .	3,916.5	23.8	1,006.3	1,414.8	7.8	1,463.8
6 Depreciation – changes during the period (6.1-6.2)	2,698.7	110.7	179.5	1,269.3	19.7	1,119.5
6.1 Additions: . . . . .	3,383.7	110.7	543.2	1,564.9	20.9	1,144.0
Ongoing depreciation . .	2,599.9	110.7	507.3	1,498.0	20.9	463.0
"Regrossing" . . . . .	680.7	—	3.7	(0.3)	—	677.3
Other . . . . .	103.1	—	32.2	67.2	—	3.7
6.2 Disposals: . . . . .	685.0	—	363.7	295.6	1.2	24.5
Adjustment of depreciation relating to investment relief	288.5	—	179.6	108.9	—	—
Assets scrapped . . . . .	263.5	—	101.4	140.1	1.2	20.8
Other . . . . .	133.0	—	82.7	46.6	—	3.7
7 Accumulated depreciation – end of period . . . . .	6,615.2	134.5	1,185.8	2,684.1	27.5	2,583.3
8 Net book value – end of period . . . . .	9,705.8	270.9	3,716.8	3,717.7	121.6	1,878.8

## Note 2 – Tangible fixed assets

### 2.1. Tangible fixed assets by type

As at 31st December,

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Land . . . . .	1,364.4	2,662.6	2,848.1
Buildings . . . . .	964,820.7	1,559,284.2	1,568,216.5
Plant and machinery . . . . .	303,607.0	475,606.1	674,835.1
Vehicles . . . . .	17,834.5	26,958.2	43,150.6
Other tangible assets . . . . .	10,393.8	11,668.3	20,398.3
	1,298,020.4	2,076,179.4	2,309,448.6
2.2. Assets under construction and payments on account			
Assets under construction . . . . .	163,290.3	187,360.6	135,161.4
Payments on account . . . . .	1,838.5	2,600.6	4,084.2
	165,128.8	189,961.2	139,245.6
Total tangible fixed assets . . . . .	1,463,149.2	2,266,140.6	2,448,694.2

## 2.3. Movements in tangible fixed assets

Movements in tangible fixed assets  
during the 12 months ended  
31st December 1994 (PLN'000)

	Total	Land	Buildings	Plant and machinery	Vehicles	Other
1 Gross book value – beginning of period . . . . .	2,834,164.9	947.9	1,851,273.1	885,732.7	71,449.6	24,761.6
2 Additions: . . . . .	201,337.7	436.8	31,180.6	154,722.5	9,162.9	5,834.9
2.1 Completion of capital development . . . . .	192,352.6	436.8	30,944.7	146,071.5	9,133.3	5,766.3
2.2 Other . . . . .	8,985.1	—	235.9	8,651.0	29.6	68.6
3 Disposals . . . . .	56,877.3	20.3	36,131.0	18,488.5	1,234.3	1,003.2
3.1 Sale . . . . .	2,002.2	20.3	1,288.6	499.5	187.6	6.2
3.2 Assets scrapped . . . . .	19,454.6	—	997.1	17,338.3	1,033.2	86.0
3.3 Contributions in kind made 3.4 Other . . . . .	104.3 35,316.2	— —	— 33,845.3	104.3 546.4	— 13.5	— 911.0
4 Gross book value – end of period . . . . .	2,978,625.3	1,364.4	1,846,322.7	1,021,966.7	79,378.2	29,593.3
5 Accumulated depreciation – beginning of period . . . . .	1,503,831.0	—	815,340.1	627,662.7	49,299.5	11,528.7
6 Depreciation – changes during the period . . . . .	176,773.9	—	66,161.9	90,697.0	12,244.2	7,670.8
7 Accumulated depreciation – end of period . . . . .	1,680,604.9	—	881,502.0	718,359.7	61,543.7	19,199.5
8 Net book value – end of period . . . . .	1,298,020.4	1,364.4	964,820.7	303,607.0	17,834.5	10,393.8

Movements in tangible fixed assets  
during the 12 months ended  
31st December 1995 (PLN'000)

	Total	Land	Buildings	Plant and machinery	Vehicles	Other
Gross book value – beginning of period . . . . .	2,978,625.3	1,364.4	1,846,322.7	1,021,966.7	79,378.2	29,593.3
2 Additions: . . . . .	2,789,150.1	1,346.6	1,372,330.7	1,270,866.6	87,186.4	57,419.8
2.1 Completion of capital development . . . . .	303,364.1	614.2	90,881.4	177,677.7	13,805.0	20,385.8
2.2 "Netting-down" . . . . .	2,460,514.7	732.4	1,282,994.4	1,087,485.3	73,297.4	16,005.2
2.3 Other . . . . .	25,271.3	—	(1,545.1)	5,703.6	84.0	21,028.8
3 Disposals . . . . .	3,208,270.1	48.4	1,551,949.1	1,518,606.2	111,793.4	25,873.0
3.1 Sale . . . . .	491.4	—	389.1	30.9	65.8	5.6
3.2 Assets scrapped . . . . .	7,067.4	—	3,481.6	1,631.3	35.5	1,919.0
3.3 Contributions in kind made 3.4 "Netting-down" . . . . .	5,846.3 3,154,249.9	35.4 13.0	5,810.9 37,708.2	— 211.4	— 111,610.2	— 21,347.8
3.5 Other . . . . .	40,615.1	—	—	—	81.9	2,600.6
4 Gross book value – end of period . . . . .	2,559,505.3	2,662.6	1,666,704.3	774,227.1	54,771.2	61,140.1
5 Accumulated depreciation – opening balance . . . . .	1,680,604.9	—	881,502.0	718,359.7	61,543.7	19,199.5
6 Depreciation – changes during the period (6.1–6.2) . . . . .	(1,197,279.0)	—	(774,081.9)	(419,738.7)	(33,730.7)	30,272.3
6.1 Additions: . . . . .	1,963,517.5	—	731,753.2	1,097,693.2	77,955.5	56,115.6
Depreciation change . . . . .	204,164.2	—	86,513.3	96,324.4	6,702.9	14,623.5
Investment relief . . . . .	105,434.6	—	5,871.9	81,289.9	10,932.6	7,340.2
"Netting-down" . . . . .	1,614,092.8	—	632,710.8	907,981.1	60,229.2	13,171.7
Other . . . . .	39,826.0	—	6,657.2	12,097.8	90.8	20,980.2
6.2 Disposals: . . . . .	3,160,796.5	—	1,505,835.1	1,517,431.9	111,686.2	25,843.3
Sale . . . . .	32.4	—	7.0	4.7	18.4	2.3
Assets scrapped . . . . .	2,799.2	—	211.9	674.6	10.3	1,902.4
Contributions in kind made "Netting-down" . . . . .	2,570.3 3,154,249.9	— —	56.1 1,504,559.3	0.9 1,516,732.6	— 111,610.2	— 21,347.8
Other . . . . .	1,144.7	—	1,000.8	19.1	47.3	77.5
7 Accumulated depreciation – end of period . . . . .	483,325.9	—	107,420.1	298,621.0	27,813.0	49,471.8
8 Net book value – end of period . . . . .	2,076,179.4	2,662.6	1,559,284.3	475,606.1	26,958.2	11,668.3

*Movements in tangible fixed assets during the 12 months ended 31st December 1996*

	<i>Total</i>	<i>Land</i>	<i>Buildings</i>	<i>Plant and machinery</i>	<i>Vehicles</i>	<i>Other</i>
<b>1 Gross book value – beginning of period . . . . .</b>	<b>2,559,505.3</b>	<b>2,662.6</b>	<b>1,666,704.3</b>	<b>774,227.1</b>	<b>54,771.2</b>	<b>61,140.1</b>
<b>2 Additions: . . . . .</b>	<b>3,613,778.9</b>	<b>191.6</b>	<b>1,668,083.8</b>	<b>1,786,681.9</b>	<b>121,569.3</b>	<b>37,252.3</b>
2.1 Completion of capital development . . . . .	517,241.0	161.4	193,618.6	293,716.6	12,536.8	17,207.6
2.2 "Regrossing" . . . . .	3,095,908.1	—	1,474,321.3	1,492,539.3	109,032.5	20,015.0
2.3 Other . . . . .	629.8	30.2	143.9	426.0	—	29.7
<b>3 Disposals . . . . .</b>	<b>250,691.6</b>	<b>6.1</b>	<b>105,616.2</b>	<b>110,688.7</b>	<b>8,898.9</b>	<b>25,481.7</b>
3.1 Sale . . . . .	12,914.6	1.1	5,691.5	5,112.8	1,274.9	834.3
3.2 Assets scrapped . . . . .	80,853.4	—	16,194.9	55,406.9	6,465.2	2,786.4
3.3 Contributions in kind made . . . . .	154,658.8	—	82,339.1	49,556.2	946.0	21,817.5
3.4 Other . . . . .	2,264.8	5.0	1,390.7	612.8	212.8	43.5
<b>4 Gross book value – end of period . . . . .</b>	<b>5,922,592.6</b>	<b>2,848.1</b>	<b>3,229,171.9</b>	<b>2,450,220.3</b>	<b>167,441.6</b>	<b>72,910.7</b>
<b>5 Accumulated depreciation – beginning of period . . . . .</b>	<b>483,325.9</b>	<b>—</b>	<b>107,420.1</b>	<b>298,621.0</b>	<b>27,813.0</b>	<b>49,471.8</b>
<b>6 Depreciation – changes in the period (6.1-6.2) . . . . .</b>	<b>3,129,818.1</b>	<b>—</b>	<b>1,553,535.3</b>	<b>1,476,764.2</b>	<b>96,478.0</b>	<b>3,040.6</b>
<b>6.1 Additions: . . . . .</b>	<b>3,480,062.9</b>	<b>—</b>	<b>1,664,387.9</b>	<b>1,665,426.6</b>	<b>118,560.0</b>	<b>31,688.4</b>
Ongoing depreciation . . . . .	259,377.2	—	110,859.7	129,337.8	7,866.0	11,313.7
"Regrossing" . . . . .	3,148,442.5	—	1,497,896.5	1,519,597.9	110,686.9	20,261.2
Other . . . . .	72,243.2	—	55,631.7	16,490.9	7.1	113.5
<b>6.2 Disposals: . . . . .</b>	<b>350,244.8</b>	<b>—</b>	<b>110,852.6</b>	<b>188,662.4</b>	<b>22,082.0</b>	<b>28,647.8</b>
Sale . . . . .	8,257.9	—	1,960.4	4,504.7	1,156.9	635.9
Assets scrapped . . . . .	78,306.5	—	15,048.0	54,119.6	6,371.8	2,767.1
Adjustment of depreciation relating to investment relief . . . . .	188,353.1	—	67,908.9	99,067.6	13,862.3	7,514.3
Adjustment of depreciation relating to the loss of investment relief . . . . .	193.2	—	—	171.2	—	22.0
Other . . . . .	75,134.1	—	25,935.3	30,799.3	691.0	17,708.5
<b>7 Accumulated depreciation – end of the period . . . . .</b>	<b>3,613,144.0</b>	<b>—</b>	<b>1,660,955.4</b>	<b>1,775,385.2</b>	<b>124,291.0</b>	<b>52,512.4</b>
<b>8 Net book value – end of the period . . . . .</b>	<b>2,309,448.6</b>	<b>2,848.1</b>	<b>1,568,216.5</b>	<b>674,835.1</b>	<b>43,150.6</b>	<b>20,398.3</b>

**2.4. Fixed assets by class of ownership:**

	<i>As at 31st December</i>		
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Fixed assets owned by the Company . . . . .	1,298,020.4	2,076,179.4	2,309,448.6
Fixed assets used on the basis of a leasing contract or similar arrangements and included in the assets of the Company . . . . .	—	—	—
Off-balance sheet fixed assets used on the basis of a leasing contract or similar arrangements and included in the assets of the lessee . . . . .	—	—	69.2
	<b>1,298,020.4</b>	<b>2,076,179.4</b>	<b>2,309,517.8</b>



### Note 3 – Long-term investments

#### 3.1. Long-term investments by type

As at 31st December			
	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Shares, of which:	137,007.4	188,430.7	514,729.7
subsidiaries	113,512.7	145,371.4	373,792.6
associates	23,474.7	39,302.0	22,517.4
Long-term loans granted, of which:	5,516.4	4,553.3	4,003.4
subsidiaries	—	—	—
associates	—	—	—
Other long-term investments	—	—	—
	<u>142,523.8</u>	<u>192,984.0</u>	<u>518,733.1</u>

#### 3.2. Shares in subsidiaries, associates and other entities

##### 3.2.1 Shares in subsidiaries, associates and other entities as at 31st December 1994.

##### 3.2.1(a) Shares in subsidiaries as at 31st December 1994

Entity	Seat	Main activities	Book value of shares PLN'000	Share in capital %	Share capital PLN'000	Reserve capital PLN'000	Other capital PLN'000
1. INTERFERIE Spółka z ograniczoną odpowiedzialnością	Lubin	tourist and recreation services	21,394.4	100%	21,394.4	—	—
2. CBPM "CUPRUM" Spółka z o.o.	Wrocław	research work regarding the utilisation copper	2,836.5	100%	2,836.5	123.9	—
3. KGHM Polmet Ltd.	London	trade	6,903.3	100%	GBP2,000,000	5,505	—
4. "PeBeKa" Spółka z o.o.	Lubin	general building, civil engineering	10,990.3	100%	10,990.3	3,750.5	—
5. Zanam Spółka z o.o.	Polkowice	production, service and overhaul of mining and building machines	16,979.3	100%	16,979.3	137.9	—
6. "BGH-RM" Sp. z o.o.	Lubin	building and installation services	9,459.6	100%	9,459.6	1,782.7	—
7. ZM "Legmet" Spółka z o.o.	Legnica	production of machines and equipment for mining and quarrying	16,003.1	100%	16,003.1	196.2	—
8. Zakład Doświadczalny spółka z ograniczoną odpowiedzialnością	Lubin	production of mining machinery and equipment	2,853.3	100%	2,853.3	709.9	—
9. FPN "Elpena" Spółka z o.o.	Legnica	production of insulated wires and cables	13,187.9	100%	13,187.9	3,586.6	—
10. ZM "Lena" Spółka z o.o.	Wilków	production of construction elements for mining and industry	2,331.1	100%	2,331.1	0.2	—
11. "CUPRUM 2000" Spółka z o.o.	Lubin	tourist and recreation services	1,540.8	100%	1,540.8	116.5	—
12. PHM KGHM "METRACO" Sp. z o.o.	Lubin	trade	3,150.0	100%	2,500.0	2,509.5	56.9
13. PRG LUBIN Spółka z o.o.	Lubin	underground mining work services	5,883.1	100%	5,883.1	542.1	—
Total nominal value			<u>113,512.7</u>				

### 3.2.1.(b) Shares in associates as at 31st December 1994

Entity	Seat	Main activities	Book value of shares PLN'000	Share in capital %	Share capital PLN'000	Reserve capital PLN'000	Other capital PLN'000
1. Cuprum-Bank SA	Lubin	banking services	5,234.0	26.17 %	20,000.0	293.6	—
2. PHP "MERCUS" — Spółka z o.o.	Polkowice	trade	1,662.7	49.0 %	3,393.3	3,069.6	—
3. "DANIPOL" — Spółka z o.o. ograniczoną odpowiedzialnością	Polkowice	production of clothes	1,699.5	49.02 %	3,467.0	195.6	27.0
4. "BOART-LENA" Spółka z o.o.	Wilków	production of machines	5,643.0	49.0 %	11,495.0	—	—
5. "ANCOR" sp. z o.o.	Głogów	manufacture of polymer concrete products and anticorrosives	352.8	49.0 %	720.0	764.0	—
6. Fabryka Kabli "ZAŁOM" Spółka Akcyjna	Szczecin	production of cables	7,982.7	25.79 %*	57,496.9	11,073.3	—
Total nominal value			22,574.7				

\*percentage of votes at the General Meeting of Shareholders.

### 3.2.1.(c) Shares in other entities as at 31st December 1994

Entity	Seat	Main activities	Book value of shares PLN'000	Share in capital %	Number of votes
1. "TUW CUPRUM"	Lubin	insurance	900.0	90.1 %	90.1
2. "Telewizja Regionalna Województwa Legnickiego S-ka z o.o."	Lubin	TV programmes broadcast preparation	20.0	6.0 %	6.0
Total nominal value			920.0		

### 3.2.2. Shares in subsidiaries, associates and other entities as at 31 December 1995.

#### 3.2.2.(a) Shares in subsidiaries as at 31 December 1995

Entity	Seat	Main activities	Book value of shares PLN'000	Share in capital %	Share capital PLN'000	Reserve capital PLN'000	Other capital PLN'000
1. INTERFERIE Spółka z ograniczoną odpowiedzialnością	Lubin	tourist and recreation services	21,503.7	100%	21,503.7	29.0	1,536.9
2. PRG LUBIN Spółka z o.o.	Lubin	underground mining work services	5,883.1	100%	5,583.1	72.9	413.3
3. Polskie Centrum Promocji Miedzi S.A.	Wrocław	manufacture of copper products	72.5	72.5%	100.0	—	—
4. "MIEDZIOWE CENTRUM ZDROWIA" S.A.	Lubin	medical services in health protection	4,999.8	99.99%	5,000.0	—	—
5. CBPM "CUPRUM" Spółka z o.o.	Wrocław	research work regarding the utilisation of copper trade	2,836.5	100%	2,836.5	612.0	485.7
6. KGHM Polish Copper Ltd.	London	trade	6,903.3	100%	GBP2,000,000	10,159.4	—
7. KGHM Metale S.A.	Lubin	activities in the financial market	2,250.0	90%	10,000.0	—	—
8. DSI S.A.	Lubin	general building, civil engineering	20,000.0	100%	20,000.0	—	—
9. "PeBeKa" Spółka z o.o.	Lubin	production, service and overhaul of mining and building machines	12,266.3	100%	12,337.7	388.4	918.7
10. Zanam Spółka z o.o.	Polkowice	building and installation services	16,979.3	100%	16,979.3	43.3	3,000.1
11. "BGH-RM" Sp. z o.o.	Lubin	production of machines and equipment for mining and quarrying	9,486.8	100%	9,486.8	206.4	937.4
12. ZM "Legmet" Spółka z o.o.	Legnica	production of mining machines and equipment	16,003.1	100%	16,003.1	438.9	2,214.6
13. Zakład Doświadczalny spółka z ograniczoną odpowiedzialnością	Lubin	production of insulated wires and cables	2,853.3	100%	2,853.3	219.5	512.4
14. FPN "Elpena" Spółka z o.o.	Legnica	production of construction elements for mining and industry	13,187.9	100%	13,187.9	217.5	2,322.1
15. ZM "Lena" Spółka z o.o.	Wilków	tourist and recreation services	5,455.0	100%	5,455.0	16.4	393.5
16. "CUPRUM 2000" Spółka z o.o.	Lubin	trade	1,540.8	100%	1,540.8	961.5	723.6
17. PHM KGHM "METRACO" Sp. z o.o.	Lubin		3,150	100%	2,550.0	4,115.3	76.6
Total nominal value			145,371.4				

#### 3.2.2.(b) Shares in associates as at 31st December 1995

Entity	Seat	Main activities	Book value of shares PLN'000	Share in capital %	Share capital PLN'000	Reserve capital PLN'000	Other capital PLN'000
1. Cuprum-Bank SA	Lubin	banking services	5,234.0	26.17 %	20,000.0	1,513.5	500.0
2. "TUW CUPRUM"	Lubin	Insurance	1,900.0	93.14 %	2,040.0	—	—
3. PHP "MERCUS" Spółka z o.o.	Polkowice	trade	1,156.6	29.4 %	3,927.7	4,728.8	1,460.2
4. "DANIPOL" Spółka z odpowiedzialnością	Polkowice	production of clothes	1,699.5	49.02 %	3,466.7	278.0	958.8
5. "BOART-LENA" Spółka z o.o.	Wilków	production of machines	5,643.0	49.0 %	11,495.0	—	1,477.0
6. "ANCOR" sp. z o.o.	Głogów	manufacture of polymer concrete products and anticorrosives	352.8	49.0 %	720.0	1,055.8	144.6
7. Krakowska Fabryka Kabli spółka akcyjna	Kraków	production of cables	17,233.4	34.54 %*	77,525.3	20,547.9	45,695.0
8. Fabryka Kabli "ZALOM" Spółka Akcyjna	Szczecin	production of cables	7,982.7	25.79 %*	57,496.9	12,518.7	35,633.7
Total nominal value			41,202.0				

\*percentage of votes at the General Meeting of Shareholders.

#### 3.2.2.(c) Shares in other entities as at 31st December 1995

Entity	Seat	Main activities	Book value of shares PLN'000	Share in capital %	Number of votes
1. Polkomtel S.A.	Warsaw	Cellular phone services	48.1	19.25 %	—
2. ZP Krapkowice S.A.	Krapkowice	production of paper	1,789.2	9.63 %	—
3. "Telewizja Regionalna Województwa Legnickiego S-ka z o.o."	Lubin	TV programmes broadcast preparation	20.0	6.0 %	—
Total nominal value			1,857.3		

### 3.2.3.(a) Shares in the subsidiaries at at 31st December 1996

Entity	Seat	Main activities	Book value of shares PLN'000	Share in capital % PLN'000	Share capital PLN'000	Reserve capital PLN'000	Other capital PLN'000	Profit/loss after tax 1996 PLN'000	Share capital not paid PLN'000	Dividends received or due for the last year PLN'000
1. INTERFERIE Spółka z ograniczoną odpowiedzialnością	Lubin	tourist and recreation services	48,245.4	100 %	48,245.4	24.8	1,541.0	281.4	1,711.8	—
2. PPH KSANTE Spółka z o.o.	Polkowice	production and trade in chemical substances	9,623.6	100 %	9,623.6	—	—	569.4	—	—
3. "Energetyka" Spółka z o.o.	Lubin	production and trade in electrical and steam energy	47,598.0	100 %	47,598.0	—	—	3,432.8	6,487.8	—
4. Zakład Wyrobów Gumowych Spółka z ograniczoną odpowiedzialnością	Iwiny	production and trade in synthetic and rubber products	11,292.5	100 %	11,292.5	—	—	90.4	—	—
5. Polskie Centrum Promocji Miedzi S.A.	Wrocław	promotion of copper products	65.0	65 %	100.0	—	—	1.4	—	—
6. MIEDZIOWE CENTRUM ZDROWIA S.A.	Lubin	medical services	60,121.0	99.9997 %	60,121.2	—	—	(2,009.5)	—	—
7. CBPM "CUPRUM" Spółka z o.o.	Wrocław	research work regarding the utilisation of copper	2,836.5	100 %	2,836.5	631.8	481.3	40.6	—	—
8. KGHM Polish Copper Ltd.	London	trade	6,903.3	100 %	GBP2,000,000	6,978.7	—	—	—	—
9. KGHM Metale S.A.	Lubin	trade	64,484.9	98.47 %	65,484.9	—	—	(7,463.8)*	—	—
10. DSI S.A.	Lubin	investment activity	111,053.4	100 %	111,053.4	468.7	—	2,059.7	—	—
11. CBJ Spółka z o.o.	Lubin	research, technical analyses	5,675.9	99.99 %	5,676.2	—	—	209.4	—	—
12. AQUAKONRAD SA	Iwiny	production of mineral water, drawing, purification and distribution of water	11,694.0	70.02 %	16,700.0	—	—	(3,503.9)	5,847.0	—
13. POL-MIEDŹ TRANS Spółka z o.o.	Lubin	transport services, trade in solid fuels	106,004.0	100 %	106,004.0	—	—	(1.8)	106,000.0**	—
14. KGHM Kupferhandelsges.m.b.H.	Vienna	trade in metals, chemicals and synthetics	924.7	100 %	3,500 ATS	—	—	(43.4)	—	—
15. "SUWIR" Spółka z o.o.	Głogów	foundry, production of steel constructions	2,300.2	99.87 %	2,303.2	—	—	—	293.4	—
16. "REMY" Spółka z o.o.	Głogów	production of metal constructions, building services	3,833.8	99.92 %	3,836.8	—	—	—	649.4	—
17. "HUTMECH" Spółka z o.o.	Głogów	initial processing of steel, production of mechanical tools	2,876.7	99.90 %	2,879.7	—	—	—	750.9	—
Total nominal value			495,532.9						121,740.3	
Share capital not paid					(121,740.3)					
Balance sheet value					373,792.6					

\* the main reason the loss shown is the inclusion in provisions the receivables taken over by the Company following restructuring of the KGHM Polska Miedź Capital Group.

\*\* see point 5.53 and point 9.4, note 2.5.3.

### 3.2.3(b) Shares in associates as at 31st December 1996

Entity	Seat	Main activities	Book value of shares PLN'000	Share in capital % PLN'000	Share capital PLN'000	Reserve capital PLN'000	Other capital PLN'000	Profit/loss after tax 1996 PLN'000	Share capital not paid PLN'000	Dividends received or due for the last year PLN'000
1. Krakowska Fabryka Kabli spółka akcyjna	Kraków	production of cables	17,233.4	34.54 %	77,525.3	85,307.8	—	13,332.2	—	—
2. Cuprum-Bank SA	Lubin	banking services	5,234.0	26.17 %	20,000.0	3,668.3	1,300.0	5,367.7	—	76.4
3. "Blastexpol" sp. z o.o.	Lubin	production, trade and services re explosives for mining	50.0	33.33 %	150.0	—	—	(44.4)	—	—
Total			22,517.4							



### 3.2.3.(c) Shares in other entities at 31st December 1996

Entity	Seat	Main activities	Book value of shares PLN'000	Share in capital %	Number of votes	Equity PLN'000
						2,040.0
1	Lubin	Insurance	1,900.0	93.14%	93.14%	531,000.0
2	Warszawa	Cellular telecommunications services	102,217.5	19.25%	19.25%	
	Warszawa	Reinsurance	12,500.0	19.19%	19.19%	65,150.0
3				9.63%	9.63%	18,620.0
	Krapkowiec	Paper production	1,789.2	0.0565%	0.0565%	6,000.0
4	Szczecin	Production of steel	3.4	0.03%	0.03%	4,200.0
5	Wroclaw	Construction services	1.5			
6				0.012%	0.0012%	64,037.6
7	Ostrowiec	Production of steel	7.9	0.00009%	0.00009%	23,120.7
8	Dzierżonów	Electronic appliances	0.2			
Total			118,419.7			

### Note 4 – Long-term debtors

#### 4.1 Long term debtors by type

#### Long-term debtors:

	As at 31st December		
	1994	1995	1996
	PLN'000	PLN'000	PLN'000
subsidiary entities . . . . .	9,479.8	14,054.3	13,046.7
associated entities . . . . .	—	—	988.0
other . . . . .	—	9,302.6	2,129.0
	<b>9,479.8</b>	<b>23,356.9</b>	<b>16,163.7</b>
	(3,371.9)	(3,779.3)	(457.9)
Long-term debtors provision . . . . .	<b>6,107.9</b>	<b>19,577.6</b>	<b>15,705.8</b>
Net long-term debtors . . . . .			

#### 4.2 Ageing of long-term debtors

	As at 31st December 1996
	PLN'000
Over 1 year and less than 3 years . . . . .	9,972.6
Over 3 years and less than 5 years . . . . .	4,236.8
Over 5 years . . . . .	1,996.4
	<b>15,705.8</b>

### Note 5 – Stocks

	As at 31st December		
	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Materials . . . . .	66,799.3	78,777.3	79,179.5
Semi-finished products and work in progress . . . . .	261,807.0	441,140.4	603,152.9
Finished products . . . . .	26,143.0	34,207.9	45,733.5
Goods for resale . . . . .	2,014.9	2,103.4	3,136.4
Payments on account . . . . .	1,064.7	766.5	49.6
	<b>357,828.9</b>	<b>556,995.5</b>	<b>731,251.9</b>

## Note 6 – Short-term debtors

### 6.1 Short-term debtors by type

As at 31st December,

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Trade debtors, of which: . . . . .	180,948.1	229,796.3	228,714.8
subsidiaries . . . . .	—	115,127.2	26,281.2
associates . . . . .	—	223.2	56,222.2
Other debtors – subsidiaries . . . . .	—	—	3,621.6
Other debtors – associates . . . . .	—	—	2,769.6
Tax, subsidy and social insurance debtors . . . . .	73,577.8	141,214.7	86,784.4
Amounts owed by group undertakings . . . . .	—	—	—
Disputed claims . . . . .	3,508.4	1,312.4	918.8
Other debtors, of which . . . . .	65,051.0	52,887.8	44,623.2
loans of employees from ZFSS . . . . .	27,220.2	26,485.0	30,707.3
	<b>323,085.3</b>	<b>425,211.2</b>	<b>367,432.4</b>
Short-term debtors provision . . . . .	(2,374.8)	(8,844.7)	(26,932.3)
<b>Net short-term debtors . . . . .</b>	<b>320,710.5</b>	<b>416,366.5</b>	<b>340,500.1</b>

### 6.2 Ageing of trade debtors

As at  
31st December,  
1996

	PLN'000
Less than 1 month. . . . .	212,949.0
1 to 3 months . . . . .	11,425.2
3 to 6 months . . . . .	416.8
6 months to 1 year . . . . .	332.1
More than 1 year . . . . .	3,591.7
	<b>228,714.8</b>

The usual terms for payment by customers do not exceed one month.

### 6.3 Debtors by currency

As at 31st December,

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Debtors in PLN . . . . .	243,814.1	321,975.4	307,880.8
Debtors in foreign currency . . . . .	79,271.2	103,235.8	59,551.6
	<b>323,085.3</b>	<b>425,211.2</b>	<b>367,432.4</b>

## Note 7 – Short term investments

### 7.1 Short-term investments by group

Own shares for sale . . . . .	
Short-term investments in subsidiaries, of which: . . . . .	
shares . . . . .	
Short-term investments in associates, of which: . . . . .	
shares . . . . .	
Other short-term investments, of which: . . . . .	
shares . . . . .	

As at 31st December		
1994	1995	1996
PLN'000	PLN'000	PLN'000
—	—	—
—	—	—
—	—	—
—	—	—
840.2	273,714.7	186,601.7
728.2	423.9	—
<b>840.2</b>	<b>273,714.7</b>	<b>186,601.7</b>

### 7.2. Short-term investments by type

Unrestricted trading, quoted on the Stock Exchange . . . . .	
Unrestricted trading, not quoted on the Stock Exchange. . . . .	
Restricted trading . . . . .	

As at 31st December		
1994	1995	1996
PLN'000	PLN'000	PLN'000
840.2	225,737.9	123,614.4
—	47,976.8	62,987.3
—	—	—
<b>840.2</b>	<b>273,714.7</b>	<b>186,601.7</b>

## Note 8 – Cash at bank and in hand

Cash in hand . . . . .	
Cash at bank . . . . .	
Cash equivalents . . . . .	

As at 31st December		
1994	1995	1996
PLN'000	PLN'000	PLN'000
233.4	250.1	288.1
285,845.0	152,244.4	86,410.5
—	1,894.8	199.7
<b>286,078.4</b>	<b>154,389.3</b>	<b>86,898.3</b>

## Note 9 – Prepayments

Prepayments of costs . . . . .	
Other prepayments . . . . .	

As at 31st December		
1994	1995	1996
PLN'000	PLN'000	PLN'000
2,869.9	5,155.1	8,027.3
—	—	—
<b>2,869.9</b>	<b>5,155.1</b>	<b>8,027.3</b>

## Note 10 – Share capital

The share capital of the Company as at 31st December 1996 was made up of 5,300,000 bearer shares of nominal value 100 PLN each, all of which belonged to the State Treasury.

On 30th April 1997 the general meeting of the shareholders passed resolution no. 2 deciding to raise the share capital of the company to PLN 2,000,000,000 through a transfer of PLN 1,470,000,000 from reserve capital to share capital. 147,000,000 new bearer shares taken over by the State Treasury represented by the Minister of State Treasury were thus created. Resolution no. 3 passed at the same general meeting of the shareholders changed the nominal value of each share to PLN 10, thus one previous share of nominal value PLN 100 equals 10 shares with a nominal value of PLN 10 each.

## Note 11 – Reserve capital

### 11.1. Reserve capital by type

<i>As at 31st December</i>			
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Share premium account . . . . .	—	—	—
Statutory reserves . . . . .	1,328,825.0	1,573,105.1	1,924,202.6
Reserve capital created in accordance with statutory requirements over the obligatory amount . . . . .	87,098.9	126,760.6	184,632.4
Additional payments to reserve capital . . . . .	—	—	—
Other . . . . .	—	—	—
	<b>1,415,923.9</b>	<b>1,699,865.7</b>	<b>2,108,835.0</b>

### 11.2. Movements in reserve capital

<i>For the 12 months ended 31st December</i>			
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Opening balance . . . . .	1,272,268.3	1,415,923.9	1,699,865.7
Increases: . . . . .	143,655.6	283,941.8	408,969.3
profit distribution . . . . .	64,768.1	244,280.1	351,097.5
transfer from other reserve capital . . . . .	18,399.3	21,230.4	19,821.1
transfer from revaluation reserve capital . . . . .	58,493.2	18,429.6	38,044.9
increase of capital, contribution in kind . . . . .	1,224.3	—	—
other . . . . .	770.7	1.7	5.8
Decrease: . . . . .	—	—	—
Closing balance . . . . .	<b>1,415,923.9</b>	<b>1,699,865.7</b>	<b>2,108,835.0</b>

## Note 12 – Revaluation reserve capital

<i>For the 12 months ended 31st December</i>			
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Opening balance . . . . .	—	846,421.9*	827,992.3
Increase: . . . . .	—	—	—
Decrease: . . . . .	—	(18,429.6)	(38,044.8)
transfers to reserve capital related to fixed assets written off . . . . .	—	(18,429.6)	(38,044.8)
Closing balance . . . . .	—	<b>827,992.3</b>	<b>789,947.5</b>

\* This amount results from restatement of the value of the fixed assets carried out on 1st January 1995.

## Note 13 – Other reserve capital

### 13.1. Other reserve capital by type

<i>As at 31st December</i>			
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Other reserve capital for:			
Contingent tax liabilities . . . . .	17,497.4	14,827.2	11,539.1
Guarantees . . . . .	17,119.8	15,083.5	982.6
Environmental penalties . . . . .	3,272.3	8,000.0	22,000.0
	<b>37,889.5</b>	<b>37,910.7</b>	<b>34,521.7</b>



### 13.2. Movements in other reserve capital

Opening balance . . . . .	
Increase: . . . . .	
profit distribution . . . . .	
Decreases: . . . . .	
transfer to reserve capital . . . . .	
used up during the year . . . . .	
Closing balance . . . . .	

For the 12 months ended 31st December

1994	1995	1996
PLN'000	PLN'000	PLN'000
49,717.8	37,889.5	37,910.7
6,605.2	23,083.5	19,090.9
6,605.2	23,083.5	19,090.9
(18,433.5)	(23,062.3)	(22,479.9)
(18,399.3)	(21,230.5)	(19,821.1)
(34.2)	(1,831.8)	(2,658.8)
<b>37,889.5</b>	<b>37,910.7</b>	<b>34,521.7</b>

### Note 14 – Provisions

#### 14.1. Provisions by type

Provisions for corporate income tax . . . . .	
Other provisions, of which: . . . . .	
potential mine closure costs . . . . .	
potential tax liabilities . . . . .	
potential environmental fines . . . . .	
other . . . . .	

As at 31st December

1994	1995	1996
PLN'000	PLN'000	PLN'000
—	5,600.2	77,424.2
34.1	106.6	196,523.0
—	—	120,000.0
—	—	44,439.7
—	—	30,949.5
34.1	106.6	1,133.8
<b>34.1</b>	<b>5,706.8</b>	<b>273,947.2</b>

#### 14.2. Movements in provisions

Opening balance . . . . .	
Increases: . . . . .	
provisions for anticipated losses . . . . .	
– potential mine closure costs . . . . .	
– potential tax liabilities . . . . .	
– potential environmental penalties . . . . .	
– others . . . . .	
provision for deferred tax . . . . .	
Decreases: . . . . .	
repayments of debts previously written-off . . . . .	
debts waived . . . . .	
bad debts written-off . . . . .	
reduction in debtors by bad debtors and doubtful debt provision	
release of the deferred tax provision . . . . .	
Closing balance . . . . .	

For the 12 months ended 31st December

1994	1995	1996
PLN'000	PLN'000	PLN'000
2,721.4	34.1	5,706.8
—	5,708.6	272,000.5
—	108.5	196,523.0
—	—	120,000.0
—	—	44,439.7
—	—	30,949.5
—	—	1,133.8
—	5,600.1	75,477.5
(2,687.3)	(35.9)	(3,760.1)
—	(13.8)	—
—	(0.1)	(10.1)
—	(22.0)	(96.6)
(2,687.3)	—	—
—	—	(3,653.4)
<b>34.1</b>	<b>5,706.8</b>	<b>273,947.2</b>

**Note 15 – Creditors – amounts falling due after more than one year**

**15.1. Creditors – amounts falling due after more than one year by type**

<i>As at 31 December</i>			
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Long-term bank loans . . . . .	—	—	—
Other long-term loans, of which: . . . . .	9,000.0	11,000.0	6,700.0
subsidiary entities . . . . .	—	—	—
associated entities . . . . .	—	—	—
Long-term securities . . . . .	—	—	—
Long-term financial leases . . . . .	—	—	—
State Treasury creditor – perpetual usufruct of land . . . . .	—	—	—
Other long-term creditors . . . . .	1,467.2	—	—
	<b>10,467.2</b>	<b>11,000.0</b>	<b>6,700.0</b>

**15.2. Creditors – amounts falling due after more than one year – by currency**

<i>As at 31 December</i>			
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Creditors – amounts falling due after more than one year in PLN . . . . .	10,467.2	11,000.0	6,700.0
Creditors – amounts falling due after more than one year in foreign currency . . . . .	—	—	—
	<b>10,467.2</b>	<b>11,000.0</b>	<b>6,700.0</b>

**15.3. Creditors – amounts falling due after more than one year by maturity**

<i>As at 31 December</i>			
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
1 to 3 years . . . . .	9,000.0	11,000.0	6,700.0
3 to 5 years . . . . .	1,467.2	—	—
More than 5 years . . . . .	—	—	—
	<b>10,467.2</b>	<b>11,000.0</b>	<b>6,700.0</b>

**15.4. Long term creditors (bank credits and loans)**

**15.4.1. Long term creditors (bank credits and loans) as at 31st December 1994**

<i>Entity</i>	<i>Seat</i>	<i>Amount of loan PLN'000</i>	<i>Interests</i>	<i>Repayment period</i>	<i>Security</i>
Narodowy Fundusz Ochrony Środowiska	Warszawa	9,000.0	50% of the refinancing loan interest rate	1998	mortgage on real estate of HM "Cedynia"
<b>Total</b>		<b>9,000.0</b>			

#### 15.4.2. Long term creditors (bank credits and loans) as at 31st December 1995

Entity	Seat	Amount of loan PLN'000	Interests	Repayment period	Security
Narodowy Fundusz Ochrony Środowiska	Warszawa	7,000.0	50% of the refinancing loan interest rate	1998	mortgage on real estate of HM "Cedynia"
Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej	Legnica	4,000.0	60% of the refinancing loan interest rate	1998	transfer of rights to the long term bank deposit in Cuprum Bank S.A.
<b>Total</b>		<b>11,000.0</b>			

#### 15.4.3. Long term creditors (bank credits and loans) as at 31st December 1996

Entity	Seat	Amount of loan PLN'000	Interests	Repayment period	Security
Narodowy Fundusz Ochrony Środowiska	Warszawa	4,000.0	50% of the refinancing loan interest rate	1998	mortgage on real estate of HM "Cedynia"
Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej	Legnica	2,700.0	60% of the refinancing loan interest rate	1998	transfer of rights to the long term bank deposit in Cuprum Bank S.A.
<b>Total</b>		<b>6,700.0</b>			

#### Note 16 – Creditors – amounts falling due within one year

##### 16.1. Creditors – amounts falling due within one year by type

	As at 31st December		
	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Bank loans . . . . .	7,000.0	1,000.0	—
Other loans, of which: . . . . .	—	—	—
from subsidiaries . . . . .	—	—	—
from associates . . . . .	—	—	—
Short-term debt notes . . . . .	95,097.7	145,482.1	90,898.9
Trade creditors . . . . .	—	1.6	—
Advance payments received for deliveries . . . . .	—	—	—
Bills of exchange payable . . . . .	42,426.6	45,784.8	39,590.6
Tax, customs and social insurance creditors . . . . .	18,978.4	20,675.7	4,467.1
Payroll creditors. . . . .	—	—	—
Intercompany creditors . . . . .	—	—	—
Long-term creditors due for payment within one year. . . . .	34,141.4	36,174.2	39,242.8
Social funds. . . . .	742.5	807.0	795.6
Bonus Fund created from a proportion of net profit. . . . .	2,968.1	2,185.0	2,027.9
Industry related fund created from net profit . . . . .	23,811.7	35,130.3	53,167.8
Other creditors – amounts falling due within one year . . . . .	—	—	—
<b>Total</b>	<b>225,166.4</b>	<b>287,240.7</b>	<b>424,121.7</b>

## 16.2. Amounts falling due within one year – by currency

		As at 31st December		
		1994	1995	1996
		PLN'000	PLN'000	PLN'000
Creditors – amounts falling due within one year in PLN . . . . .		223,325.6	281,415.0	414,974.5
Creditors – amounts falling due within one year in foreign currencies . . . . .		1,840.8	5,825.7	9,147.2
		<u>225,166.4</u>	<u>287,240.7</u>	<u>424,121.7</u>

## 16.3. Short term creditors (bank credits and loans)

### 16.3.1. Short term creditors (bank credits and loans) as at 31st December 1994

No	Creditor	Seat	Foreign currency amount	Currency	Amount in PLN'000	Interests	Date of repayment	Security
1	Narodowy Fundusz Ochrony Środowiska	Warszawa	—	—	6,000.0	45% of the refinancing loan interest rate	1995	transfer of rights to receivables
2	Narodowy Fundusz Ochrony Środowiska	Warszawa	—	—	1,000.0	55% of the refinancing loan interest rate	1995	transfer of rights to receivables, security of KGHM "METRACO" Sp. z o.o.
Total					<u>7,000.0</u>			

### 16.3.2. Short term creditors (bank credits and loans) as at 31st December 1995

No	Creditor	Seat	Foreign currency amount	Currency	Amount in PLN'000	Interests	Date of repayment	Security
1	Narodowy Fundusz Ochrony Środowiska	Warszawa	—	—	1,000.0	45% of the refinancing loan interest rate	1995	transfer of rights to receivables
Total					<u>1,000.0</u>			

### 16.3.3. Short term creditors (bank credits and loans) as at 31st December 1996

No	Creditor	Seat	Foreign currency amount	Currency	Amount in PLN'000	Interests	Date of repayment	Security
1	Bank Rozwoju Eksportu	Wrocław	10,000,000	USD	28,755.0	LIBOR USD 3MD + 0.5%	12.06.97	bill of exchange in blanco
2	Citibank Poland S.A.	Warszawa	18,500,000	USD	53,196.7	LIBOR USD 1MD + 0.25%	15.05.97	—
3	Societe Generale	Warszawa	2,226,000.00	JPY	55,000.0	state 0.8025%	21.05.97	Pledge on treasury bonds
4	ING Bank	Warszawa			56,979.3	AIBOR + 0.25%	30.04.97	—
Total					<u>193,931.0</u>			

# Note 17 – Accruals and deferred income

Accruals . . . . .	
Deferred income, of which:	
unrealised exchange gains . . . . .	

As at 31st December		
1994	1995	1996
PLN'000	PLN'000	PLN'000
—	—	53.8
15,780.1	10,694.8	30,766.4
229.4	38.2	1,107.8
<b>15,780.1</b>	<b>10,694.8</b>	<b>30,820.2</b>

Notes to the profit and loss account for the years: 1994, 1995, 1996.

# Note 18 – Net sales of goods and products

## 18.1. Revenue from sales of goods and products . . . . .

Inflation rate:

Revenue from sales adjusted by inflation . . . . .

Net value of revenues from the sales of goods and products was adjusted by using inflation rates published by the Central Statistical Office.

## 18.2. Net sales of goods and products – by type

Revenue from sales of goods and materials . . . . .	
Revenue from sales of goods . . . . .	
Revenue from sales of materials . . . . .	
Revenue from sales of products . . . . .	
Revenue from sales of products . . . . .	
Revenue from sales of services . . . . .	

For the 12 months ended 31st December		
1994	1995	1996
PLN'000	PLN'000	PLN'000
2,665,530.8	3,469,579.6	3,351,021.3
	1.278	1.199
4,084,451.5	4,160,025.9	3,351,021.3

For the 12 months ended 31st December		
1994	1995	1996
PLN'000	PLN'000	PLN'000
58,392.9	56,809.2	78,267.0
43,337.5	33,696.6	33,434.5
15,055.4	23,112.6	44,832.5
2,607,137.9	3,412,770.4	3,272,754.3
2,590,310.5	3,389,589.6	3,236,010.8
16,827.4	23,180.8	36,743.5
<b>2,665,530.8</b>	<b>3,469,579.6</b>	<b>3,351,021.3</b>

Inflation rate . . . . .		1.278	1.199
Revenue from sales of goods and materials . . . . .	89,476.7	68,114.2	78,267.0
Revenue from sales of goods . . . . .	66,407.0	40,402.2	33,434.5
Revenue from sales of materials . . . . .	23,069.7	27,712.0	44,832.5
Revenue from net sales of products . . . . .	3,994,974.8	4,091,911.7	3,272,574.3
Revenue from sales of products . . . . .	3,969,189.8	4,064,117.9	3,236,010.8
Revenue from sales of services . . . . .	25,785.0	27,793.8	36,743.5
	<b>4,084,451.5</b>	<b>4,160,025.9</b>	<b>3,351,021.3</b>



### 18.3. Revenue from sales of goods and products by destination

For the 12 months ended 31st December

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Domestic sales revenue . . . . .	780,570.8	1,138,653.4	1,263,352.0
Revenue from sales of goods and materials . . . . .	39,584.4	42,183.9	78,267.0
Revenue from sales of products . . . . .	740,986.4	1,096,469.5	1,185,085.0
Export sales revenue . . . . .	1,884,960.0	2,330,926.2	2,087,669.3
Revenue from sales of goods and materials . . . . .	18,808.5	14,625.3	—
Revenue from sales of products . . . . .	1,866,151.5	2,316,300.9	2,087,669.3
	<b>2,665,530.8</b>	<b>3,469,579.6</b>	<b>3,351,021.3</b>

### Note 19 – Operating costs

#### 19.1. Operating costs

For the 12 months ended 31st December

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Cost of products and goods sold . . . . .	1,713,386.7	2,175,059.8	2,593,114.7
Selling costs . . . . .	46,919.0	51,482.5	52,996.6
General administration costs . . . . .	266,708.8	271,250.4	266,166.6
	<b>2,027,014.5</b>	<b>2,497,792.7</b>	<b>2,912,277.9</b>

#### 19.2. Operating costs by type

For the 12 months ended 31st December

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Use of materials and energy . . . . .	763,413.7	1,151,518.6	1,226,033.7
External services . . . . .	302,699.4	406,354.4	483,704.7
Wages and salaries . . . . .	361,430.8	489,434.5	562,580.0
Social insurance and similar items . . . . .	175,752.9	243,985.8	278,481.5
Depreciation . . . . .	226,032.7	205,661.8	289,629.3
Taxes and charges . . . . .	127,313.6	165,445.5	207,040.7
Other . . . . .	36,894.5	31,768.8	37,463.8
Change in stock levels . . . . .	(17,302.0)	(195,382.0)	(185,014.6)
Cost of materials and goods sold . . . . .	54,677.9	50,350.1	69,823.6
Own work capitalised . . . . .	(3,899.0)	(51,344.8)	(57,464.8)
	<b>2,027,014.5</b>	<b>2,497,792.7</b>	<b>2,912,277.9</b>
Total operating costs . . . . .			
Inflation rate . . . . .		1,278	1,199
Operating costs adjusted by inflation . . . . .	3,106,038.9	2,994,853.4	2,912,277.9

### 19.3. Additional depreciation

Investment relief . . . . .	
Adjustment of depreciation of fixed assets subject to investment relief in 1994 and 1995 . . . . .	
Depreciation of fixed assets scrapped. . . . .	
Depreciation of fixed assets sold . . . . .	
Depreciation of fixed assets donated . . . . .	
Adjustment of depreciation write-offs for 1995 "grossing up" of fixed assets . . . . .	
Other . . . . .	

For the 12 months ended 31st December

1994	1995	1996
PLN'000	PLN'000	PLN'000
—	170,027.1	—
—	—	(227,951.8)
—	6,151.4	2,428.4
—	355.5	4,658.8
—	36,288.1	1,233.4
—	—	52,231.9
—	1,114.9	1.6
—	<b>213,937.0</b>	<b>(167,397.7)</b>

### Note 20 – Other operating income

Income from fixed assets sold . . . . .	
Grants received . . . . .	
Other operating income . . . . .	

For the 12 months ended 31st December

1994	1995	1996
PLN'000	PLN'000	PLN'000
1,403.4	835.2	5,504.1
—	8.2	102.0
3,430.1	4,915.5	10,938.8
<b>4,833.5</b>	<b>5,758.9</b>	<b>16,544.9</b>

### Note 21 – Other operating costs

Cost of fixed assets sold . . . . .	
Adjustments to stock . . . . .	
Other operating costs, of which: . . . . .	
– one-off depreciation of fixed assets subject to investment relief . . . . .	
– adjustment of depreciation after "regrossing" . . . . .	
– debtors provision . . . . .	
– provisions for future expenses and losses, of which: . . . . .	
– potential mine closure costs . . . . .	
– potential tax liabilities. . . . .	
– environmental penalties . . . . .	
– others . . . . .	
– penalties, fines and compensation paid. . . . .	
– donations. . . . .	
– other . . . . .	

For the 12 months ended 31st December

1994	1995	1996
PLN'000	PLN'000	PLN'000
1,072.6	355.5	5,956.4
1,637.9	590.7	901.2
8,903.1	243,000.8	58,092.8
—	170,027.1	(227,951.7)
—	—	52,231.9
4,486.1	7,596.9	24,720.0
—	—	196,523.0
—	—	120,000.0
—	—	44,439.7
—	—	30,949.5
—	—	1,133.8
(1,513.4)	9,072.7	3,555.3
3,552.5	48,758.1	4,236.6
2,377.9	7,546.0	4,777.7
<b>11,613.6</b>	<b>243,947.0</b>	<b>64,950.4</b>

## Note 22 – Financial income

<i>For the 12 months ended 31st December</i>			
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Interest, of which: . . . . .	25,225.5	84,769.3	64,308.0
from subsidiaries . . . . .	—	—	1,934.2
from associates . . . . .	—	—	—
Income from sales of securities . . . . .	1,894.9	504,178.9	516,833.3
Foreign exchange gains . . . . .	6,284.0	12,693.7	42,100.0
Other . . . . .	11,041.6	15,189.1	4,379.6
	<b>44,446.0</b>	<b>616,831.0</b>	<b>627,620.9</b>

## Note 23 – Interest payable and similar charges

<i>For the 12 months ended 31st December</i>			
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Adjustments to the value of fixed asset investments and short-term securities . . . . .	991.6	45.8	2,338.3
Interest, of which: . . . . .	5,979.0	2,862.4	6,062.6
to subsidiaries . . . . .	—	—	—
to associates . . . . .	—	—	—
Cost of securities sold . . . . .	1,677.7	486,343.6	496,424.3
Foreign exchange losses, of which: . . . . .	5,938.6	17,054.4	41,919.6
realised . . . . .	5,823.1	16,041.4	38,742.3
unrealised . . . . .	115.5	1,013.0	3,177.3
Other . . . . .	19,950.8	7,513.4	8,058.3
	<b>34,537.7</b>	<b>513,819.6</b>	<b>554,803.1</b>

#### Note 24 – Extraordinary gains

Accidental profits . . . . .	
Other . . . . .	

For the 12 months ended 31st December

1994	1995	1996
PLN'000	PLN'000	PLN'000
25.7	104.6	259.5
8.6	46.8	3.4
<b>34.3</b>	<b>151.4</b>	<b>262.9</b>

#### Note 25 – Extraordinary losses

Accidental losses . . . . .	
Other . . . . .	

For the 12 months ended 31st December

1994	1995	1996
PLN'000	PLN'000	PLN'000
155.3	30.0	322.8
263.9	949.0	8,062.8
<b>419.2</b>	<b>979.0</b>	<b>8,385.6</b>

#### Note 26 – Corporate income tax

Corporate income tax . . . . .	
Deferred corporate income tax provision . . . . .	

For the 12 months ended 31st December

1994	1995	1996
PLN'000	PLN'000	PLN'000
260,899.6	332,010.5	195,099.1
—	5,600.2	75,477.5
<b>260,899.6</b>	<b>337,610.7</b>	<b>270,576.6</b>

## 26.1. Corporate income tax reconciliation

For the 12 months ended 31st December

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
a. Profit before tax . . . . .	641,259.6	835,782.7	455,033.0
b. Difference between profit before tax and taxable income . . . . .	—	—	—
– Less income which is not taxable: . . . . .	3,277.3	19,803.8	7,922.9
– tax returned . . . . .	1,812.4	1,312.9	0.2
– interest due but not paid . . . . .	180.5	8,304.0	5,840.3
– dividends received . . . . .	940.0	780.6	—
– other . . . . .	344.4	9,406.3	2,082.4
– Add-back costs and losses not allowable for tax purposes: . . . . .	98,370.1	285,705.5	324,361.6
– depreciation of fixed assets subject to investment relief . . . . .	70,068.8	170,518.1	—
– benefits for employees, housing and social expenses, scholarships . . . . .	5,392.0	1,628.7	1,269.6
– provisions . . . . .	4,710.9	1,474.0	221,328.6
– donations . . . . .	3,620.9	48,762.0	4,236.6
– depreciation of fixed assets . . . . .	1,170.2	36,949.5	58,763.3
– others . . . . .	13,407.3	26,373.2	38,763.5
– Less income exempt from tax: . . . . .	84,103.5	273,846.2	252,594.1
– contributions in kind of fixed assets classified as technical infrastructure . . . . .	90.4	37,057.9	252,594.1
– adjustment of costs re investment relief in 1994-1995 . . . . .	—	—	198,625.0
– adjustment of depreciation due to regrossing . . . . .	—	—	(52,446.7)
– investment relief . . . . .	70,068.8	170,472.3	—
– investment relief premium . . . . .	—	34,782.2	84,657.2
– royalties paid for the extraction of minerals . . . . .	7,518.4	16,173.3	20,071.5
– donations . . . . .	2,069.8	11,105.2	2,682.3
– other . . . . .	4,356.1	4,255.3	(995.2)
c. taxable profit . . . . .	652,248.9	827,838.2	518,877.6
d. corporate income tax after adjustment due to difference between profit before tax and taxable profit . . . . .	260,899.6	331,135.3	207,551.0
e. transitory differences between profit before tax and taxable income . . . . .	—	14,000.4	198,625.0
– positive . . . . .	—	16,851.4	198,625.0
– difference between depreciation and the amount of investment relief . . . . .	—	—	—
– interest receivable . . . . .	—	8,304.0	198,625.0
– balance sheet valuation of securities . . . . .	—	8,547.4	—
– negative . . . . .	—	2,851.0	—
– foreign exchange losses . . . . .	—	1,012.9	—
– provisions for creditors . . . . .	—	1,474.0	—
– interest payable . . . . .	—	364.1	—
f. Corporate income tax on the balance of transitory differences (provision for deferred tax, income tax prepayment) . . . . .	—	5,600.2	75,477.5
g. Taxable profit . . . . .	652,248.9	841,842.6	717,502.6
h. Corporate income tax . . . . .	260,899.6	336,735.5	283,028.5
i. Adjustment of income tax from prior years . . . . .	—	875.2	(12,451.9)
j. Income tax after adjustment . . . . .	—	337,610.7	270,576.6



## Note 27 – Other charges on profit

Interest on capital in State Treasury wholly-owned companies. . .
Payment from profit to the state budget . . . . .
Tax on pay rises over norm . . . . .

For the 12 months ended 31st December		
1994	1995	1996
PLN'000	PLN'000	PLN'000
15,900.0	15,900.0	—
—	—	37,122.3
13,333.0	366.9	109.2
<b>29,233.0</b>	<b>16,266.9</b>	<b>37,231.5</b>

## Note 28 – Redenomination of the zloty

Redenomination of the zloty . . . . .
---------------------------------------

For the 12 months ended 31st December		
1994	1995	1996
PLN'000	PLN'000	PLN'000
0.9	0.9	—

## Note 29 – Appropriation of net profit in the accounts of the following year

To reserve capital . . . . .
To other reserve capital . . . . .
Additional transfer to Social Fund . . . . .
To bonus funds . . . . .
Other . . . . .

For the 12 months ended 31st December		
1994	1995	1996
PLN'000	PLN'000	PLN'000
23,083.5	19,090.9	—
244,280.1	351,097.5	55,803.3
17,353.2	19,224.3	20,673.0
67,090.1	90,492.4	70,748.6
—	2,000.0	—
<b>351,806.9</b>	<b>481,905.1</b>	<b>147,224.9</b>

1994 appropriation of net profit was approved by resolution of the annual general meeting of shareholders (Notarial Deed Rep. No. 6930/95)

1995 appropriation of net profit was approved by resolution of the annual general meeting of shareholders (Notarial Deed Rep. No 9111/96)

1996 appropriation of net profit was approved by resolution of the annual general meeting of shareholders (Notarial Deed Rep. No 5893/97)

## 5.5. Additional information to the financial statements

### 5.5.1. The areas of the Company's business as stated in the Statute and in the Commercial Register are:

- extraction and concentration of copper ore,
- extraction and production of other metals and minerals present in copper ore,
- smelting and processing of copper and other metals,
- extraction of metals and minerals other than those mentioned above,
- manufacture of copper, silver and other metal products,
- processing of extracted minerals,
- exploration and reconnaissance of mineral deposits,
- exploitation of secondary mineral deposits,
- building and running of underground waste storage facilities,
- overhaul of vehicles and industrial machinery,
- export of products, services and know-how,
- transport services,
- professional emergency and rescue services.

### 5.5.2. Accounting for inflation

Sales revenue and cost of sales for 1994 and 1995 have been adjusted by the use of annual inflation rates for 1995 and 1996 published by the Central Statistical Office.

### 5.5.3. Material post-balance sheet events

Material post-balance sheet events not accounted for in the financial statements for 1996.

Structural changes in KGHM Polska Miedź S.A as at 1st January, 1997:

- establishment of a self-governing branch – Jednostka Ratownictwa Górniczo-Hutniczego (mining emergency and rescue unit),
- closure of a branch – Zakład Transportu (a transportation company),
- leasing out the assets of the ZG Konrad branch (relating to an anhydrite mine with a net book value of PLN17,374.9 thousand).

Contributions in kind to companies within the KGHM Polska Miedź Capital Group

	PLN'000
— POL-MIEDŹ TRANS Sp. z o.o.	66,455.3
— "SUWIR" spółka z o.o.	147.7
— "REMY" spółka z o.o.	183.6
— "HUTMECH" spółka z o.o.	218.1
— "Energetyka" Spółka z o.o.	6,487.8
— INTERFERIE Spółka z ograniczoną odpowiedzialnością	1,711.9
	<u>75,204.4</u>

Guarantee of a loan to Polkomtel S.A. of US\$42,542,500 from a consortium of banks expiring 31st December, 1997.

On 30th April, 1997 the general meeting of shareholders passed resolution no. 2 deciding to raise the share capital of the company to PLN 2,000,000,000 through a transfer of PLN 1,470,000,000 from reserve capital to share capital. 147,000,000 new bearer shares taken over by the State Treasury represented by the Minister of State Treasury were thus created. Resolution no. 3 passed at the same general meeting changed the nominal value of each share to PLN 10, thus one previous share of nominal value PLN 100 equals 10 shares with a nominal value of PLN 10 each.

### 5.5.4. Contingent liabilities

List of contingent liabilities as at 31 December 1996

Entity	Type of liability	Amount in PLN'000	Date of payment
1. EuroSHELL	Bills of exchange as guarantee for credit cards	72.0	
2. Customs office in Legnica	Customs liabilities	3,688.2	
3. Local authorities in Legnica	Environmental penalties	1,609.7	March 1997
	Environmental penalties	49,267.4	September 1997
	Environmental penalties	13.4	December 1998
	Environmental penalties	463.5	December 1999
<b>Total</b>		<u><u>55,114.2</u></u>	

The Company did not grant guarantees for its subsidiaries and associates.

Other liabilities:

- coal equivalent in cash valued approx. PLN10,000.1 thousand
- annual liability due to the retirement allowance and long term service awards which amount to PLN12,584.0 thousand in 1997.

For the periods presented the prospectus expenses relating to the above were charge to the profit and loss account in the periods during which payments were made.

#### 5.5.5. Legally required charges on assets relating to guarantees

Entity for which the security is given	Type of security	Amount in PLN'000	Date
1. Narodowy Fundusz Ochrony Środowiska	Mortgage on real estate of HM Cdynia	20,420.8	30.06.1998
2. Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej (regional environmental fund)	Pledge on deposits at Cuprum-Bank SA	3,300.0	25.09.1998
<b>Total</b>		<b>23,720.8</b>	

#### 5.5.6. Planned investment expenditure

The amounts of investment expenditure planned for 1997 are as follows:

	PLN'000
Investments in tangible fixed assets . . . . .	582,314.0
Investments in other entities, of which: . . . . .	426,075.8
– cash contributions. . . . .	251,036.0
– contribution in-kind (non-cash) . . . . .	175,039.8
<b>Total planned investment expenditure . . . . .</b>	<b>1,008,389.8</b>

#### 5.5.7. Transactions within the Capital Group

There are no transactions with group companies which are not included in the consolidation.

#### 5.5.8. Material events relating to prior years in the balance sheet for 1996

The financial statements for 1996 include the results of material events relating to prior years. Points 5.5.8.1, 5.5.8.2 and 5.5.8.3 contain a comparative presentation of the effect of events on the balance sheet items and on the results for the years presented in the Prospectus.

5.5.8.1. Restated unconsolidated balance sheets presented in point 5.1, which reflect prior year adjustments to the balance sheet as at 31 December 1996.

Restated unconsolidated balance sheets

		As at 31 December		
	Note	1994	1995	1996
		PLN'000	PLN'000	PLN'000
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets . . . . .	1)	7,138.8	7,530.1	9,705.8
Tangible fixed assets . . . . .	1)	1,531,397.0	2,440,843.2	2,448,694.2
Long term investments . . . . .		142,523.8	192,984.0	518,733.1
Long-term debtors. . . . .		6,107.9	19,577.6	15,705.8
<b>Total fixed assets . . . . .</b>		<b>1,687,167.5</b>	<b>2,660,934.9</b>	<b>2,992,838.9</b>
<b>Current assets</b>				
Stocks . . . . .		357,828.9	556,995.5	731,251.9
Short-term debtors. . . . .	2)	320,710.5	405,274.4	340,500.1
Short term investments . . . . .		840.2	273,714.7	186,601.7
Cash at bank and in hand . . . . .		286,078.4	154,389.3	86,898.3
<b>Total current assets . . . . .</b>		<b>965,458.0</b>	<b>1,390,373.9</b>	<b>1,345,252.0</b>
<b>Prepayments . . . . .</b>		<b>2,869.9</b>	<b>5,155.1</b>	<b>8,027.3</b>
<b>TOTAL ASSETS. . . . .</b>		<b>2,655,495.4</b>	<b>4,056,463.9</b>	<b>4,346,118.2</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital . . . . .		530,000.0	530,000.0	530,000.0
Called up share capital not paid . . . . .		—	—	—
Reserve capital . . . . .		1,415,923.9	1,699,865.7	2,108,835.0
Revaluation reserve capital . . . . .		—	827,992.3	789,947.5
Other reserve capital . . . . .		37,889.5	37,910.7	34,521.7
Profit/(loss) for prior years. . . . .	3)	(94,349.9)	(72,940.8)	(58,424.6)
Profit for the year . . . . .	4)	373,216.8	496,422.1	205,649.5
<b>Total equity . . . . .</b>		<b>2,262,680.3</b>	<b>3,519,250.0</b>	<b>3,610,529.1</b>
<b>Provisions . . . . .</b>	5)	<b>141,401.4</b>	<b>228,278.4</b>	<b>273,947.2</b>
<b>Creditors</b>				
Amounts falling due after more than one year . . . . .		10,467.2	11,000.0	6,700.0
Amounts falling due within one year. . . . .		225,166.4	287,240.7	424,121.7
<b>Total creditors . . . . .</b>		<b>235,633.6</b>	<b>298,240.7</b>	<b>430,821.7</b>
<b>Accruals and deferred income . . . . .</b>		<b>15,780.1</b>	<b>10,694.8</b>	<b>30,820.2</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b>2,655,495.4</b>	<b>4,056,463.9</b>	<b>4,346,118.2</b>

Restated unconsolidated balance sheet as at 31 December 1994

	As published PLN'000	Adjustment PLN'000	Restated PLN'000
<b>ASSETS</b>			
<b>Fixed assets</b>	6,960.1	178.7	7,138.8
Intangible fixed assets . . . . .	1,463,149.2	68,247.8	1,531,397.0
Tangible fixed assets . . . . .	142,523.8	—	142,523.8
Long-term investments . . . . .	6,107.9	—	6,107.9
Long-term debtors . . . . .	<u>1,618,741.0</u>	<u>68,426.5</u>	<u>1,687,167.5</u>
<b>Total fixed assets . . . . .</b>			
<b>Current assets</b>	357,828.9	—	357,828.9
Stocks . . . . .	320,710.5	—	320,710.5
Debtors . . . . .	840.2	—	840.2
Short-term investments . . . . .	286,078.4	—	286,078.4
Cash at bank and in hand . . . . .	<u>965,458.0</u>	<u>—</u>	<u>965,458.0</u>
<b>Total current assets . . . . .</b>	<u>2,869.9</u>	<u>—</u>	<u>2,869.9</u>
<b>Prepayments . . . . .</b>	<u>2,587,068.9</u>	<u>68,426.5</u>	<u>2,655,495.4</u>
<b>TOTAL ASSETS . . . . .</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	530,000.0	—	530,000.0
Share capital . . . . .	—	—	—
Called up share capital not paid . . . . .	1,415,923.9	—	1,415,923.9
Reserve capital . . . . .	—	—	—
Revaluation reserve capital . . . . .	37,889.5	—	37,889.5
Other reserve capital . . . . .	679.8	(95,029.7)	(94,349.9)
Profit/(loss) for prior years . . . . .	351,127.9	22,088.9	373,216.8
Profit for the year . . . . .	<u>2,335,621.1</u>	<u>(72,940.8)</u>	<u>2,262,680.3</u>
<b>Total equity . . . . .</b>	<u>34.1</u>	<u>141,367.3</u>	<u>141,401.4</u>
<b>Provisions . . . . .</b>			
<b>Creditors</b>	10,467.2	—	10,467.2
Amounts falling due after more than one year . . . . .	225,166.4	—	225,166.4
Amounts falling due within one year . . . . .	<u>235,633.6</u>	<u>—</u>	<u>235,633.6</u>
<b>Total creditors . . . . .</b>	<u>15,780.1</u>	<u>—</u>	<u>15,780.1</u>
<b>Accruals and deferred income . . . . .</b>	<u>2,587,068.9</u>	<u>68,426.5</u>	<u>2,655,495.4</u>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>			



Restated unconsolidated balance sheet as at 31st December, 1995

	<i>As published</i>	<i>Adjustment</i>	<i>Restated</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets . . . . .	6,993.6	536.5	7,530.1
Tangible fixed assets . . . . .	2,266,140.6	174,702.6	2,440,843.2
Long-term investments . . . . .	192,984.0	—	192,984.0
Long-term debtors . . . . .	19,577.6	—	19,577.6
<b>Total fixed assets . . . . .</b>	<b>2,485,695.8</b>	<b>175,239.1</b>	<b>2,660,934.9</b>
<b>Current assets</b>			
Stocks . . . . .	556,995.5	—	556,995.5
Debtors . . . . .	416,366.5	(11,092.1)	405,274.4
Short-term investments . . . . .	273,714.7	—	273,714.7
Cash at bank and in hand . . . . .	154,389.3	—	154,389.3
<b>Total current assets . . . . .</b>	<b>1,401,466.0</b>	<b>(11,092.1)</b>	<b>1,390,373.9</b>
<b>Prepayments . . . . .</b>	<b>5,155.1</b>	<b>—</b>	<b>5,155.1</b>
<b>TOTAL ASSETS . . . . .</b>	<b>3,892,316.9</b>	<b>164,147.0</b>	<b>4,056,463.9</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital . . . . .	530,000.0	—	530,000.0
Called up share capital not paid . . . . .	—	—	—
Reserve capital . . . . .	1,699,865.7	—	1,699,865.7
Revaluation reserve capital . . . . .	827,992.3	—	827,992.3
Other reserve capital . . . . .	37,910.7	—	37,910.7
Profit /(loss) for prior years . . . . .	—	(72,940.8)	(72,940.8)
Profit for the year . . . . .	481,905.9	14,516.2	496,422.1
<b>Total equity . . . . .</b>	<b>3,577,674.6</b>	<b>(58,424.6)</b>	<b>3,519,250.0</b>
<b>Provisions . . . . .</b>	<b>5,706.8</b>	<b>222,571.6</b>	<b>228,278.4</b>
<b>Creditors</b>			
Amounts falling due after more than one year . . . . .	11,000.0	—	11,000.0
Amounts falling due within one year . . . . .	287,240.7	—	287,240.7
<b>Total creditors . . . . .</b>	<b>298,240.7</b>	<b>—</b>	<b>298,240.7</b>
<b>Accruals and deferred income . . . . .</b>	<b>10,694.8</b>	<b>—</b>	<b>10,694.8</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>	<b>3,892,316.9</b>	<b>164,147.0</b>	<b>4,056,463.9</b>

Restated unconsolidated balance sheet as at 31st December, 1996

	<i>As published</i>	<i>Adjustment</i>	<i>Restated</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets . . . . .	9,705.8	—	9,705.8
Tangible fixed assets . . . . .	2,448,694.2	—	2,448,694.2
Long-term investments . . . . .	518,733.1	—	518,733.1
Long-term debtors . . . . .	15,705.8	—	15,705.8
<b>Total fixed assets . . . . .</b>	<b>2,992,838.9</b>	<b>—</b>	<b>2,992,838.9</b>
<b>Current assets</b>			
Stocks . . . . .	731,251.9	—	731,251.9
Debtors . . . . .	340,500.1	—	340,500.1
Short-term investments . . . . .	186,601.7	—	186,601.7
Cash at bank and in hand . . . . .	86,898.3	—	86,898.3
<b>Total current assets . . . . .</b>	<b>1,345,252.0</b>	<b>—</b>	<b>1,345,252.0</b>
<b>Prepayments . . . . .</b>	<b>8,027.3</b>	<b>—</b>	<b>8,027.3</b>
<b>TOTAL ASSETS . . . . .</b>	<b>4,346,118.2</b>	<b>—</b>	<b>4,346,118.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital . . . . .	530,000.0	—	530,000.0
Called up share capital not paid . . . . .	—	—	—
Reserve capital . . . . .	2,108,835.0	—	2,108,835.0
Revaluation reserve capital . . . . .	789,947.5	—	789,947.5
Other reserve capital . . . . .	34,521.7	—	34,521.7
Profit/(loss) for prior years . . . . .	—	(58,424.6)	(58,424.6)
Profit for the year . . . . .	147,224.9	58,424.6	205,649.5
<b>Total equity . . . . .</b>	<b>3,610,529.1</b>	<b>—</b>	<b>3,610,529.1</b>
<b>Provisions . . . . .</b>	<b>273,947.2</b>	<b>—</b>	<b>273,947.2</b>
<b>Creditors</b>			
Long-term creditors . . . . .	6,700.0	—	6,700.0
Short-term creditors . . . . .	424,121.7	—	424,121.7
<b>Total creditors . . . . .</b>	<b>430,821.7</b>	<b>—</b>	<b>430,821.7</b>
<b>Accruals and deferred income . . . . .</b>	<b>30,820.2</b>	<b>—</b>	<b>30,820.2</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>	<b>4,346,118.2</b>	<b>—</b>	<b>4,346,118.2</b>

# Explanatory notes to the adjustments relating to the restated unconsolidated balance sheets

As at 31 December

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
<b>ASSETS</b>			
1. Changes in the balance of fixed assets caused by the following:			
– the results of “grossing-up” fixed assets in the 1996 balance sheet . . . . .	—	(52,297.7)	52,297.7
– reversal of the 100% depreciation of fixed assets subject to investment relief in 1994 and 1995 from the 1996 financial statements, and charging depreciation for 1994 and 1995 at the prevailing depreciation rates . . . . .	68,426.5	159,110.3	(227,536.8)
– adjustment carried forward from the prior year . . . . .	—	68,426.5	175,239.1
<b>Total adjustment to fixed assets . . . . .</b>	<b>68,426.5</b>	<b>175,239.1</b>	<b>—</b>
2. Adjustments to the debtors' balance			
– corporate income tax for the financial year . . . . .	—	11,233.9	(11,233.9)
– adjustments carried forward from the prior year . . . . .	—	—	11,233.9
<b>Total adjustments to debtors. . . . .</b>	<b>—</b>	<b>11,233.9</b>	<b>—</b>
– reduction in debtor provision . . . . .	—	(22,326.0)	—
<b>Total net adjustment to debtors . . . . .</b>	<b>—</b>	<b>(11,092.1)</b>	<b>—</b>
<b>EQUITY AND LIABILITIES</b>			
	1994	1995	1996
	TPLN	TPLN	TPLN
3. Adjustments to profit/(loss) for prior years:			
– provisions relating to prior years. . . . .	—	(95,029.7)	(72,940.8)
– transfer of adjustment to net profit from prior year . . . . .	—	22,088.9	14,516.2
– provision for the costs of closing mines for 32 years of usage. . . . .	(56,021.7)	—	—
– provision for environmental penalties for the years 1991-1993 . . . . .	(30,949.5)	—	—
– provisions for guarantees made in prior years . . . . .	(982.6)	—	—
– provision for anticipated 1992 penalty interest . . . . .	(7,075.9)	—	—
<b>Total adjustments . . . . .</b>	<b>(95,029.7)</b>	<b>(72,940.8)</b>	<b>(58,424.6)</b>
4. Adjustment of net profit for the year in accordance with the profit and loss account. . . . .	22,088.9	14,516.2	58,424.6
5. Adjustments to provisions by the following:			
– cost of mine closures charged to profit/(loss) for prior years . . . . .	56,021.7	—	(96,796.4)
– cost of closing mines for current period . . . . .	20,032.3	20,742.4	—
– environmental penalties for 1991-1993 . . . . .	30,949.5	—	(30,949.5)
– guarantees granted . . . . .	982.6	—	(982.6)
– deferred corporate income tax . . . . .	26,002.0	60,461.9	(86,463.9)
– transfer of VAT. . . . .	303.3	—	(303.3)
– real estate tax. . . . .	—	22,326.0	(22,326.0)
– anticipated interest . . . . .	7,075.9	—	(7,075.9)
– adjustments carried forward from prior years. . . . .	—	141,367.3	244,897.6
<b>Total adjustments . . . . .</b>	<b>141,367.3</b>	<b>244,897.6</b>	<b>—</b>
* – less provision for debtors . . . . .	—	(22,326.0)	—
<b>Total adjustments to provisions . . . . .</b>	<b>141,367.3</b>	<b>222,571.6</b>	<b>—</b>

5.5.8.2. Restated consolidated profit and loss account, which reflects the effects of prior year events on the profit and loss account for the 12 months 31st December 1996 shown in point 5.2

Restated consolidated profit and loss accounts

	Note	For the 12 months ended		
		1994	1995	1996
		PLN'000	PLN'000	PLN'000
Revenue from sales of goods and products . . . . .		2,665,530.8	3,469,579.6	3,351,021.3
Revenue from sales of goods and materials . . . . .		58,392.9	56,809.2	78,267.0
Revenue from sales of products . . . . .		2,607,137.9	3,412,770.4	3,272,754.3
Cost of sales of goods and products . . . . .	1),4)	(1,645,263.5)	(2,238,167.1)	(2,593,114.7)
Cost of goods and materials sold . . . . .		(54,677.9)	(50,350.1)	(69,823.6)
Cost of manufacturing products sold . . . . .	1),4)	(1,590,585.6)	(2,187,817.0)	(2,523,291.1)
<b>Gross profit . . . . .</b>		<b>1,020,267.3</b>	<b>1,231,412.5</b>	<b>757,906.6</b>
Selling costs . . . . .		(46,919.0)	(51,482.5)	(52,996.6)
General administration costs . . . . .		(266,708.8)	(271,250.4)	(266,166.6)
Other operating income . . . . .		4,833.5	5,758.9	16,544.9
Other operating costs . . . . .	2),5)	(31,645.9)	(117,095.5)	(81,755.8)
<b>Profit on operations . . . . .</b>		<b>679,827.1</b>	<b>797,343.0</b>	<b>373,532.5</b>
Income from shares in entities, of which: . . . . .		6,704.5	3,558.2	124.5
Subsidiaries . . . . .		6,194.2	3,558.2	—
Associates . . . . .		504.0	—	76.4
Income from other long-term investments, of which: . . . . .		—	—	—
Subsidiaries . . . . .		—	—	—
Associates . . . . .		37,741.5	613,272.8	627,496.4
Other financial income . . . . .		(34,537.7)	(513,819.6)	(554,803.1)
Financial costs . . . . .		—	—	—
<b>Profit before extraordinary items and tax . . . . .</b>		<b>689,735.4</b>	<b>900,354.4</b>	<b>446,350.3</b>
Extraordinary items: . . . . .		(384.9)	(827.6)	(8,122.7)
Extraordinary gains . . . . .		34.3	151.4	262.9
Extraordinary losses . . . . .		(419.2)	(979.0)	(8,385.6)
<b>Profit before tax . . . . .</b>		<b>689,350.5</b>	<b>899,526.8</b>	<b>438,227.6</b>
Corporate income tax . . . . .	3),6)	(286,901.6)	(386,838.7)	(195,346.6)
Other obligatory reductions of profit . . . . .		(29,233.0)	(16,266.9)	(37,231.5)
<b>Profit after tax . . . . .</b>		<b>373,215.9</b>	<b>496,421.2</b>	<b>205,649.5</b>
Redenomination of the zloty . . . . .		0.9	0.9	—
<b>Net profit . . . . .</b>		<b>373,216.8</b>	<b>496,422.1</b>	<b>205,649.5</b>
<b>Net profit per share (in PLN) . . . . .</b>		<b>70.42</b>	<b>93.66</b>	<b>38.80</b>
<b>Net profit per share (in PLN) after the share capital increase as a result of a general shareholders' meeting resolution dated 30th April 1997 (see note 10) . . . . .</b>		<b>1.87</b>	<b>2.48</b>	<b>1.03</b>

**Restated unconsolidated profit and loss account for the 12 months ended 31 December 1994**

	<i>As published</i>	<i>Adjustment</i>	<i>Restated</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Revenue from sales of goods and products . . . . .	2,665,530.8	—	2,665,530.8
Revenue from sales of goods and materials . . . . .	58,392.9	—	58,392.9
Revenue from sales of products . . . . .	2,607,137.9	—	2,607,137.9
Cost of sales of goods and products . . . . .	(1,713,386.7)	(68,123.2)	(1,645,263.5)
Cost of goods and materials sold . . . . .	(54,677.9)	—	(54,677.9)
Cost of manufacturing products sold . . . . .	(1,658,708.8)	(68,123.2)	(1,590,585.6)
<b>Gross profit . . . . .</b>	<b>952,144.1</b>	<b>68,123.2</b>	<b>1,020,267.3</b>
Selling costs . . . . .	(46,919.0)	—	(46,919.0)
General administration costs . . . . .	(266,708.8)	—	(266,708.8)
Other operating income . . . . .	4,833.5	—	4,833.5
Other operating costs . . . . .	(11,613.6)	20,032.3	(31,645.9)
<b>Profit on operations . . . . .</b>	<b>631,736.2</b>	<b>48,090.9</b>	<b>679,827.1</b>
Income from shares in entities, of which: . . . . .	6,704.5	—	6,704.5
Subsidiaries . . . . .	6,194.2	—	6,194.2
Associates . . . . .	504.0	—	504.0
Income from other long-term investments, of which: . . . . .	—	—	—
Subsidiaries . . . . .	—	—	—
Associates . . . . .	—	—	—
Other financial income . . . . .	37,741.5	—	37,741.5
Financial costs . . . . .	(34,537.7)	—	(34,537.7)
<b>Profit before extraordinary items and tax . . . . .</b>	<b>641,644.5</b>	<b>48,090.9</b>	<b>689,735.4</b>
Extraordinary items: . . . . .	(384.9)	—	(384.9)
Extraordinary gains . . . . .	34.3	—	34.3
Extraordinary losses . . . . .	(419.2)	—	(419.2)
<b>Profit before tax . . . . .</b>	<b>641,259.6</b>	<b>48,090.9</b>	<b>689,350.5</b>
Corporate income tax . . . . .	(260,899.6)	26,002.0	(286,901.6)
Other obligatory reductions of profit . . . . .	(29,233.0)	—	(29,233.0)
<b>Profit after tax . . . . .</b>	<b>351,127.0</b>	<b>22,088.9</b>	<b>373,215.9</b>
Redenomination of the zloty . . . . .	0.9	—	0.9
<b>Net profit . . . . .</b>	<b>351,127.9</b>	<b>22,088.9</b>	<b>373,216.8</b>
<b>Net profit per share (in PLN) . . . . .</b>	<b>66.25</b>	<b>—</b>	<b>70.42</b>
<b>Net profit per share (in PLN) after the share capital increase as a result of a general shareholders' meeting resolution dated 30th April 1997 (see note 10)</b>	<b>1.76</b>	<b>—</b>	<b>1.87</b>



**Restated unconsolidated profit and loss account for the 12 months ended 31 December 1995**

	<i>As published</i>	<i>Adjustment</i>	<i>Restated</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Revenue from sales of goods and products . . . . .	3,469,579.6	—	3,469,579.6
Revenue from sales of goods and materials . . . . .	56,809.2	—	56,809.2
Revenue from sales of products . . . . .	3,412,770.4	—	3,412,770.4
Cost of sales of goods and products . . . . .	(2,175,059.8)	63,107.3	(2,238,167.1)
Cost of goods and materials sold . . . . .	(50,350.1)	—	(50,350.1)
Cost of manufacturing products sold . . . . .	(2,124,709.7)	63,107.3	(2,187,817.0)
<b>Gross profit . . . . .</b>	<b>1,294,519.8</b>	<b>(63,107.3)</b>	<b>1,231,412.5</b>
Selling costs . . . . .	(51,482.5)	—	(51,482.5)
General administration costs . . . . .	(271,250.4)	—	(271,250.4)
Other operating income . . . . .	5,758.9	—	5,758.9
Other operating costs . . . . .	(243,947.0)	(126,851.5)	(117,095.5)
<b>Profit on operations . . . . .</b>	<b>733,598.8</b>	<b>63,744.2</b>	<b>797,343.0</b>
Income from shares in other entities, of which: . . . . .	3,558.2	—	3,558.2
Subsidiaries . . . . .	3,558.2	—	3,558.2
Associates . . . . .	—	—	—
Income from other fixed asset investments, of which: . . . . .	—	—	—
Subsidiaries . . . . .	—	—	—
Associates . . . . .	—	—	—
Other financial income . . . . .	613,272.8	—	613,272.8
Financial costs . . . . .	(513,819.6)	—	(513,819.6)
<b>Profit before extraordinary items and tax . . . . .</b>	<b>836,610.2</b>	<b>63,744.2</b>	<b>900,354.4</b>
Extraordinary items: . . . . .	(827.6)	—	(827.6)
Extraordinary gains . . . . .	151.4	—	151.4
Extraordinary losses . . . . .	(979.0)	—	(979.0)
<b>Profit before tax . . . . .</b>	<b>835,782.6</b>	<b>63,744.2</b>	<b>899,526.8</b>
Corporate income tax . . . . .	(337,610.7)	49,228.0	(386,838.7)
Other obligatory reductions of profit . . . . .	(16,266.9)	—	(16,266.9)
<b>Profit after tax . . . . .</b>	<b>481,905.0</b>	<b>14,516.2</b>	<b>496,421.2</b>
Redenomination of the złoty . . . . .	0.9	—	0.9
<b>Net profit . . . . .</b>	<b>481,905.9</b>	<b>14,516.2</b>	<b>496,422.1</b>
<b>Net profit per share (in PLN) . . . . .</b>	<b>90.93</b>	<b>—</b>	<b>93.66</b>
<b>Net profit per share (in PLN) after share capital increase as a result of a general shareholders' meeting resolution dated 30th April 1997 (see note 10) . . . . .</b>	<b>2.41</b>	<b>—</b>	<b>2.48</b>

# Restated unconsolidated profit and loss account for the 12 months ended 31 December 1996

	As published	Adjustment	Restated
	PLN'000	PLN'000	PLN'000
Revenue from sales of products, materials and goods. . . . .	3,351,021.3	—	3,351,021.3
Revenue from sales of goods and materials . . . . .	78,267.0	—	78,267.0
Revenue from sales of products . . . . .	3,272,754.3	—	3,272,754.3
Cost of sales of goods and products . . . . .	(2,593,114.7)	—	(2,593,114.7)
Value of goods and materials sold . . . . .	(69,823.6)	—	(69,823.6)
Cost of manufacturing products sold . . . . .	(2,523,291.1)	—	(2,523,291.1)
<b>Gross profit</b> . . . . .	<b>757,906.6</b>	—	<b>757,906.6</b>
Selling costs . . . . .	(52,996.6)	—	(52,996.6)
General administration costs . . . . .	(266,166.6)	—	(266,166.6)
Other operating income . . . . .	16,544.9	—	16,544.9
Other operating costs . . . . .	(64,950.4)	16,805.4	(81,755.8)
<b>Profit on operations</b> . . . . .	<b>390,337.9</b>	<b>(16,805.4)</b>	<b>373,532.5</b>
Income from share in other entities, of which: . . . . .	124.5	—	124.5
Subsidiaries. . . . .	—	—	—
Associates . . . . .	76.4	—	76.4
Income from other fixed asset investments, of which: . . . . .	—	—	—
Subsidiaries. . . . .	—	—	—
Associates . . . . .	—	—	—
Other financial income . . . . .	627,496.4	—	627,496.4
Financial costs . . . . .	(554,803.1)	—	(554,803.1)
<b>Profit before extraordinary items and tax</b> . . . . .	<b>463,155.7</b>	<b>(16,805.4)</b>	<b>446,350.3</b>
Extraordinary items: . . . . .	(8,122.7)	—	(8,122.7)
Extraordinary gains . . . . .	262.9	—	262.9
Extraordinary losses. . . . .	(8,385.6)	—	(8,385.6)
<b>Profit before tax</b> . . . . .	<b>455,033.0</b>	<b>(16,805.4)</b>	<b>438,227.6</b>
Corporate income tax . . . . .	(270,576.6)	(75,230.0)	(195,346.6)
Other obligatory reductions of profit . . . . .	(37,231.5)	—	(37,231.5)
<b>Net profit</b> . . . . .	<b>147,224.9</b>	<b>58,424.6</b>	<b>205,649.5</b>
<b>Net profit per share (in PLN)</b> . . . . .	<b>27.78</b>	—	<b>38.80</b>
<b>Net profit per share (in PLN) after the share capital increase as a result of a general shareholders' meeting resolution dated 30th April 1997 (see note 10)</b> . . . . .	<b>0.74</b>	—	<b>1.03</b>

Explanatory notes on the adjustments relating to the restated unconsolidated profit and loss accounts:

1. Adjustments to the cost of manufacturing goods sold and cost of sales of goods and products by the following:

	For the 12 months ended		
	1994	1995	1996
	PLN'000	PLN'000	PLN'000
— reversal of depreciation as a result of investment relief for 1994	(69,577.9)	—	—
— depreciation on the basis of prevailing depreciation rates instead of investment relief . . . . .	1,151.4	10,809.6	—
— provision for VAT 1994 . . . . .	303.3	—	—
— depreciation as a result of reversal of "netting down" fixed assets in 1995 . . . . .	—	52,297.7	—
<b>Total adjustments</b> . . . . .	<b>(68,123.2)</b>	<b>63,107.3</b>	<b>—</b>

2. Adjustments to other operating costs for the following:

— allocation of the provision for the costs of closing mines for the past 35 years . . . . .	20,032.3	20,742.4	(96,796.4)
— provision for real estate tax for 1995 . . . . .	—	22,326.0	(22,326.0)
— provision for environmental penalties for the years 1991-1993 . . . . .	—	—	(30,949.5)
— provision for guarantees granted . . . . .	—	—	(982.6)
— reversal of depreciation regarding 1994 and 1995 investment relief . . . . .	—	(169,919.9)	239,497.8
— depreciation charged instead of investment relief . . . . .	—	—	(11,961.0)
— provision for VAT concerning 1994 . . . . .	—	—	(303.3)
— backing out depreciation charges for reversal of "netting down" fixed assets for 1995 . . . . .	—	—	(52,297.7)
— provision for potential penalty interest for 1992 . . . . .	—	—	(7,075.9)
<b>Total adjustments</b> . . . . .	<b>20,032.3</b>	<b>(126,851.5)</b>	<b>16,805.4</b>

3. Adjustments to corporate income tax

— provision for deferred corporate income tax . . . . .	26,002.0	60,461.9	(86,463.9)
— changes in the amount of corporate income tax due . . . . .	—	(11,233.9)	11,233.9
<b>Total adjustments</b> . . . . .	<b>26,002.0</b>	<b>49,228.0</b>	<b>(75,230.0)</b>

#### 4. Restated costs by type

For the 12 months ended

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
— Material and energy usage . . . . .	763,413.7	1,151,518.6	1,226,033.7
— outside services . . . . .	302,699.4	406,354.4	483,704.7
— salaries and wages . . . . .	361,430.8	489,434.5	562,580.0
— social security . . . . .	175,752.9	243,985.8	278,481.5
— depreciation . . . . .	157,606.2	268,769.1	289,629.3
— Taxes and charges . . . . .	127,616.9	165,445.5	207,040.7
— other . . . . .	36,894.5	31,768.8	37,463.8
— change in stocks . . . . .	(17,302.0)	(195,382.0)	(185,014.6)
— cost of goods and materials sold . . . . .	54,677.9	50,350.1	69,823.6
— costs for internal use of the company . . . . .	(3,899.0)	(51,344.8)	(57,464.8)
Cost of goods and materials sold . . . . .	(54,677.9)	(50,350.1)	(69,823.6)
Selling costs . . . . .	(46,919.0)	(51,482.5)	(52,996.6)
General administration costs . . . . .	(266,708.8)	(271,250.4)	(266,166.6)
Restated cost of manufacturing products sold . . . . .	<u>1,590,585.6</u>	<u>2,187,817.0</u>	<u>2,523,291.1</u>

#### 5. Restated other operating costs

For the 12 months ended

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Cost of fixed assets sold . . . . .	1,072.6	355.5	5,956.4
Stock write down . . . . .	1,637.9	590.7	901.2
Other operating costs, including: . . . . .	28,935.4	116,149.3	74,898.2
— provision for mine closure costs . . . . .	20,032.3	20,742.4	23,203.6
— provision for potential tax liabilities . . . . .	—	—	37,060.5
— provisions for debtors . . . . .	4,486.1	29,922.9	2,394.0
— fines and penalties paid . . . . .	1,513.4	9,072.7	3,555.3
Restated other operating costs . . . . .	<u>31,645.9</u>	<u>117,095.5</u>	<u>81,755.8</u>

#### 6. Restated corporate income tax

For the 12 months ended

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
corporate income tax . . . . .	260,899.6	320,776.6	206,333.0
deferred corporate income tax provision . . . . .	26,002.0	66,062.1	(10,986.4)
Restated corporate income tax . . . . .	<u>286,901.6</u>	<u>386,838.7</u>	<u>195,346.6</u>

**5.5.8.3. Restated unconsolidated cash flow statements reflecting the effects of prior year events on the cash flow statement for the 12 months ended 31 December 1996 shown in point 5.3.**

*For the 12 months ended*

	1994	1995	1996
	PLN'000	PLN'000	PLN'000
<b>Cash flow from operations:</b>			
<b>Net profit.</b>	<b>373,216.8</b>	<b>496,422.1</b>	<b>205,649.5</b>
<b>Adjustments for non-cash movements</b>			
Depreciation	162,446.1	200,689.8	297,470.7
Unrealised exchange gains /losses	—	—	7,927.5
Interest and dividends received and paid	(3,519.9)	(4,522.8)	(41,920.5)
Provisions for debtors	—	6,877.3	14,524.9
Other provisions.	23,394.9	43,140.9	37,982.7
Corporate income tax charge.	286,901.6	386,838.7	195,346.6
Corporate income tax paid.	(300,850.2)	(406,353.1)	(156,296.6)
Profit/(loss)			
on disposals of investments and capital items	3,064.9	44,785.4	2,539.3
Change in stock	(1,823.2)	(199,166.6)	(174,256.4)
Change in debtors	(91,136.6)	(27,684.1)	22,757.4
Change in short-term creditors (except loans and credits) and special funds	38,672.8	50,190.1	(28,029.1)
Change in prepayments	(2,644.8)	(2,285.2)	(2,818.4)
Change in creditors and accruals.	(4,252.1)	(5,085.4)	20,071.6
Other items:	(27,871.0)	(44,944.9)	24,234.5
— Appropriation of profit to Social Fund	(14,491.0)	(17,353.2)	(19,224.3)
— Adjustment of net profit for interest on capital	—	—	37,231.6
— Conversion of debtors into shares in other entities.	(14,838.1)	(19,022.7)	—
— Write-downs updating the value of securities	996.4	(8,407.5)	—
— Other	461.7	(161.5)	6,227.2
<b>Total adjustments</b>	<b>82,382.5</b>	<b>42,480.1</b>	<b>219,534.2</b>
<b>Net cash inflow from operations</b>	<b>455,599.3</b>	<b>538,902.2</b>	<b>425,183.7</b>
<b>Cash flow from investing activities</b>			
(Purchase)/sale of intangible fixed assets	(2,644.7)	(2,135.3)	(5,136.5)
(Purchase)/sale of tangible fixed assets	(154,090.3)	(306,139.8)	(425,325.8)
(Purchase)/sale of shares in subsidiaries and other securities investments issued by these entities	(1,144.2)	(29,661.9)	(124,262.0)
(Purchase)/sale of shares in associated entities and other securities issued by these entities	—	458.0	17,808.7
(Purchase)/sale of other long-term investments	(900.0)	—	(114,649.4)
(Purchase)/sale of other shares and securities, including short-term investments.	(1,170.5)	(264,466.9)	89,283.1
Loans received/(repaid)	460.9	958.1	549.9
Dividends received/(paid)	6,704.5	3,558.2	124.5
Interest received/(paid)	2,655.4	1,624.1	46,173.1
Other items	(3,570.9)	(1,569.1)	(9,386.4)
<b>Net cash outflow on investment activities.</b>	<b>(153,699.8)</b>	<b>(597,374.6)</b>	<b>(524,820.8)</b>



### Cash flow from financing activities

For the 12 months ended			
	1994	1995	1996
	PLN'000	PLN'000	PLN'000
Proceeds/(repayment) of long-term bank loans . . . . .	—	—	—
Proceeds/(repayment) of long-term loans . . . . .	(4,000.0)	2,000.0	(4,300.0)
Issue/(purchase) of long-term debentures and other securities . . . . .	—	—	—
Proceeds/(repayment) of short-term bank loans . . . . .	(58,275.9)	—	191,928.5
Advance/(repayment) of short-term loans . . . . .	1,000.0	(6,000.0)	—
Issue/(purchase) of short-term debentures and other securities . . . . .	—	—	—
Dividends and other payments to shareholders . . . . .	—	—	(37,231.6)
Leasing and hire purchase repayments . . . . .	—	—	—
Income from shares issued and from additional payments to capital . . . . .	—	—	—
Interest paid . . . . .	(5,840.0)	(659.4)	(4,377.1)
Other items . . . . .	(29,037.7)	(68,557.3)	(113,873.7)
— Foreign exchange rate differences relating to loans . . . . .	—	—	(4,972.3)
— Bonuses from profit paid to the employees . . . . .	(29,037.7)	(67,090.1)	(90,503.8)
— Holiday benefits . . . . .	—	—	(18,397.6)
— Other . . . . .	—	(1,467.2)	—
<b>Net inflow/(outflow) from financing activities . . . . .</b>	<b>(96,153.6)</b>	<b>(73,216.7)</b>	<b>32,146.1</b>
<b>Change in balance of cash and cash equivalents . . . . .</b>	<b>205,745.9</b>	<b>(131,689.1)</b>	<b>(67,491.0)</b>
<b>Cash and cash equivalents – beginning of period . . . . .</b>	<b>80,332.5</b>	<b>286,078.4</b>	<b>154,389.3</b>
<b>Cash and cash equivalents – end of period . . . . .</b>	<b>286,078.4</b>	<b>154,389.3</b>	<b>86,898.3</b>

### Explanatory notes on the adjustments to the cash flow statements

#### Cash flow from operations:

For the 12 months ended			
	1994	1995	1996
	PLN'000	PLN'000	PLN'000
1. Adjustment to net profit . . . . .	22,088.9	14,516.2	58,424.6
2. Reversal of depreciation of fixed assets regarding investment relief in 1994 and 1995 . . . . .	(68,426.5)	(159,110.3)	227,536.8
3. Backing out the effect of reversing the “netting-down” of fixed assets . . . . .	—	52,297.7	(52,297.7)
4. Provisions for:			
— the cost of closing mines . . . . .	20,032.3	20,742.4	(96,796.4)
— VAT . . . . .	303.3	—	(303.3)
— real estate tax . . . . .	—	22,326.0	(22,326.0)
— environmental penalties for the years 1991-1993 . . . . .	—	—	(30,949.5)
— guarantees granted . . . . .	—	—	(982.6)
— potential penalty interest . . . . .	—	—	(7,075.9)
5. Changes in corporate income tax . . . . .	26,002.0	49,228.0	(75,230.0)
<b>Total changes in the cash flow from operations . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>

6. **Opinion on the audited consolidated financial statements**  
6.1. **Opinion on the audited consolidated financial statements.**

To the shareholders of KGHM Polska Miedź S.A.

This report is presented in connection with the public offer of the shares of KGHM Polska Miedź S.A.

On the basis of the information contained in point 7.2 of Part VII of the Polish offering circular and of the information received from the Management Board we have compiled the financial statements of the Company for the following 12 month periods: 1 January to 31 December 1995 and 1 January to 31 December 1996 in accordance with the Prospectus Requirements and in the Regulation of the Chairman of the Securities Commission dated 5 April 1995 on the scope of additional information presented in the financial statements of entities other than banks which are, or are applying to be listed.

The preparation of the above mentioned financial statements is the responsibility of the Management Board.

The audits of the consolidated financial statements for the 12 month periods ended 31 December 1995 and 31 December 1996 were conducted in accordance with the provisions of the Accounting Law and the auditing standards introduced by the National Chamber of Chartered Accountants by means of Resolution No 144/96 of the National Chamber of Chartered Accountants dated 16 January 1996.

The consolidated financial statements of the Company for the 12 month periods ended 31 December 1995 and 31 December 1996 were prepared in accordance with the provisions of the Accounting Law and the Directive of the Minister of Finance dated 14 June 1995, relating to the detailed principles for the preparation of consolidated financial statements by entities other than banks.

The opinions of the auditors on the consolidated financial statements of the Company for the 12 month periods ended 31 December 1995 and 31 December 1996 are presented in their original form in points 7.1 and 7.2 of Part 1 of Appendix A of the Offering Circular (the "Prospectus").

In our opinion the form of the consolidated financial statements of the Company presented in the Prospectus, as well as the scope of data disclosed, comply with the Prospectus Requirements and with the Regulation of the Chairman of the Securities Commission dated 5 April 1995 on the scope of additional information presented in the financial statements of entities other than banks which are, or are applying to be listed.

In our opinion, on the basis of our review of the audited consolidated financial statements of the Company for the 12 months ended 31 December 1995 and 31 December 1996 as well as of the reports and opinions of the auditors on the audit of the financial statements we state that the financial statements give a true and fair view of the Group's financial position, the results of operations, and of cash flows for the periods then ended.

Chartered Accountants

*"Joe Smoczyński"*

Joe Smoczyński  
No. C-1/1182

*"Maria Janiak"*

Maria Janiak  
No. 7763/2281

BDO Binder Sp. z o.o.

00.467 Warszawa, ul. Jazdów 8A

Entity authorised to audit  
financial statements No. 523

Represented by:

*"Tomasz Zdziebkowski"*

Tomasz Zdziebkowski

*"Tomasz Adamczyk"*

Tomasz Adamczyk

Lubin, 22nd April, 1997

## 6.2 Opinion on the audited restated consolidated financial statements.

To the shareholders of KGHM Polska Miedź S.A.

This report is presented in connection with the public offer of the shares of KGHM Polska Miedź S.A.

On the basis of the information contained in point 2 of Part 1 of Appendix A of the Prospectus and of the information received from the Management Board we have compiled in point 9.5.8 of this Appendix the consolidated financial statements of the Company for the 12 month periods from 1st January to 31st December 1995 and 1st January to 31st December 1996 in a comparable manner.

The restatement of the data in the audited and approved consolidated financial statements of the KGHM Polska Miedź Capital Group (the "Capital Group") for the years 1995 and 1996 was carried out by the Management Board in order to obtain comparable data by restating the accounts to reflect the effects of the following events:

- recording tangible and intangible fixed assets assumed following the transformation of state-owned entities into joint stock companies at initial historic values, and charging depreciation thereon from 1st January 1995 ("regrossing").
- Changes in the depreciation principles regarding fixed assets subject to investment relief in the years 1994-1995.
- creating provisions for anticipated losses and costs relating to prior periods, and charging the creation of such provisions to the 1996 financial result.

We have audited the restated consolidated financial statements of the Company which are presented in point 9.5.8 of this Appendix.

We confirm that the restatement was carried out in accordance with methodology consistent with the provisions of the Accounting Law as described in point 3, and the restated consolidated financial statements give a true and fair view of the Capital Group's financial position as at 31st December 1995 and 31st December 1996, of the results of operations, and of the cash flows for the 12 month periods then ended.

Chartered Accountants

BDO Binder Sp. z o.o.  
00-467 Warszawa, ul. Jazdów 8A

"Joe Smoczyński"

Joe Smoczyński  
No. C - 1/1182

Entity authorised to audit  
financial statements No. 523

Represented by:

"Maria Janiak"

Maria Janiak  
No. 7763/2281

"Tomasz Zdziebkowski"

Tomasz Zdziebkowski

"Tomasz Adamczyk"

Tomasz Adamczyk

Lubin, 22nd April, 1997

7. Source documentation underlying the consolidated financial statements

7.1 Opinion of the auditors on the consolidated financial statements of the KHGM Polska Miedź Capital Group for the 12 months ended 31st December 1995

to the Shareholders, the Supervisory Board  
and the Management Board  
of KHGM Polska Miedź S.A.

I. We have audited the consolidated financial statements of the KHGM Polska Miedź S.A., Capital Group ("the Capital Group") which consist of the following:

- the consolidated balance sheet as at 31st December, 1995, which shows total assets, and total equity and liabilities of PLN 4,052,358,504.67;
- the consolidated profit and loss account for the period from 1st January to 31st December, 1995, which shows profit after tax of PLN 513,673,774.62;
- the consolidated cash flow statement for the period from 1st January to 31st December, 1995, which shows a decrease in cash and cash equivalents of PLN 58,854,737.87;
- the notes to the financial statements;
- the Management Board Report on the Capital Group's operations;

and the documentation underlying these consolidated financial statements.

II. We have conducted the audit in accordance with the following laws and regulations:

- chapters 6 and 7 of the Accounting Law dated 29th September, 1994 (Dz.U. No. 121, entry 591);
- the Directive of the Minister of Finance dated 14th June, 1995 on the detailed principles for the preparation of consolidated financial statements by entities other than banks; (Dz.U. No. 71, entry 355)
- the Directive of the Chairman of the Securities Commission dated 14th February, 1995 on the scope of additional information to be disclosed in the notes to the financial statements of entities other than banks which are, or are applying to be listed (Monitor Polski No. 32/1995, entry 376);
- the Directive of the Chairman of the Securities Commission dated 14th February, 1995 on the matter of stricter criteria than those of Art. 56 items 1-3 of the Accounting Law dated 29th September, 1994 for entities which are or are applying to become listed (Monitor Polski No. 12, entry 150);
- the applicable auditing standards issued by the National Chamber of Chartered Accountants.

III. In our opinion the attached consolidated financial statements have been prepared on the basis of the financial statements of the member companies of the Capital Group which show a true and fair view of the financial standing and results of those companies. The consolidated financial statements agree in all material aspects with the above mentioned laws and regulations. They agree in form and content with the provisions of laws and regulations relating to capital groups and they give a true and fair view of all material information necessary to evaluate the profitability and the financial results of the Capital Group in the period from 1st January to 31st December, 1995, as well as of the financial position of the Capital Group as at 31st December, 1995.

The information contained in the Management Board Report on the Capital Group's operations is consistent with the information in the audited consolidated financial statements.

IV. Without qualifying our opinion as to the truth and fairness of the audited consolidated financial statements, we draw attention to the fact that the financial statements of fifteen subsidiaries included in the consolidated financial statements of the Capital Group have been audited by the auditor of the consolidated financial statements, and the financial statements of two subsidiaries in accordance with the regulations of Art. 64 of the Accounting Law did not undergo an audit in 1995. These two sets of financial statements cover 0.17 per cent. of the gross assets and equity and liabilities, and 0.009 per cent. of the profit after tax of the Capital Group.

BDO Binder Sp. z o.o.  
with its seat in Warsaw

"Tomasz Zdziebkowski"

Tomasz Zdziebkowski

Audit supervisors:

Maria Janiak

"Maria Janiak"

Chartered Accountant

No. 7763/2281

Lubin, 15th July, 1996

Providum S.A.  
KPS – Usługi księgowe  
Legnica Branch

"Andrzej Kuligiewicz"

Andrzej Kuligiewicz

Andrzej Kuligiewicz

"Andrzej Kuligiewicz"

Chartered Accountant

No. 2043/960

**7.2. Opinion of the auditors on the consolidated financial statements of the KHGM Polska Miedź Capital Group for the 12 months ended 31st December 1996**

to the Shareholders, the Supervisory Board  
and the Management Board  
of KHGM Polska Miedź S.A.

I. We have audited the consolidated financial statements of the KHGM Polska Miedź S.A. Capital Group, which consist of the following:

- the consolidated balance sheet as at 31st December, 1996, which shows total assets and total equity and liabilities of PLN 4,516,348,066.77;
- the consolidated profit and loss account for the period from 1st January to 31st December, 1996, which shows profit after tax of PLN 148,859,731.36;
- the consolidated cash flow statement for the period from 1st January to 31st December, 1996, which shows a decrease in cash and cash equivalents of PLN 84,582,960.45;
- the notes to the financial statements;
- the Management Board Report on the Capital Group's operations;

and we have also reviewed the documentation underlying these financial statements.

II. The audit has been carried out in accordance with the following:

- chapters 6 and 7 of the Accounting Law dated 29th September, 1994 (Dz.U. No. 121, entry 591);
- the Directive of the Minister of Finance dated 14th June, 1995 on the detailed principles for the preparation of consolidated financial statements by entities other than banks; (Dz.U. No. 71, entry 355)
- the Directive of the Chairman of the Securities Commission dated 14th February, 1995 on the scope of additional information given in the notes to the financial statements of entities other than banks which are, or are applying to be listed (Monitor Polski No. 32/1995, entry 376);
- the Directive of the Chairman of the Securities Commission dated 14th February, 1995 on the matter of stricter criteria than those of Art. 56 items 1-3 of the Accounting Law 29th September, 1994 for entities which are, or are applying to be listed (Monitor Polski 1995 No. 12, entry 150);
- auditing standards issued by the National Chamber of Chartered Accountants.



- III. In our opinion the attached consolidated financial statements have been prepared on the basis of the financial statements of the member companies of the Capital Group which show a true and fair view of the financial position and results of those companies. The consolidated financial statements agree in all material aspects with the above mentioned laws and regulations. They agree in form and content with the provisions of laws and regulations regarding capital groups and they give a true and fair view of all the material information necessary to evaluate the profitability and the financial results of the Capital Group for the period from 1st January to 31st December, 1996, as well as the financial position of the Capital Group as at 31st December 1996.

The information contained in the Management Board Report on the Capital Group's operations is consistent with the information in the audited consolidated financial statements.

BDO Binder Spółka z o.o.  
Warsaw, ul. Jazdów 8a

Deloitte & Touche Audit Services Sp. z o.o.  
Warszawa, ul. Grzybowska 80/82

Entity authorised to audit  
financial statements No. 523

Entity authorised to audit  
financial statements No. 73

Represented by:  
"Tomasz Zdziebkowski"  
Tomasz Zdziebkowski

Represented by:  
"Andrzej Kuligiewicz"                      "Anna Stasiak"  
Andrzej Kuligiewicz                      Anna Stasiak

Audit supervisors:  
Maria Janiak  
"Maria Janiak"

Andrzej Kuligiewicz  
"Andrzej Kuligiewicz"

Chartered Accountant  
No 7763/2281

Chartered Accountant  
No 2043/960

Lubin, 4th April, 1997

## 8. Principles for the valuation of assets and equity and liabilities and for the measurement of the financial result relating to the preparation of the consolidated financial statements of the KGHM Polska Miedź Capital Group

### 8.1. The accounting principles applied to the consolidated financial statements for the 12 month periods ended 31st December, 1995 and 1996

The accounting principles applied to the consolidated financial statements for the 12 month periods ended 31st December, 1995 and 1996 are in accordance with the following laws and regulations:

- the Accounting Law;
- the Directive of the Minister of Finance dated 14th June, 1995 on the detailed principles for the preparation of consolidated financial statements by entities other than banks;
- the Directive of the Chairman of the Securities and Exchange Commission dated 14th February, 1995 on determining the scope of information to be disclosed in consolidated financial statements of entities which are, or are applying to be listed.

The above laws and regulations define the accounting principles and consolidation methods applicable to holding entities which have their seat or management board on the territory of the Republic of Poland.

The accounting principles applied by the consolidated companies agree in all material aspects with the accounting principles applied by the holding entity KGHM Polska Miedź S.A. These principles are presented in point 3 of this Appendix.

### 8.2. Format of the consolidated financial statements

The format of the consolidated financial statements of the Capital Group presented in this Prospectus was prepared in accordance with the provisions of:

- the Prospectus Requirements;
- the Directive of the Chairman of the Securities and Exchange Commission dated 14th February, 1995 on determining the scope of information to be disclosed in consolidated financial statements of entities which are, or are applying to be listed.

### 8.3. The composition of the KGHM Polska Miedź Capital Group and the entities included in the consolidation

The KGHM Polska Miedź Capital Group includes subsidiaries and associates which undergo consolidation, and entities which do not undergo consolidation.

Due to the basis of control (direct control, indirect control) and ownership (direct ownership and indirect ownership) the following arises.

In 1995 – there were two levels of consolidation.

The first and highest level of consolidation comprises as at 31st December, 1995:

- 1 holding entity;
- 7 subsidiaries which are also holding entities at the second, lower level of consolidation; for these entities, the individual consolidated financial statements have been consolidated by the Company;
- 10 subsidiaries whose individual financial statements have been consolidated by the Company; and
- 7 associates.

The second level of consolidation as at 31st December, 1995:

- 7 holding entities, which are also subsidiaries at the highest level of consolidation;
- 13 subsidiaries whose individual financial statements have been consolidated by the Company; and
- 6 associates.

In 1996 – there were three levels of consolidation:

The first and highest level of consolidation comprises as at 31st December, 1996:

- 1 holding entity;
- 14 subsidiaries whose individual financial statements have been consolidated by the Company;
- 3 subsidiaries which are also holding entities at the second, lower level of consolidation; their consolidated financial statements have also been consolidated by the Company; and
- 3 associates.

The second, lower level of consolidation comprises as at 31st December, 1996:

- 3 holding entities, which are also subsidiaries at the highest level of consolidation;
- 1 subsidiary, which is also a holding entity at the third, i.e. the lowest, level of consolidation; its consolidated financial statements have been consolidated by the Company;
- 10 subsidiaries, whose individual financial statements have been consolidated by the Company; and
- 8 associates.

The third, i.e. the lowest level of consolidation comprises as at 31st December, 1996:

- 1 holding entity, which is also a subsidiary at the second level of consolidation; and
- 2 associates.

The financial statements of subsidiaries are fully consolidated. The financial statements of associates are accounted for using the equity method.

Entities purchased in 1996 have been included in the consolidated financial statements of the Capital Group for the period from the date of purchase to 31st December, 1996.

Entities sold in 1996 have been included in the consolidated financial statements of the Capital Group from 1st January, 1996 to the date of the sale.

The KGHM Polska Miedź Capital Group consists of KGHM Polska Miedź S.A. as the holding company, and the following subsidiaries and associates.

# Companies consolidated in 1995:

	Entity	Seat	Areas of business	*Book value of shares PLN'000	Share in capital	*Share capital not paid
<b>LEVEL 1 OF CONSOLIDATION-THE HIGHEST SUBSIDIARIES</b>						
1.	DSI S.A.	Lubin	investment activity	20,000.0	100%	—
2.	„BGH-RM” Sp. z o.o.	Lubin	building and installation services	9,486.8	100%	—
3.	ZM „Legmet” Spółka z o.o.	Legnica	production and equipment for mining and quarrying	16,003.1	100%	—
4.	„C'MPM „CUPRUM” Spółka z o.o.	Wrocław	research work regarding the utilisation of copper	2,836.5	100%	—
5.	PHM KGHM „METRACO” Sp. z o.o.	Lubin	trade	2,500.0	100%	—
6.	PRG LUBIN Spółka z o.o.	Lubin	underground work services	5,883.1	100%	—
7.	KGHM Polish Copper Ltd.	London	trade	7,566.6	100%	—
8.	„PeBeKa” Spółka z o.o.	Lubin	general building, civil engineering	12,337.7	100%	—
9.	Zanam Spółka z o.o.	Polkowice	production, service and overhaul of mining and building machines	16,979.3	100%	—
10.	Zakład Doświadczalny spółka ograniczoną odpowiedzialnością	Lubin	production of mining machinery and equipment	2,853.3	100%	—
11.	FPN „Elpena” Spółka z o.o.	Legnica	production of insulated wires and cables	13,187.9	100%	—
12.	ZM „Lena” Spółka z o.o.	Wilków	production of construction elements for mining and industry	5,455.0	100%	—
13.	„CUPRUM 2000” Spółka z o.o.	Lubin	tourist and recreation services	1,540.8	100%	—
14.	INTERFERIE Spółka z ograniczoną odpowiedzialnością	Lubin	tourist and recreation services	21,503.7	100%	—
15.	KGHM Metale S.A.	Lubin	trade	9,000.0	90%	—
16.	„MIEDZIOWE CENTRUM ZDROWIA” S.A.	Lubin	medical services in health protection	4,999.8	99.9997%	—
17.	Polskie Centrum Promocji Miedzi S.A.	Wrocław	promotion of copper product	75.0	75%	—
<b>ASSOCIATES</b>						
1.	Cuprum-Bank SA**	Lubin	banking services	5,234.0	26.17%	—
2.	„DANIPOL” – Spółka z ograniczoną odpowiedzialnością	Polkowice	production of clothes	1,699.5	49.02%	—
3.	PHP „MERCUS” – Spółka z o.o.	Polkowice	trade	1,662.7	49.0%	—
4.	„BOART-LENA” Spółka z o.o.	Wilków	production of machines	6,662.7	49.0%	—
5.	Fabryka Kabli „ZALOM” Spółka Akcyjna	Szczecin	production of cables	14,828.4	25.79%	—
6.	Krakowska Fabryka Kabli spółka akcyjna	Kraków	production of cables	16,678.4	34.54%	—
7.	„ANCOR” sp. z o.o.	Głogów	manufacture of polymer concrete products and anti-corrosives	352.8	49.0%	—
<b>LEVEL 2 SUBSIDIARIES</b>						
1.	ZBM „INHUT” Sp. z o.o.	Głogów	building and installation services, technological reconditioning	41.4	49.0%	—
2.	ZBR „REMUT” Sp. z o.o.	Głogów	technological reconditioning	41.2	48.9%	—
3.	ZBM „MAXBUD” Sp. z o.o.	Polkowice	building and installation services, technological reconditioning	36.4	49.1%	—
4.	ZBM „BUDIM” Sp. z o.o.	Trzebiez	building and installation services, technological reconditioning	64.2	49.4%	—
5.	ZTS „TRAWOS” Sp. z o.o.	Polkowice	transport services and leasing of machines	31.3	41.0%	—
6.	„ESKORTA” Sp. z o.o.	Lubin	personal protection and detective services	8.5	48.9%	—
7.	ZBR „REMUS” Sp. z o.o.	Lubin	building and renovation services, leasing of machines	4.2	20.2%	—
8.	ZBM „BUDUMEX” Sp. z o.o.	Lubin	building and renovation services	20.1	48.8%	—
9.	ZMB „BIREM” Sp. z o.o.	Legnica	building and installation services, technological reconditioning	34.0	49.1%	—
10.	PUB „INWESTBUD” Sp. z o.o.	Legnica	building and construction	4.9	49.0%	—
11.	ZMPB „PERMONT” Sp. z o.o.	Lubin	production of concrete prefabricated elements	23.4	43.7%	—
12.	CBC Sp. z o.o.	Wrocław	manufacture of industrial products	98.0	51.0%	—
13.	METRACO-HURT Sp. z o.o.	Lubin	trade	263.9	57.7%	—
<b>STOWARZYSZONE</b>						
1.	Frank und Dvorak Sp. komandytowa	Vienna	trade	685.7	30.0%	—
2.	PRG-W Sp. z o.o.	Lubin	mining and drilling works	40.2	48.9%	—
3.	LEG-GAZ Sp. z o.o.	Legnica	production and distribution of technical gases	33.8	48.0%	—
4.	MECHANISCHE VERKE „LEGMET” VETRIEB GMBH	Berlin	trade, technical and commercial consulting	69.0	49.3%	—
5.	„PPCW CELLINEN” Sp. z o.o.	Radwanice	growing, contracting and purchase of flax, hemp and other agricultural products	900.0	49.5%	—
6.	Rudolf Wolf & Co.	Warszawa	brokerage	120.0	50.0%	—

\* the amounts in the “book value of shares” column are the result of subtracting amounts under “share capital not paid” from the nominal value of shares.

\*\* see point 9.5.9

# Companies consolidated in 1996:

Entity	Seat	Areas of business	*Book value of shares PLN'000	Share in capital	*Share capital not paid
<b>LEVEL 1 OF CONSOLIDATION SUBSIDIARIES</b>					
1. INTERFERIE Spółka z ograniczoną odpowiedzialnością	Lubin	tourist and recreation services	48,245.4	100%	1,711.8
2. PPH KSANTE Spółka z o.o.	Polkowice	production and trade in chemical substances	9,623.6	100%	—
3. "Energetyka" Spółka z o.o.	Lubin	production and trade in electrical and steam energy	47,598.0	100%	6,487.8
4. Zakład Wytwarzania Gumowych Spółka z ograniczoną odpowiedzialnością	Iwiny	production and trade in synthetic and rubber products	11,292.5	100%	—
5. Polskie Centrum Promocji Miedzi S.A.	Wrocław	promotion of copper products	65.0	65%	—
6. "MIEDZIOWE CENTRUM ZDROWIA" S.A.	Lubin	medical services	60,121.0	99.9997%	—
7. CBPM "CUPRUM" Spółka z o.o.	Wrocław	research work regarding the utilisation of copper	2,836.5	100%	—
8. KGHM Polish Copper Ltd.	London	trade	6,903.3	100%	—
9. KGHM METALE S.A.	Lubin	trade	64,484.9	98.47%	—
10. DSI S.A.	Lubin	investment activity	111,053.4	100%	—
11. C'BJ Spółka z o.o.	Lubin	research and technical analyses	5,675.9	99.99%	—
12. AQUAKONRAD SA	Iwiny	production of mineral water, drawing, purification and distribution of water	11,694.0	70.02%	5,847.0
13. POL-MIEDŹ TRANS Spółka z o.o.	Lubin	transport services, trade in solid fuels	106,004.0	100%	106,000.0
14. KGHM Kupferhandelsges.m.b.H.	Vienna	trade in metals, chemicals and synthetics	924.7	100%	—
15. „SUWIR” Spółka z o.o.	Głogów	foundry, production of steel constructions	2,300.2	99.87%	293.4
16. „REMY” Spółka z o.o.	Głogów	production of metal constructions, building work	3,833.8	99.92%	649.3
17. „HUTMECH” Spółka z o.o.	Głogów	initial processing of steel, production of mechanical tools	2,876.7	99.90 %	750.9
<b>ASSOCIATES</b>					
1. Krakowska Fabryka Kabli spółka akcyjna	Kraków	production of cables	17,233.4	34.54 %	—
2. Cuprum-Bank SA**	Lubin	banking services	5,234.0	26.17 %	—
3. "Blastexpol" sp. z o.o.	Lubin	production, trade and services re explosives for mining	50.0	33.33 %	—
<b>LEVEL 2 SUBSIDIARIES</b>					
1. FPN "Elpena" Spółka z o.o.	Legnica	production of insulated wire and cables	13,187.9	100 %	—
2. ZM "Legmet" Spółka z o.o.	Legnica	production of machines for mining and quarrying	16,003.1	100 %	—
3. ZM "Lena" Spółka z o.o.	Wilków	production of construction elements for mining and other industries	5,455.0	100 %	—
4. "PeBeKa" Spółka z o.o.	Lubin	building and civil engineering	12,337.7	100 %	—
5. Zanam Spółka z o.o.	Polkowice	production and service of mining and building machines	16,979.3	100 %	—
6. PRG LUBIN Spółka z o.o.	Lubin	underground mining services	5,883.1	100 %	—
7. Zakład Doświadczalny Spółka z ograniczoną odpowiedzialnością	Lubin	manufacture of mining machines	2,853.3	100 %	—
8. KGHM "METRACO" Sp. z o.o.	Lubin	trade	2,500.0	100 %	—
9. "CUPRUM 2000" Spółka z o.o.	Lubin	telecommunication and information technology services	1,540.8	100 %	—
10. Kopalnia Anhydrytu "NOWY ŁĄD" Sp. z o.o.	Niwnice	production of gypsum and anhydrite	1,725.0	75 %	—
11. "PPCW" CELLINEN Sp. z o.o.	Radwanice	cultivation, contracting and purchase of flax, hemp and other agricultural products	900.0	53.35 %	—
<b>ASSOCIATES</b>					
1. PHP "MERCUS" Spółka z o.o.	Polkowice	trade	2,386.5	46.27 %	—
2. Fabryka Kabli "ZALOM" Spółka Akcyjna	Szczecin	manufacture of cables	14,828.4	25.79 %	—
3. ANCOR Sp. z o.o.	Głogów	manufacture of polymer concrete products and anticorrosives	352.8	49.0 %	—
4. Legnickie Centrum Przedsiębiorczości Inkubator Przedsiębiorstw S.A.	Legnica	agency services in finance and leasing of premises, organisation of exhibitions	100.0	29.41 %	—
5. "BOART-LENA" Spółka z o.o.	Wilków	manufacturing of machines	6,667.5	49.08 %	—
6. "DANIPOL" Spółka z o.o.	Polkowice	production of clothes	1,699.5	49.02 %	—
7. Naturopak Sp. z o.o.	Wilków	production of packaging materials	298.4	27.50 %	—
8. Rudolf Wolf & Co.	Warszawa	brokerage	247.5	50.0 %	—
<b>LEVEL 3 ASSOCIATES</b>					
1. METRACO-HURT Sp. z o.o.	Lubin	trade	176.9	38.69 %	—
2. Frank und Dvorak Sp. komandytowa	Pottsching	trade, production	278.8	30.00 %	—

\* the amounts in the "book value of shares" column are the result of subtracting amounts under "share capital not paid" from the nominal value of shares.

\*\* see point 9.5.9



The KGHM Polska Miedź S.A. Capital Group holds shares in several entities which are not consolidated as they do not meet the requirements of article 3 point 4 passage 1 of the Accounting Law. Cuprum – Bank SA and "TUWCUPRUM" were not consolidated, as the figures disclosed in the financial statements of these companies are not material when compared to the holding entity's financial statements.

**The following entities were not consolidated in 1995:**

No	Name of owner of shares	Name and site of entity	Area of business	*Title of exemption from consolidation	Book value of shares in TPLN	Percentage in votes	Value of net income in TPLN	Net financial result in TPLN
1.	KGHM Polska Miedź S.A.	Z.P. Krapkowice S.A. Krapkowice	production of toilet paper and bags	article 3 point 1 passage 4 of the law	1,792.8	9.6%	65,916.6	14,100.2
		"Telewizja Regionalna Województwa Legnickiego S-ka z o.o." Legnica	regional programmes broadcast preparation	article 3 point 1 passage 4 of the law	20.0	6.0	92.5	(456.1)
		Półkomtel S.A. Warszawa	telecommunication services	article 3 point 1 passage 4 of the law	192.5	19.25%	non existent in 1995	
2.	PRG LUBIN Sp. z o.o.	Sudecko-Pomorskie Towarzystwo Drogowe S.A. w Jeleniej Górze	construction of roads	article 3 point 1 passage 4 of the law	40.0	6.56%	640.7	6.4
3.	ZM "Legmet" Spółka. z o.o.	Huta Stalowa Wola S.A. Stalowa Wola	manufacture of metal products	article 3 point 1 passage 4 of the law	7.4	0.006%	619,741.5	98,761.0
4.	FPN "Elpena" Spółka. z o.o.	"ZATRA" Skierniewice	production of radio transformers	article 3 point 1 passage 4 of the law	52.8	5.29%	9,625.1	6,476.3
5.	"BGH-RM" Sp. z o.o.	Lubińskie Parkingi Miejskie S.A.	parking services	article 3 point 1 passage 4 of the law	15.0	15%	93.8	5.8
		Konsorcjum Współpracy z Rosją-Polski Biznes S.A. Olsztyn	promotion of Polish economy	article 3 point 1 passage 4 of the law	5.0	5%	n.a.	n.a.
		POL-INWEST S.A.- Zielona Góra		article 3 point 1 passage 4 of the law	20.0	0.10%	47.0	1.7
6.	KGHM Polish Copper Ltd.	"Metelko" sp. z o.o. Moskwa	trade	informal participation	2.6	10.0%	394.4	88.7
	PHM "METRACO"	"Metelko" sp. z o.o. Moskwa	trade	informal participation	10.6	40%	394.4	88.7
7.	"PeBeKa" Sp. z o.o.	Lubińskie Parkingi Miejskie S.A.	parking services	article 3 point 1 passage 4 of the law	20.0	20%	93.8	5.8
8.	KGHM Polska Miedź S.A. FPN "Elpena" Spółka z o.o. PRG LUBIN Spółka z o.o. "BGH-RM" Sp. z o.o. "PeBeKa" Spółka z o.o. Zanam Spółka z o.o. INTERFERIE Spółka z ograniczoną odpowiedzialnością PHP "MERCUS" – Spółka z o.o. Cuprum – Bank S A	"TUW CUPRUM/** Lubin	property insurance	article 3 point 1 passage 4 of the law	10.0	25%	11.0	(17.2)

\*In the fifth column the title of exemption are made with reference to the Accounting Law

\*\*see point 9.5.9.

The following entities were not consolidated in 1996:

No	Name of owner of shares	Name and site of entity	Area of business	*Title of exemption from consolidation	Own capital in TPLN	Book value of shares in TPLN	Percentage in %	Value of net income in TPLN	Net financial result in TPLN
1.	KGHM Polska Miedź S.A.	"TUW-CUPRUM" Lubin	property insurance	article 56 point 2 passage 2 of the law	6,879.0	1,900.0	93.14%	7,603.8	2,390.0
		Polkomtel S.A. Warszawa	telecommunication services	article 3 point 1 passage 4 of the law	432,131.0	102,217.5	19.25%	\$4,394.0	(98,869.0)
		Polskie Towarzystwo Reasekuracyjne S.A. Warszawa	reinsurance	article 3 point 1 passage 4 of the law	66,450.0	12,500.0	19.88%	4,391.0	1,640.0
		ZP Krapkowice S.A. Krapkowice	production of toilet paper and bags	article 3 point 1 passage 4 of the law	83,711.0	1,789.2	9.83%	133,129.0	7,326.0
		"Huta Szczecin" S.A. Szczecin	production of steel	article 3 point 1 passage 4 of the law	17,853.0	3.4	0.06%	68,539.0	(2,988.0)
		"Energomontaż-Zachód" S.A. Wrocław	building and installation services	article 3 point 1 passage 4 of the law	15,027.0	1.5	0.03%	22,899.0	(6,044.4)
		Huta "Ostrowiec" S.A. Ostrowiec	production of steel	article 3 point 1 passage 4 of the law	277,482.0	7.9	0.012%	601,899.0	(36,296.0)
		"DIORA"-Spółka Akcyjna Dzierżoniów	radio receivers	article 3 point 1 passage 4 of the law	29,256.0	0.2	0.000004%	29,786.0	(7,041.0)
2.	DSI S.A.	"Telewizja Regionalna Województwa Legnickiego S-ka z o.o." Legnica	regional programmes broadcast preparation	article 3 point 1 passage 4 of the law	brak danych	20.4	0.73%	n.a.	n.a.
		"BGH-RM" Spółka z o.o. Lubin	building and renovation services, leasing of machines	article 3 point 1 passage 4 of the law	10,894.7	1,690.0	19.99%	9,451.0	794.6
3.	"INTERFERIE" Spółka z ograniczoną odpowiedzialnością	"TUW-CUPRUM" Lubin	property insurance	article 3 point 1 passage 4 of the law	6,879.0	10.0	0.49%	7,603.8	2,390.0
4.	CBPM "CUPRUM" Spółka z o.o.	Cuprum Busines Center Sp. z o.o. Wrocław	manufacture of industrial products	article 3 point 1 passage 4 of the law	741.0	40.0	19%	3,253.0	282.0
5.	PRG LUBIN Spółka z o.o.	Sudecko-Pomorskie Towarzystwo Drogowe S.A. w Jeleniej Górze	construction of roads	article 3 point 1 passage 4 of the law	429.6	40.0	6.56%	1,042.7	(180.1)
		"TUW CUPRUM" Lubin	property insurance	article 3 point 1 passage 4 of the law	6,879.0	12.5	0.61%	7,603.8	2,390.0
6.	ZM "Legmet" Spółka z o.o.	Huta Stalowa Wola S.A. Stalowa Wola	manufacture of metal products	article 3 point 1 passage 4 of the law	494,346.2	9.3	0.005%	215,063.7	30,577.0
		Huta Stalowa Wola-Zakład Hutniczy Sp. z o.o.	manufacture of metal products	article 3 point 1 passage 4 of the law	100,729.2	9.2	0.009%	313,850.7	(3,671.8)
		Mechanische Werke "Legmet-Vetrib" GmbH Berlin	trade	article 3 point 1 passage 4 of the law	172.3	25.9	18.52%	2,286.6	21.9
		"LEG-GAZ" Sp. z o.o. Legnica	production and distribution of technical gasses	article 3 point 1 passage 4 of the law	76.9	13.3	18.89%	1,715.3	0.9
7.	"PeBeKa" Sp. z o.o.	"TUW CUPRUM" Lubin	property insurance	article 3 point 1 passage 4 of the law	6,879.0	20.0	0.98	7,603.8	2,390.0
		Lubińskie Parkingi Miejskie S.A.	parking services	article 3 point 1 passage 4 of the law	82.8	10.0	25	11.0	(17.2)
8.	FPN "Elpena" Spółka z o.o.	"TUW CUPRUM" Lubin	property insurance	article 3 point 1 passage 4 of the law	6,879.0	20.0	0.98	7,603.8	2,390.0
		ZATRA	production of machinery	article 3 point 1 passage 4 of the law	2,051.5	52.9	5.29	8,802.9	(683.7)
		Huta Ostrowiec S.A.	production of steel	article 3 point 1 passage 4 of the law	277,482.0	10.7	0.016	601,899.0	(36,296.0)
		Biazet S.A.	production of TV receivers	article 3 point 1 passage 4 of the law	2,219.8	1.0	0.03	11,226.4	16,564.3
9.	Zanam Spółka z o.o.	"TUW CUPRUM" Lubin	property insurance	article 3 point 1 passage 4 of the law	6,879.0	5.0	0.25%	7,603.8	2,390.0

\*In the fifth column the title of exemption law refers to the Accounting Law

\*\*see point 9.5.9.

#### **8.4. Consolidation methods**

##### **Subsidiaries have been fully consolidated**

The balance sheets of subsidiaries and holding entities are fully consolidated by aggregating items in the balance sheet, regardless of the percentage ownership of the subsidiaries.

The subsidiary profit and loss accounts are fully consolidated by aggregating all income and costs. The profit and loss account items of subsidiaries are aggregated in full, regardless of the percentage ownership of the subsidiaries.

The profits or losses after tax resulting from these aggregations are adjusted by the profits or losses of minority shareholders.

After the aggregation of balance sheet and profit and loss account items, adjustments and eliminations are performed in accordance with articles 58, paragraphs 2 and 3 of the Accounting Law dated 29 September 1994 and Sections 11-14 of the Directive of the Minister of Finance dated 14 June 1995 on the detailed principles for the preparation of consolidated financial statements by entities other than banks (Dz. U. No. 71, entry 355).

##### **Elimination on consolidation**

All material items in the following categories have been excluded from the consolidated financial statements:

- intercompany debtors and creditors between fully consolidated entities;
- income and costs relating to transactions between fully consolidated entities;
- unrealised profits or losses from the point of view of the Capital Group, which are included in consolidated assets, and equity and liability and which result from transactions between fully consolidated entities,
- dividends paid by subsidiaries to the holding entity.

##### **Associates have been accounted for using the equity method**

The participation of the holding entities in the equity of the associates shown in the consolidated balance sheets has been adjusted for increases or decreases of equity in favour of the holding entities which occurred during the year under consolidation, and has been reduced by the dividends due.

The consolidated profit and loss accounts disclose as a separate item the cumulative net results of associates in proportion to the percentage ownership of the holding entities in the associates.

##### **Goodwill, capital reserve arising on consolidation, and revaluation reserve capital**

In valuing shares in subsidiaries purchased before 1 January 1995, holding entities have benefited from a simplification given in the Directive of the Minister of Finance dated 14 June 1995 on the detailed principles for the preparation of consolidated financial statements by entities other than banks. This simplification allows such entities not to calculate consolidated goodwill or capital reserve arising on consolidation, but to establish revaluation reserve capital instead.

For the remaining subsidiaries and associates, goodwill or reserve capital arising on consolidation have been established, which constitute the difference between the purchase cost of the shares and the relevant proportion of assets stated at fair value as at the date of purchase. Goodwill or capital reserve arising on consolidation is amortised over a period not exceeding 5 years, beginning in the month after which the company in question was purchased.

##### **Equity**

The Capital Group's equity comprises the equity of the consolidated entities in accordance with the ruling law and the companies' statutes or articles of association. Undistributed profits or losses of prior years are also included in equity.

The share capital of the Capital Group comprises the share capital of the holding entity, shown at nominal value, in the Statute of the holding entity and in the commercial register.

The equity, in addition to the share capital of the holding entity, comprises the following groups:

- reserve capital;
- capital revaluation reserve;
- fixed assets revaluation reserve capital;
- other reserve capital;
- foreign exchange differences arising on consolidation;
- profit/(loss) for prior years; and
- profit for the year.

Minority interest has been accounted for as the sum of the proportions of share capital of fully consolidated subsidiaries which is not held by members of the Capital Group.

Minority shareholders' profit is calculated as the proportion of net profit of subsidiaries which belongs to minority shareholders other than members of the Capital Group.

Entities, in which the shareholding was less than 20 per cent. of the share capital, were not consolidated in the years 1995 and 1996. Entities were also not consolidated when the balances in the financial statements of an entity were insignificant when compared to the financial statements of the holding entity.

9. Consolidated financial statements of the KGHM Polska Miedź Capital Group

9.1. Consolidated balance sheet as at 31st December, 1995 and 1996

		As at 31st December	
	Note	1995	1996
		PLN'000	PLN'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets . . . . .	1)	11,094.7	14,636.8
Goodwill arising on consolidation . . . . .	2)	980.2	2,395.3
Tangible fixed assets . . . . .	3)	2,344,805.7	2,648,389.4
Long-term investments . . . . .	4)	118,260.1	253,899.6
Long-term debtors. . . . .	5)	10,604.6	17,892.4
<b>Total fixed assets . . . . .</b>		<b>2,485,745.3</b>	<b>2,937,213.5</b>
<b>Current assets</b>			
Stocks . . . . .	6)	594,782.1	763,070.1
Debtors . . . . .	7)	404,549.1	388,609.9
Short-term investments . . . . .	8)	294,486.9	235,926.2
Cash at bank and in hand . . . . .	9)	267,142.7	182,559.7
<b>Total current assets . . . . .</b>		<b>1,560,960.8</b>	<b>1,570,165.9</b>
<b>Prepayments . . . . .</b>	10)	<b>5,652.4</b>	<b>8,968.7</b>
<b>TOTAL ASSETS . . . . .</b>		<b>4,052,358.5</b>	<b>4,516,348.1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital . . . . .	11)	530,000.0	530,000.0
Called up share capital not paid . . . . .		—	—
Reserve capital . . . . .	12)	1,688,146.1	2,141,126.6
Capital revaluation reserve. . . . .		27,894.6	29,799.2
Fixed asset revaluation reserve capital . . . . .	13)	853,164.4	814,137.2
Other reserve capital . . . . .	14)	37,739.2	34,184.8
Foreign exchange differences arising on consolidation . . . . .		343.9	5,389.8
Profit/(loss) for prior years. . . . .		—	1,024.6
Profit for the year . . . . .		513,674.9	148,859.7
<b>Total equity . . . . .</b>		<b>3,650,963.1</b>	<b>3,704,521.9</b>
<b>Capital reserve arising on consolidation . . . . .</b>		<b>40,625.3</b>	<b>31,188.7</b>
<b>Minority interest . . . . .</b>		<b>405.4</b>	<b>2,298.3</b>
<b>Provisions for liabilities and charges . . . . .</b>	15)	<b>6,705.0</b>	<b>277,441.0</b>
<b>Creditors</b>			
Amounts falling due after more than one year . . . . .	16)	11,420.3	12,355.9
Amounts falling due within one year. . . . .	17)	316,444.6	455,768.1
<b>Total creditors . . . . .</b>		<b>327,864.9</b>	<b>468,124.0</b>
<b>Accruals and deferred income . . . . .</b>	18)	<b>25,794.8</b>	<b>32,774.2</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b>4,052,358.5</b>	<b>4,516,348.1</b>



## 9.2. Consolidated profit and loss accounts

		For the 12 months ended 31st December	
	Note	1995 PLN'000	1996 PLN'000
Revenue from sales of goods and products . . . . .	19	3,704,074.4	3,527,179.4
Revenue from sales of goods and materials . . . . .		170,644.4	165,830.0
Revenue from sales of products . . . . .		3,533,430.0	3,361,349.4
Cost of sales of goods and products . . . . .	20	(2,279,153.5)	(2,661,373.2)
Cost of goods and materials sold . . . . .		(140,293.0)	(142,144.9)
Cost of manufacturing products sold . . . . .		(2,138,860.5)	(2,519,228.3)
<b>Gross profit . . . . .</b>		<b>1,424,920.9</b>	<b>865,806.2</b>
Selling costs . . . . .		(53,660.2)	(55,879.0)
General administration costs . . . . .		(334,588.9)	(363,894.0)
Other operating income . . . . .	21	10,215.1	20,766.1
Other operating costs . . . . .	22	(248,205.5)	(79,497.4)
<b>Profit on operations . . . . .</b>		<b>798,681.4</b>	<b>387,301.9</b>
Income from shares in entities, of which: . . . . .		781.4	169.5
Subsidiaries. . . . .		—	—
Associates . . . . .		770.1	120.6
Income from other long-term investments, of which: . . . . .		1,124.1	—
Subsidiaries. . . . .		2.7	—
Associates . . . . .		1,121.4	—
Other financial income . . . . .	23	631,697.1	696,810.3
Other financial costs. . . . .	24	(561,064.9)	(619,270.5)
<b>Profit before extraordinary events and tax . . . . .</b>		<b>871,219.1</b>	<b>465,011.2</b>
Results of extraordinary events: . . . . .		(1,334.6)	(9,177.9)
Extraordinary gains . . . . .	25	186.5	294.4
Extraordinary losses. . . . .	26	(1,521.1)	(9,472.3)
Consolidation goodwill write-off. . . . .		(245.0)	(340.8)
Consolidation capital reserve write-off . . . . .		6,718.6	9,541.4
<b>Profit before tax . . . . .</b>		<b>876,358.1</b>	<b>465,033.9</b>
Corporate income tax and similar items, of which: . . . . .	27	(372,221.7)	(328,937.9)
Corporate income tax . . . . .		(355,890.3)	(291,699.9)
Other obligatory reductions of profit. . . . .		(16,331.4)	(37,238.0)
<b>Profit on shares in associates. . . . .</b>		<b>10,270.1</b>	<b>10,923.3</b>
<b>Minority interest share in profit/(loss) . . . . .</b>		<b>(732.7)</b>	<b>1,840.4</b>
<b>Profit of the Capital Group . . . . .</b>		<b>513,673.8</b>	<b>148,859.7</b>
Redenomination of the zloty . . . . .		1.1	—
<b>Net profit of the Capital Group . . . . .</b>		<b>513,674.9</b>	<b>148,859.7</b>
<b>Net profit of the Capital Group per share (in PLN) . . . . .</b>		<b>96.91</b>	<b>28.09</b>
<b>Net profit per share (in PLN) after the increase in share capital as a result of a general shareholders' meeting resolution dated 30th April 1997 (see note 11) . . . . .</b>		<b>2.57</b>	<b>0.74</b>

### 9.3. Consolidated cash flow statements

For the 12 months ended  
31st December

Item	1995 PLN'000	1996 PLN'000
<b>Cash flow from operations:</b>	<b>513,673.8</b>	<b>148,859.7</b>
<b>Net profit.</b>		
<b>Adjustments for items not involving the movement of liquid funds</b>		
Minority shareholders profit/(loss)	732.8	(2,175.6)
Profit/(loss) from shares in associates	(10,270.1)	(10,947.6)
Depreciation	316,595.2	132,399.8
Unrealised foreign exchange gains/losses	335.2	7,862.0
Interest and dividends received and paid	(4,913.5)	(49,632.3)
Provision for debtors	7,520.8	22,868.9
Other provisions	880.3	197,957.3
Corporate income tax charge	355,872.5	289,748.0
Corporate income tax paid	(420,851.1)	(178,477.3)
Profit/(loss) on disposals of investments and capital items	44,412.7	(5,518.4)
Change in stock	(223,575.6)	(160,082.7)
Change in debtors	(50,465.3)	(29,962.3)
Change in short-term creditors (except loans and credits) and special funds	125,188.0	(38,674.2)
Change in prepayments	(1,960.8)	(3,143.7)
Change in and accruals and deferred income	6,883.5	13,230.1
Other items	(32,409.1)	34,930.6
<b>Total adjustments</b>	<b>113,975.5</b>	<b>220,382.6</b>
<b>Net cash inflow from operations</b>	<b>627,650.4</b>	<b>369,242.3</b>
<b>Cash flow from investing activities</b>		
(Purchase)/sale of intangible fixed assets	(2,687.2)	(6,129.7)
(Purchase)/sale of tangible fixed assets	(321,599.0)	(455,648.1)
(Purchase)/sale of shares in subsidiaries and other securities issued by these entities	(30,020.3)	(7,131.3)
(Purchase)/sale of shares in associated entities and other securities issued by these entities	(945.1)	(5,710.9)
(Purchase)/sale of other long-term investments	768.2	(114,636.8)
(Purchase)/sale of other shares and securities, including short-term investments	(275,730.0)	60,455.8
Loans received/(repaid)	958.1	549.9
Dividends paid to minority shareholders	—	—
Dividends received/(paid)	798.0	169.4
Interest received/(paid)	1,277.3	49,571.5
Other items	(1,539.6)	(24,751.1)
<b>Net cash outflow from investing activities</b>	<b>(628,719.6)</b>	<b>(503,261.3)</b>
<b>Cash flow from financing activities</b>		
Proceeds/(repayment) of long-term bank loans	419.7	3,897.2
Proceeds/(repayment) of long-term loans	9,544.9	(5,694.0)
Issue/(purchase) of long-term debentures and other securities	—	—
Proceeds/(repayment) of short-term bank loans	(1,499.4)	193,029.3
Proceeds/(repayment) of short-term loans	(14,825.6)	(3,035.2)
Issue/(purchase) of short-term debentures and other securities	—	—
Dividends and other payments to shareholders	—	(37,231.6)
Leasing and hire purchase repayments	—	—
Income from shares issued and from additional payments to capital	1,444.8	—
Interest paid	946.6	(108.7)
Other items:	(53,816.5)	(101,421.0)
- Bonuses from profit paid to the employees	(68,171.1)	(90,503.8)
- Holiday benefits	—	(18,397.6)
- Consolidation adjustment	—	16,185.2
Other	4,354.6	(8,704.8)
<b>Net inflow/(outflow) on financing activities</b>	<b>(57,785.5)</b>	<b>49,436.0</b>
<b>Change in cash and cash equivalents</b>	<b>(58,854.7)</b>	<b>(84,583.0)</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>325,997.4</b>	<b>267,142.7</b>
<b>Cash and cash equivalents – end of period</b>	<b>267,142.7</b>	<b>182,559.7</b>

#### 9.4. Notes to the consolidated financial statements.

##### Notes to the consolidated balance sheet

##### Note 1 – Intangible fixed assets

As at 31st December

##### 1.1. Intangible assets by group

	1995	1996
	PLN'000	PLN'000
Organisation costs incurred when founding or expanding a joint stock company .	34.1	276.4
Research and development costs . . . . .	332.5	429.8
Goodwill . . . . .	—	—
Concessions, patents, licences and similar . . . . .	1,795.8	3,825.4
Software . . . . .	2,890.9	4,261.9
Perpetual usufruct of land . . . . .	3,646.9	3,928.4
Other intangible assets. . . . .	2,394.5	1,914.9
Payments on account of intangible assets. . . . .	—	—
	<b>11,094.7</b>	<b>14,636.8</b>

Movements in intangible fixed assets for the 12 months ended 31st December 1995 (PLN'000)

	Total	Organisation costs	Research and development costs	Concessions, patents, licences	Software	Perpetual usufruct of land	Other
<b>1 Gross book value – beginning of period . . . . .</b>	<b>13,322.6</b>	<b>—</b>	<b>68.2</b>	<b>2,329.4</b>	<b>3,349.8</b>	<b>3,706.8</b>	<b>3,868.4</b>
<b>2 Additions . . . . .</b>	<b>2,958.7</b>	<b>37.8</b>	<b>294.3</b>	<b>488.5</b>	<b>1,961.9</b>	<b>157.1</b>	<b>19.1</b>
2.1 Purchases . . . . .	326.8	—	—	32.4	200.0	94.4	—
2.2 Completion of capital development . . . . .	2,359.3	37.8	62.7	456.1	1,757.6	26.0	19.1
2.3 Gifts received . . . . .	1.9	—	—	—	1.9	—	—
2.4 Contributions in-kind . . . . .	36.7	—	—	—	—	36.7	—
2.5 Other . . . . .	234.0	—	231.6	—	2.4	—	—
<b>3 Disposals . . . . .</b>	<b>748.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>708.6</b>	<b>38.4</b>	<b>1.0</b>
3.1 Sale . . . . .	30.0	—	—	—	—	30.0	—
3.2 Contributions in-kind . . . . .	8.4	—	—	—	—	8.4	—
3.3 Scrapped . . . . .	81.7	—	—	—	81.7	—	—
3.4 Profit consolidated adjustment . . . . .	32.3	—	—	—	32.3	—	—
3.5 Other . . . . .	595.6	—	—	—	594.6	—	1.0
<b>4 Gross book value – end of period . . . . .</b>	<b>15,533.3</b>	<b>37.8</b>	<b>362.5</b>	<b>2,817.9</b>	<b>4,603.1</b>	<b>3,825.5</b>	<b>3,886.5</b>
<b>5 Accumulated amortisation – beginning of period . . . . .</b>	<b>2,444.4</b>	<b>—</b>	<b>—</b>	<b>461.0</b>	<b>876.7</b>	<b>57.2</b>	<b>1,049.5</b>
<b>6 Amortisation changes during the period . . . . .</b>	<b>1,994.2</b>	<b>3.7</b>	<b>30.0</b>	<b>561.1</b>	<b>835.5</b>	<b>121.4</b>	<b>442.5</b>
<b>6.1 Additions . . . . .</b>	<b>2,671.6</b>	<b>3.7</b>	<b>30.0</b>	<b>561.1</b>	<b>1,510.9</b>	<b>122.4</b>	<b>443.5</b>
Ongoing amortisation for the year . . . . .	2,118.4	3.7	30.0	427.2	1,091.6	122.4	443.5
Amortisation re investment relief . . . . .	550.8	—	—	133.9	416.9	—	—
Other . . . . .	2.4	—	—	—	2.4	—	—
<b>6.2 Disposals . . . . .</b>	<b>677.4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>675.4</b>	<b>1.0</b>	<b>1.0</b>
Sale . . . . .	1.0	—	—	—	—	—	1.0
Written-off as fully amortised . . . . .	274.7	—	—	—	273.7	1.0	—
Scrapped . . . . .	401.7	—	—	—	401.7	—	—
<b>7 Accumulated amortisation – end of period . . . . .</b>	<b>4,438.6</b>	<b>3.7</b>	<b>30.0</b>	<b>1,022.1</b>	<b>1,712.2</b>	<b>178.6</b>	<b>1,492.0</b>
<b>8 Net book value – end of period . . . . .</b>	<b>11,094.7</b>	<b>34.1</b>	<b>332.5</b>	<b>1,795.8</b>	<b>2,890.9</b>	<b>3,646.9</b>	<b>2,394.5</b>

<i>Movements in intangible fixed assets for the 12 months ended 31 December 1996 (PLN'000)</i>		<i>Total</i>	<i>Organisation costs</i>	<i>Research and development costs</i>	<i>Concessions, patents, licences</i>	<i>Software</i>	<i>Perpetual usufruct of land</i>	<i>Other</i>
<b>1</b>	<b>Gross book value – beginning of period . . . . .</b>	<b>15,533.3</b>	<b>37.8</b>	<b>362.5</b>	<b>2,817.9</b>	<b>4,603.1</b>	<b>3,825.5</b>	<b>3,886.5</b>
<b>2</b>	<b>Additions . . . . .</b>	<b>7,599.8</b>	<b>263.9</b>	<b>234.0</b>	<b>2,491.1</b>	<b>3,240.3</b>	<b>689.7</b>	<b>680.8</b>
2.1	Purchases . . . . .	539.5	169.1	61.9	24.2	271.8	12.5	—
2.2	Completion of capital development . . . . .	5,674.2	94.8	134.7	2,462.2	2,922.0	54.8	5.7
2.3	Gifts received . . . . .	3.6	—	—	—	3.6	—	—
2.4	Contributions in kind . . . . .	640.6	—	—	1.2	27.5	611.9	—
2.5	“Regrossing” . . . . .	667.1	—	—	3.5	—	—	663.6
2.6	Other . . . . .	74.8	—	37.4	—	15.4	10.5	11.5
<b>3</b>	<b>Disposals . . . . .</b>	<b>922.4</b>	<b>—</b>	<b>3.4</b>	<b>259.6</b>	<b>367.7</b>	<b>257.5</b>	<b>34.2</b>
3.1	Sale . . . . .	355.0	—	—	19.7	94.5	240.8	—
3.2	Contributions in kind . . . . .	40.7	—	—	1.2	31.9	7.6	—
3.3	Scrapped . . . . .	340.8	—	—	106.9	201.1	5.4	27.4
3.4	Profit consolidated adjustment . . . . .	20.9	—	3.4	—	17.5	—	—
3.5	Other . . . . .	165.0	—	—	131.8	22.7	3.7	6.8
<b>4</b>	<b>Gross book value – end of period . . . . .</b>	<b>22,210.7</b>	<b>301.7</b>	<b>593.1</b>	<b>5,049.4</b>	<b>7,475.7</b>	<b>4,257.7</b>	<b>4,533.1</b>
<b>5</b>	<b>Accumulated amortisation – beginning of period . . . . .</b>	<b>4,438.6</b>	<b>3.7</b>	<b>30.0</b>	<b>1,022.1</b>	<b>1,712.2</b>	<b>178.6</b>	<b>1,492.0</b>
<b>6</b>	<b>Amortisation changes during the period . . . . .</b>	<b>3,135.3</b>	<b>21.6</b>	<b>133.3</b>	<b>201.9</b>	<b>1,501.6</b>	<b>150.7</b>	<b>1,126.2</b>
6.1	Additions . . . . .	3,978.4	21.6	133.3	581.1	1,917.7	164.6	1,160.1
	Ongoing amortisation for the period . . . . .	3,181.1	21.6	128.6	545.2	1,848.1	163.8	473.8
	Amortisation relating to investment relief . . . . .	61.7	—	—	32.2	29.5	—	—
	“Regrossing” . . . . .	680.6	—	—	3.7	(0.3)	—	677.2
	Other . . . . .	55.0	—	4.7	—	40.4	0.8	9.1
6.2	Disposals . . . . .	843.1	—	—	379.2	416.1	13.9	33.9
	Sales . . . . .	67.2	—	—	—	54.3	12.9	—
	Scrapped or written-off as fully amortised . . . . .	340.7	—	—	106.9	201.1	5.3	27.4
	Investment relief adjustment . . . . .	288.5	—	—	179.7	108.8	—	—
	Other . . . . .	146.7	—	—	92.6	51.9	(4.3)	6.5
<b>7</b>	<b>Accumulated amortisation – end of period . . . . .</b>	<b>7,573.9</b>	<b>25.3</b>	<b>163.3</b>	<b>1,224.0</b>	<b>3,213.8</b>	<b>329.3</b>	<b>2,618.2</b>
<b>8</b>	<b>Net book value – end of period . . . . .</b>	<b>14,636.8</b>	<b>276.4</b>	<b>429.8</b>	<b>3,825.4</b>	<b>4,261.9</b>	<b>3,928.4</b>	<b>1,914.9</b>

## Note 2 – Goodwill arising on consolidation

		<i>As at 31st December,</i>	
		<i>1995</i>	<i>1996</i>
		<i>PLN'000</i>	<i>PLN'000</i>
Goodwill arising on consolidation – subsidiaries . . . . .		—	1,654.4
Goodwill arising on consolidation – associates . . . . .		980.2	740.9
		<b>980.2</b>	<b>2,395.3</b>

## Note 3 – Tangible fixed assets

### 3.1. Tangible fixed assets by group

		<i>As at 31st December,</i>	
		<i>1995</i>	<i>1996</i>
		<i>PLN'000</i>	<i>PLN'000</i>
Tangible assets			
Land . . . . .		2,741.0	2,922.1
Buildings . . . . .		1,614,637.5	1,687,873.5
Plant and machinery . . . . .		500,368.4	731,967.2
Vehicles . . . . .		28,767.1	46,534.2
Other . . . . .		13,417.2	31,918.4
		<b>2,159,931.2</b>	<b>2,501,215.4</b>

### 3.2. Assets under construction and payments on account

	As at 31st December	
	1995	1996
	PLN'000	PLN'000
Assets under construction . . . . .	180,758.9	142,976.0
Payments on account . . . . .	4,115.6	4,198.0
	<b>184,874.5</b>	<b>147,174.0</b>
<b>Total tangible fixed assets . . . . .</b>	<b>2,344,805.7</b>	<b>2,648,389.4</b>

### 3.3. Fixed assets by class of ownership

	As at 31st December	
	1995	1996
	PLN'000	PLN'000
Owned by the Capital Group . . . . .	2,159,066.0	2,501,215.4
Used on the basis of a leasing contract or similar arrangements and included in the assets of the Capital Group . . . . .	865.2	—
Off-balance sheet assets used on the basis of a leasing contract or similar arrangements and included in the assets of the lessee . . . . .	—	—
	<b>2,159,931.2</b>	<b>2,501,215.4</b>

Movements in tangible fixed assets for the 12 months ended 31st December 1995 PLN'000

	Total	Own land	Buildings	Plant and machinery	Vehicles	Other
<b>1 Gross book value – beginning of period . . . . .</b>	<b>2,415,022.1</b>	<b>2,160.2</b>	<b>1,677,026.6</b>	<b>640,431.2</b>	<b>44,711.0</b>	<b>50,693.1</b>
<b>2 Additions . . . . .</b>	<b>331,341.5</b>	<b>629.2</b>	<b>97,917.0</b>	<b>192,977.8</b>	<b>15,399.9</b>	<b>24,417.6</b>
2.1 Purchases . . . . .	5,188.9	6.5	674.8	3,362.1	275.6	869.9
2.2 Completion of capital development . . . . .	312,906.7	614.1	91,898.5	184,186.1	14,209.2	21,998.8
2.3 Contributions in-kind . . . . .	3,965.0	8.6	3,806.5	17.0	125.6	7.3
2.4 Gifts received . . . . .	4,354.8	—	3,024.6	627.3	702.5	0.4
2.5 Other . . . . .	4,926.1	—	(1,487.4)	4,785.3	87.0	1,541.2
<b>3 Disposals . . . . .</b>	<b>60,873.6</b>	<b>48.4</b>	<b>48,493.5</b>	<b>5,645.5</b>	<b>1,316.8</b>	<b>5,369.4</b>
3.1 Assets scrapped . . . . .	8,186.2	—	3,615.1	2,077.3	40.3	2,453.5
3.2 Sale . . . . .	1,629.8	—	570.6	582.9	340.4	135.9
3.3 Contributions in-kind . . . . .	6,203.3	35.4	5,952.9	19.3	186.9	8.8
3.4 Donations . . . . .	39,319.9	13.0	38,353.4	154.3	727.9	71.3
3.5 Other . . . . .	5,534.4	—	1.5	2,811.7	21.3	2,699.9
<b>4 Gross book value – end of period . . . . .</b>	<b>2,685,490.0</b>	<b>2,741.0</b>	<b>1,726,450.1</b>	<b>827,763.5</b>	<b>58,794.1</b>	<b>69,741.3</b>
<b>5 Accumulated depreciation – beginning of period . . . . .</b>	<b>189,650.2</b>	<b>—</b>	<b>11,582.9</b>	<b>129,871.8</b>	<b>11,957.5</b>	<b>36,238.0</b>
<b>6 Depreciation changes during the period . . . . .</b>	<b>335,908.6</b>	<b>—</b>	<b>100,229.7</b>	<b>197,523.3</b>	<b>18,069.5</b>	<b>20,086.1</b>
<b>6.1 Additions . . . . .</b>	<b>344,277.3</b>	<b>—</b>	<b>101,600.9</b>	<b>198,957.1</b>	<b>18,421.3</b>	<b>25,298.0</b>
Depreciation for the year . . . . .	219,140.7	—	89,004.6	106,461.3	7,397.9	16,276.9
Depreciation re investment relief . . . . .	105,757.0	—	5,939.1	81,323.6	10,932.7	7,561.6
Depreciation re prior years . . . . .	15,145.9	—	6,651.1	8,470.5	—	24.3
Change of classification . . . . .	1,650.8	—	—	0.4	0.1	1,650.3
Transferred between groups . . . . .	2,570.3	—	0.6	2,701.3	83.9	(215.5)
Other . . . . .	12.6	—	5.5	—	6.7	0.4
<b>6.2 Disposals . . . . .</b>	<b>8,368.7</b>	<b>—</b>	<b>1,371.2</b>	<b>1,433.8</b>	<b>351.8</b>	<b>5,211.9</b>
Assets scrapped . . . . .	3,759.3	—	230.4	1,081.3	14.0	2,433.6
Sale . . . . .	722.5	—	77.1	319.0	226.3	100.1
Donations . . . . .	1,059.5	—	949.5	24.9	47.3	37.8
Transferred between groups . . . . .	2,570.3	—	56.1	0.9	—	2,513.3
Adjusted on change of classification . . . . .	24.7	—	—	—	—	24.7
Other . . . . .	232.4	—	58.1	7.7	64.2	102.4
<b>7 Accumulated depreciation – end of period . . . . .</b>	<b>525,558.8</b>	<b>—</b>	<b>111,812.6</b>	<b>327,395.1</b>	<b>30,027.0</b>	<b>56,324.1</b>
<b>8 Net book value – end of period . . . . .</b>	<b>2,159,931.2</b>	<b>2,741.0</b>	<b>1,614,637.5</b>	<b>500,368.4</b>	<b>28,767.1</b>	<b>13,417.2</b>



*Movements in tangible fixed assets for the  
12 months ended 31 December 1996*

	<i>Total</i>	<i>Own land</i>	<i>Buildings</i>	<i>Plant and machinery</i>	<i>Vehicles</i>	<i>Other</i>
<b>1 Gross book value – beginning of period . . . . .</b>	<b>2,685,490.0</b>	<b>2,741.0</b>	<b>1,726,450.1</b>	<b>827,763.5</b>	<b>58,794.1</b>	<b>69,741.3</b>
<b>2 Additions . . . . .</b>	<b>3,767,614.8</b>	<b>193.8</b>	<b>1,747,280.1</b>	<b>1,841,122.8</b>	<b>125,873.3</b>	<b>53,144.8</b>
2.1 Purchases . . . . .	14,288.7	—	2,020.5	8,786.8	1,544.9	1,936.5
2.2 Completion of capital development . . . . .	540,204.5	162.6	198,250.6	307,329.0	13,504.3	20,958.0
2.3 Contributions in kind . . . . .	95,285.3	—	60,073.8	25,017.4	498.2	9,695.9
2.4 Gifts received . . . . .	373.8	30.1	315.3	20.9	—	7.5
2.5 "Regrossing" . . . . .	3,108,517.7	—	1,480,965.8	1,497,457.2	110,025.7	20,069.0
2.6 Other . . . . .	8,944.8	1.1	5,654.1	2,511.5	300.2	477.9
<b>3 Disposals . . . . .</b>	<b>268,833.7</b>	<b>12.7</b>	<b>110,808.5</b>	<b>118,869.7</b>	<b>10,946.7</b>	<b>28,196.1</b>
3.1 Scrapping . . . . .	82,596.6	—	16,342.4	56,461.8	6,603.9	3,188.5
3.2 Sale . . . . .	24,814.5	7.8	10,485.4	8,738.6	3,054.5	2,528.2
3.3 Contributions in kind . . . . .	154,658.7	—	82,339.1	49,556.1	946.0	21,817.5
3.4 Donations . . . . .	1,704.1	4.9	1,117.8	389.3	158.1	34.0
3.5 Other . . . . .	5,059.8	—	523.8	3,723.9	184.2	627.9
<b>4 Gross book value – end of period . . . . .</b>	<b>6,184,271.1</b>	<b>2,922.1</b>	<b>3,362,921.7</b>	<b>2,550,016.6</b>	<b>173,720.7</b>	<b>94,690.0</b>
<b>5 Accumulated depreciation – beginning of period . . . . .</b>	<b>525,558.8</b>	<b>—</b>	<b>111,812.6</b>	<b>327,395.1</b>	<b>30,027.0</b>	<b>56,324.1</b>
<b>6 Net depreciation change during the period . . . . .</b>	<b>3,157,496.9</b>	<b>—</b>	<b>1,563,235.6</b>	<b>1,490,654.3</b>	<b>97,159.5</b>	<b>6,447.5</b>
<b>6.1 Additions . . . . .</b>	<b>3,514,617.1</b>	<b>—</b>	<b>1,674,826.9</b>	<b>1,682,712.8</b>	<b>120,501.8</b>	<b>36,575.6</b>
Depreciation for the year . . . . .	280,299.7	—	114,325.3	141,394.3	8,715.0	15,865.1
Depreciation re investment relief (193.1) . . . . .	—	—	—	(171.2)	—	(21.9)
Depreciation re prior years . . . . .	71,944.6	—	55,604.5	16,225.9	14.1	100.1
"Regrossing" . . . . .	3,161,052.2	—	1,504,541.0	1,524,515.5	111,680.3	20,315.4
Other . . . . .	1,513.7	—	356.1	748.3	92.4	316.9
<b>6.2 Disposals . . . . .</b>	<b>357,120.2</b>	<b>—</b>	<b>111,591.3</b>	<b>192,058.5</b>	<b>23,342.3</b>	<b>30,128.1</b>
Assets scrapped . . . . .	79,808.1	—	15,238.1	54,975.3	6,440.2	3,154.5
Sale . . . . .	9,096.3	—	1,991.4	5,044.1	1,410.8	650.0
Donations . . . . .	495.2	—	196.0	130.7	134.8	33.7
Transferred between groups . . . . .	74,962.4	—	25,741.8	30,890.2	558.3	17,772.1
Adjustment of depreciation relating to investment relief . . . . .	188,353.0	—	67,909.0	99,067.5	13,862.2	7,514.3
Other . . . . .	4,405.2	—	515.0	1,950.7	936.0	1,003.5
<b>7 Accumulated depreciation – end of period . . . . .</b>	<b>3,683,055.7</b>	<b>—</b>	<b>1,675,048.2</b>	<b>1,818,049.4</b>	<b>127,186.5</b>	<b>62,771.6</b>
<b>8 Net book value – end of period . . . . .</b>	<b>2,501,215.4</b>	<b>2,922.1</b>	<b>1,687,873.5</b>	<b>731,967.2</b>	<b>46,534.2</b>	<b>31,918.4</b>

**Note 4 – Long-term investments**

**4.1. Long-term investments by group**

	<i>As at 31st December</i>	
	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>
Shares, of which: . . . . .	113,510.8	244,945.3
in subsidiaries . . . . .	—	—
in associates . . . . .	109,440.8	124,506.7
Long-term loans granted, of which: . . . . .	4,553.3	4,003.4
to subsidiaries . . . . .	—	—
to associates . . . . .	—	—
Other long-term investments, of which: . . . . .	196.0	4,950.9
in subsidiaries . . . . .	—	—
in associates . . . . .	—	—
	<b>118,260.1</b>	<b>253,899.6</b>

## 4.2 Shares in associates and other entities

### 4.2.1. Shares in associates and other entities as at 31st December, 1995

#### 4.2.1.(a) Shares in associates and other entities

Name of entity and its legal form	Seat	Area of business	Book value of shares PLN '000	Share in capital, percentage of votes	Share capital PLN '000	Reserve capital PLN '000	Other reserves PLN '000	Total capital PLN '000	Net profit/loss in 1995 capital not paid PLN '000	Share PLN '000	Dividends received or due for the last year PLN '000
LEVEL I											
ASSOCIATED											
1. Frank und Dvorak Sp. komandytowa	Potsching (Austria)	trade, production	685.7	30%	929.5	—	—	1,070.5	141.0	—	16.7
LEVEL II											
ASSOCIATED											
1. PHP "MERCUS" Spółka z o.o.	Polkowice	trade	1,156.6	29.4%	3,927.7	4,728.8	1,490.2	12,548.3	2,424.0	—	494.1
2. Fabryka Kabli "ZALOM" Spółka Akcyjna	Szczecin	production of cables	7,982.7	25.79 %	57,496.9	12,518.7	35,633.7	111,699.0	6,049.7	—	—
3. "ANCOR" Sp. z o.o.	Głogów	manufacture of polymer concrete and anticorrosives	352.8	49%	720.0	1,055.8	144.6	2,129.0	208.6	—	41.2
4. "BOART-LENA" Spółka z o.o.	Wilków	production of machines	5,643.0	49.4%	11,495.0	—	1,477.0	12,066.9	761.9	—	—
5. "DANIPOL" Spółka z ograniczoną odpowiedzialnością	Polkowice	production of clothes	1,699.5	49.02%	3,467.0	278.0	958.8	4,947.9	244.1	—	52.3
6. Rudolf Wolf & Co.	Warszawa	brokerage	120.0	50%	240.0	—	—	103.0	(137.0)	—	—
LEVEL III											
ASSOCIATED											
1. Krakowska Fabryka Kabli spółka akcyjna	Kraków	production of cables	17,233.4	34.54%	77,525.3	20,547.9	45,695.0	65,179.4	21,411.2	—	—
2. Cuprum-Blank SA.	Lubin	banking services	5,234.0	26.17%	20,000.0	1,513.5	500.0	24,930.3	2,916.8	—	89.0
3. PRG LUBIN Spółka z o.o.	Lubin	underground mining work services	40.2	48.91%	82.2	162.2	1.7	424.8	178.7	—	—
4. "LEG-GAS" Sp. z o.o.	Legnica	production and distribution of technical gases	33.8	48%	70.4	—	—	75.9	5.5	—	—
5. Mechanische Werke "Legmet - Vertrieb" GmbH	Berlin	trade	69.1	49.38%	139.9	—	—	149.6	9.7	—	—
6. "PPCW" CELLINEN" Sp. z o.o.	Kadwanice	production of cellulose pulp	900.0	49.53%	1,817.0	993.0	457.0	2,195.2	(1,071.8)	—	—
Consolidation adjustment			68,290.0								
Total			109,440.8								

#### 4.2.1.(b) Shares in other entities

No.	Name of owner of shares	Name of entity	Seat	Percentage in votes	Book values of shares PLN'000
1.	KGHM Polska Miedź S.A.	ZP Krapkowice S.A.	Krapkowice	9.63%	1,789.2
		Polkomtel S.A.	Warszawa	19.25%	192.5
		"Telewizja Regionalna Województwa Legnickiego"	Legnica	6.0%	20.0
		S-ka. Z o.o.			
2.	PGR LUBIN Spółka z o.o.	Sudecko-Pomorskie Towarzystwo Drogowe S.A.	Jelenia Góra	6.56%	40.0
3.	ZM "Legment" Spółka z o.o.	Huta Stalowa Wola S.A.	Stalowa Wola	0.006%	7.4
4.	"PeBeKa" Spółka z o.o.	Lubińskie Parkingi Miejskie S.A.	Lubin	20%	20.0
5.	FPN "Elpena" Spółka z o.o.	ZATRA	Skierniewice	5.29%	52.9
6.	"BGH - RM" Spółka z o.o.	Lubińskie Parkingi Miejskie S.A.	Lubin	15.0%	15.0
		Konsorcjum Współpracy z Rosja - Polski Biznes S.A.	Olsztyn	5.0%	5.0
		POL-INWEST S.A.	-Zielona Góra	0.10%	20.0
7.	KGHM Polish Copper Ltd.	"Metelko" Sp. z o.o.	Moskwa	10.0%	2.7
8.	PHM KGHM "METRACO" Sp. z o.o.	"Metelko" Sp. z o.o.	Moskwa	40.0%	10.6
9.	KGHM Polska Miedź S.A.	Lubińskie Parkingi Miejskie S.A.	Lubin	25.0%	20.0
	FPN "Elpena" Spółka z o.o.				
	PRG LUBIN Spółka z o.o.				
	"BGH-RM" Sp. z o.o.	"TUW CUPRUM"*	Lubin	100%	1,874.7
	"PeBeKa" Spółka z o.o.				
	INTERFERIE Spółka z organiczną odpowiedzialnością				
	PHP "MERCUS" - Spółka z o.o.				
	Cuprum - Bank S.A.				
	ZM "LENA" Sp. z o.o.				
	KGHM Metale S.A.				
	DSI S.A.				
<b>Total</b>					<b>4,070.0</b>

\*See point 9.5.9.

## 4.2.2 Shares in associates and other entities as at 31st December, 1996

### 4.2.2.(a) Shares in associates

Name of entity and its legal form	Seat	Area of business	Book value of shares	Share in capital, percentage of votes	Share in capital			Total capital	Net profit (loss) in 1996	Dividends	
					Share capital	Reserve capital	Other reserves			Share capital received or due not paid for the last year	
			PLN '000		PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
<b>LEVEL 1</b>											
<b>ASSOCIATED</b>											
1. METRACO-HURT Sp. z o.o.	Lubin	trade	176.9	38.69%	457.2	—	—	617.0	149.7	—	—
2. Frank und Dvorak Sp. komandytowa	Pötsching (Austria)	trade, production	685.7	30.00%	5,000.0 TATS	—	—	3,145.1 TATS	(1,221.5) TATS	—	—
<b>LEVEL 2</b>											
<b>ASSOCIATED</b>											
1. PHP "MERCUS" Spółka z o.o.	Połkowice	trade	4,652.7	46.27%	5,157.8	9,402.9	1,460.0	17,965.4	1,944.6	—	—
2. Fabryka Kabli "ZALOM" Spółka Akcyjna	Szczecin	production of cables	8,142.3	25.79 %	57,496.9	18,621.7	35,580.4	125,721.3	14,022.3	—	—
3. "ANCOR" sp. z o.o.	Głogów	manufacture of polymer concrete products and anticorrosives	879.0	49%	786.0	1,181.8	143.2	2,039.9	(71.1)	—	—
4. LEGNICKIE CENTRUM PRZEDSI BIORCZOŚCI INKUBATOR PRZEDSI BIORSTW S.A.	Legnica	agency services in finance and leasing of premises, organisation of exhibitions	100.0	29.41%	340.0	—	—	287.2	(52.8)	—	—
5. "BOART-LENA" Spółka z o.o.	Wilków	production of machines	7,086.8	49.08%	13,585.0	4.4	1,472.6	15,281.2	1,124.3	—	—
6. "DANIPOL" Spółka z ograniczoną odpowiedzialnością	Połkowice	textile production	2,437.2	49.02%	3,467.0	439.7	967.8	5,170.2	295.8	—	—
7. NATUROPAC Sp. z o.o.	Wilków	production of packaging materials	304.7	27.50%	1,085.1	—	—	1,023.1	(62.0)	—	—
8. Rudolf Wolf & Co.	Warszawa	brokerage	24.4	50.00%	49.5	—	—	87.5	(270.5)	—	—
<b>LEVEL 3</b>											
<b>ASSOCIATED</b>											
1. Krakowska Fabryka Kabli spółka akcyjna	Kraków	manufacture of cables	17,233.6	34.54%	77,525.4	85,307.8	—	176,165.3	13,332.2	—	—
2. Cuprum Bank SA	Lubin	banking services	5,234.0	39.34%	20,000.0	3,668.3	1,300.0	30.3	5,367.7	—	—
3. "Blastexpol" sp. z o.o.	Lubin	production trade and services re explosives for mining	50.0	33.33%	150.0	—	—	105.5	(44.5)	—	—
Consolidation adjustment			77,499.4								
<b>Total</b>			<b>124,506.7</b>								

#### 4.2.2.(b) Shares in other entities

	Name of owner of shares	Name of entity	Seat	Percentage in votes	Book value of shares
					PLN '000
1.	KGHM Polska Miedź S.A.	Polskie Towarzystwo Reasekuracyjne S.A.	Warszawa	19.19%	12,500.0
		Polkomtel S.A.	Warszawa	19.25%	102,217.5
		ZP Krapkowice S.A.	Krapkowice	9.63%	1,789.2
		"Huta Szczecin" S.A.	Szczecin	0.0565%	3.4
		"Energomontaż-Zachód" S.A.	Wrocław	0.03%	1.5
		Huta "Ostrowiec" S.A.	Ostrowiec	0.012%	7.9
		"Diora" Spółka Akcyjna	Dzierżoniów	0.00009%	0.2
2.	DSI S.A.	"Telewizja Regionalna Województwa Legnickiego" S-ka. z o.o.	Legnica	0.73%	20.4
		"BGH-RM" Spółka z o.o.	Lubin	19.99%	1,690.0
3.	CBPM "CUPRUM" Spółka z o.o.	Cuprum Business Center Sp. z o.o.	Wrocław	19%	40.0
4.	PGR LUBIN Spółka z o.o.	Sudecko-Pomorskie Towarzystwo Drogowe S.A. w Jeleniej Górze	Jelenia Góra	6.56%	40.0
5.	ZM "Legment" Spółka z o.o.	Huta Stalowa Wola S.A.	Stalowa Wola	0.005%	9.3
		Huta Stalowa Wola-Zakład Hutniczy Sp. z o.o.	Stalowa Wola	0.009%	9.2
		Mechanische Werke "Legmet-Vetrieb" GmbH Berlin	Berlin	18.52%	25.9
		"LEG-GAZ" Sp. z o.o.	Legnica	18.89%	13.3
6.	"PPCW CELLINEN" Sp. z o.o.	BS Gaworzyce	Gaworzyce	5.49%	20.0
		ZPL Lenwit Sp. z o.o.	Witaszyce	0.13%	12.7
7.	"PeBeKa" Sp. z o.o.	Lubińskie Parkingi Miejskie S.A.	Lubin	25%	10.0
8.	FPN "Elpena" Spółka z o.o.	ZATRA	Skierniowice	5.29%	52.9
		Biażet S.A.	Białystok	0.0297%	1.0
		Huta "Ostrowiec" S.A.	Ostrowiec	0.0167%	10.7
9.	ZM "LENA" Spółka z o.o.	"TUV-CUPRUM"	Lubin	100%	1,963.5
	KGHM METALE S.A. DSI S.A.				
	DSI S.A.				
	KGHM Polska Miedź S.A.				
	FPN, "ELPENa" Sp z o.o.				
	PRG LUBIN Sp. z o.o.				
	"BGH-RM" Sp. z o.o.				
	"PeBeKa" Spółka z o.o.				
	ZANAM Sp. z o.o.				
	"INTERFERIE"				
	Sp. z ograniczoną odpowiedzialnością				
	PHP "MERKUS" Spółka z o.o.				
	CUPRUM-BANK S.A.				
	KGHM Metale S.A.				
Total					120,438.6



## Note 5 – Long-term debtors

### 5.1 Long term debtors by type

	As at 31st December	
	1995	1996
	PLN'000	PLN'000
Long term debtors of which:		
Subsidiaries . . . . .	—	988.1
Associates . . . . .	14,514.0	24,654.2
Other . . . . .	14,514.0	25,642.3
	(3,909.4)	(7,749.9)
Long-term debtors provision . . . . .	10,604.6	17,892.4
Net long-term debtors . . . . .		

### 5.2 Maturity of long-term debtors

	As at 31st December 1996
	PLN'000
Over 1 year and up to 3 years . . . . .	13,974.0
Over 3 years and up to 5 years . . . . .	3,637.3
Over 5 years . . . . .	281.1
	17,892.4

## Note 6 – Stocks

	As at 31st December	
	1995	1996
	PLN'000	PLN'000
Materials . . . . .	90,604.7	94,877.2
Semi-products and work in progress . . . . .	451,571.6	612,593.3
Finished products . . . . .	38,705.0	50,527.1
Goods . . . . .	12,726.0	4,549.8
Payments on account . . . . .	1,174.8	522.7
	594,782.1	763,070.1

## Note 7 – Short-term debtors

### 7.1. Short-term debtors by type

	As at 31st December	
	1995	1996
	PLN'000	PLN'000
Trade debtors, of which: . . . . .	214,993.4	205,033.4
subsidiaries . . . . .	—	—
associates. . . . .	—	—
Other debtors – subsidiaries . . . . .	5,200.5	59,402.4
Other debtors – associates . . . . .	145,223.8	95,408.8
Tax, subsidy and social insurance debtors . . . . .	—	—
Amounts owed by group undertakings . . . . .	1,975.1	1,172.5
Disputed claims . . . . .	48,305.0	57,768.1
Other debtors, of which: . . . . .	26,485.0	30,707.3
– loans of employees from ZFSS . . . . .	—	—
<b>Total short-term debtors</b>	<b>415,697.8</b>	<b>418,785.2</b>
Short-term debtors provision . . . . .	(11,148.7)	(30,175.3)
<b>Net short-term debtors</b>	<b>404,549.1</b>	<b>388,609.9</b>

### 7.2. Ageing of trade debtors

	As at 31st December 1996 PLN'000
Less than 1 month. . . . .	185,698.1
1 to 3 months . . . . .	13,140.2
3 to 6 months . . . . .	1,191.5
6 months to 1 year . . . . .	1,038.2
More than 1 year . . . . .	3,965.4
	<b>205,033.4</b>

The usual deadlines for payment by customers do not exceed one month.

### 7.3. Debtors by currency

	As at 31st December	
	1995	1996
	PLN'000	PLN'000
Debtors in PLN . . . . .	318,049.1	346,501.9
Debtors in foreign currency . . . . .	97,648.7	72,283.3
	<b>415,697.8</b>	<b>418,785.2</b>

## Note 8 – Short-term investments

### 8.1. Short-term investments by group

	<i>As at 31st December</i>	
	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>
Own shares for sale . . . . .	—	—
Short-term investments in subsidiaries, of which: . . . . .	—	—
shares . . . . .	—	—
Short-term investments of associates, of which: . . . . .	—	—
shares . . . . .	—	—
Other short-term investments, of which: . . . . .	294,486.9	235,926.2
shares . . . . .	466.1	63.9
	<b>294,486.9</b>	<b>235,926.2</b>

### 8.2. Short-term investments by liquidity

	<i>As at 31st December</i>	
	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>
Unrestricted trading, quoted on the Stock Exchange . . . . .	226,083.3	130,443.8
Unrestricted trading, not quoted on the Stock Exchange. . . . .	68,403.6	105,482.4
Restricted trading . . . . .	—	—
	<b>294,486.9</b>	<b>235,926.2</b>

## Note 9 – Cash and cash equivalents

	<i>As at 31st December</i>	
	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>
Cash in hand . . . . .	478.9	507.1
Cash at bank . . . . .	261,347.1	180,958.8
Other cash equivalents. . . . .	5,316.7	1,093.8
	<b>267,142.7</b>	<b>182,559.7</b>

## Note 10 – Prepayments

	<i>As at 31st December</i>	
	<i>1995</i>	<i>1996</i>
	<i>PLN'000</i>	<i>PLN'000</i>
Prepayments of costs . . . . .	5,642.8	8,968.7
Other prepayments . . . . .	9.6	—
	<b>5,652.4</b>	<b>8,968.7</b>

## Note 11 – Share capital

The share capital consisted of 5,300,000 bearer shares of 100 PLN each at 31st December 1996.

On 30th April, 1997 a general meeting of shareholders passed resolution no. 2 deciding to raise the share capital of the Company to PLN 2,000,000,000 through a transfer of PLN 1,470,000,000 from reserve capital to share capital. 147,000,000 new bearer shares taken over the State Treasury represented by the Minister of State Treasury were thus created. Resolution no. 3 passed at the same general meeting changed the nominal value of



## Note 14 – Other reserve capital

### 14.1. Other reserve capital by type

		<i>For the 12 months ended 31st December</i>	
		<i>1995</i>	<i>1996</i>
		<i>PLN'000</i>	<i>PLN'000</i>
Other reserve capital for:			
Contingent tax liabilities . . . . .		14,827.2	11,539.1
Guarantees . . . . .		15,083.5	982.6
Environmental penalties . . . . .		8,000.0	22,000.0
Other . . . . .		393.8	56.9
Consolidation adjustment . . . . .		(565.3)	(393.8)
		<b>37,739.2</b>	<b>34,184.8</b>

### 14.2. Changes in other reserve capital

		<i>For the 12 months ended 31st December</i>	
		<i>1995</i>	<i>1996</i>
		<i>PLN'000</i>	<i>PLN'000</i>
Opening balance . . . . .		37,956.1	38,304.5
Increase: . . . . .		23,420.4	20,463.7
appropriation of net profit . . . . .		23,420.4	20,463.7
Decreases: . . . . .		(23,072.0)	(24,189.6)
cost related to forming the reserve . . . . .		(1,831.8)	(2,658.8)
release of reserve capital no longer required . . . . .		(21,240.2)	(19,821.1)
capital of entity sold outside the Capital Group . . . . .		—	(1,709.7)
Consolidation adjustment . . . . .		(565.3)	(393.8)
Closing balance . . . . .		<b>37,739.2</b>	<b>34,184.8</b>

## Note 15 – Provisions

### 15.1. Provisions by type

		<i>For the 12 months ended 31st December</i>	
		<i>1995</i>	<i>1996</i>
		<i>PLN'000</i>	<i>PLN'000</i>
Deferred taxation . . . . .		5,882.5	78,719.4
Other provisions, of which: . . . . .		822.5	198,721.6
potential mine closure costs . . . . .		—	120,000.0
potential tax liabilities . . . . .		—	44,439.7
potential environmental penalties . . . . .		—	30,949.5
other . . . . .		822.5	3,332.4
		<b>6,705.0</b>	<b>277,441.0</b>



## 15.2. Changes in provisions

For the 12 months ended  
31st December

	1995	1996
	PLN'000	PLN'000
Opening balance . . . . .	42.0	6,705.0
Increases: . . . . .	6,706.8	275,065.7
provisions created for: . . . . .	6,706.8	275,065.7
deferred taxation . . . . .	5,882.5	76,797.2
potential mine closure costs . . . . .	—	120,000.0
potential tax liabilities. . . . .	—	44,439.7
potential environmental penalties . . . . .	—	30,949.5
other . . . . .	824.3	2,879.3
Decreases: . . . . .	(43.8)	(4,329.7)
debtors provision released . . . . .	(43.8)	(4,329.7)
provisions adjusting the debtor value . . . . .	—	—
Closing balance . . . . .	<u>6,705.0</u>	<u>277,441.0</u>

## Note 16 – Long-term creditors

### 16.1. Long-term creditors by category

As at 31st December

	1995	1996
	PLN'000	PLN'000
Long-term bank loans . . . . .	420.3	4,322.9
Long-term loans, of which: . . . . .	11,000.0	6,700.0
from subsidiaries . . . . .	—	—
from associates . . . . .	—	—
Long-term securities liability. . . . .	—	—
Financial leasing creditors . . . . .	—	—
State Treasury creditor – perpetual usufruct of land. . . . .	—	1,333.0
Other long-term creditors . . . . .	<u>11,420.3</u>	<u>12,355.9</u>

### 16.2. Long-term creditors by currency

As at 31st December

	1995	1996
	PLN'000	PLN'000
Long-term creditors in PLN . . . . .	11,420.3	12,355.9
Long-term creditors in foreign currency . . . . .	—	—
	<u>1,420.3</u>	<u>12,355.9</u>

### 16.3. Long-term creditors by maturity

As at 31st December

	1995	1996
	PLN'000	PLN'000
1 to 3 years . . . . .	11,420.3	8,256.8
More than 3 years to 5 years . . . . .	—	4,085.1
More than 5 years . . . . .	—	14.0
	<u>11,420.3</u>	<u>12,355.9</u>

#### 16.4. Long-term creditors – bank loans

##### 16.4.1 Long-term creditors – bank loans as at 31st December 1995.

<i>Name</i>	<i>Seat</i>	<i>Amount PLN'000</i>	<i>Interest</i>	<i>Repayment period</i>	<i>Security</i>
1 Narodowy Fundusz Ochrony Środowiska	Warszawa	7,000.0	50% of the refinancing loan interest	1998	mortgage on estate of HM Cedynia
2 Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej	Legnica	4,000.0	60% of the refinancing loan interest	1998	charge on term deposit at Cuprum-Bank S.A.
3 Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej	Legnica	111.2	60% of the refinancing loan interest	1998	bill of exchange in blanco, transfer of legal rights relating to cash
4 Cuprum-Bank SA	Lubin	309.1	18.6% constant interest		transfer of legal rights relating to cash
<b>Total</b>		<b>11,420.3</b>			

##### 16.4.2 Long-term creditors – bank loans as at 31st December 1996.

<i>Name</i>	<i>Seat</i>	<i>Amount TPLN</i>	<i>Interest</i>	<i>Repayment period</i>	<i>Security</i>
1 Polski Bank Inwestycyjny S.A.	o/Legnica	2,039.0	23.5%	31.12.2000	blocked bank account of DSI and control over transfers of amount due
2 Polski Bank Inwestycyjny S.A.	o/Legnica	1,606.7	23.5 % variable	31.03.2002	guarantee granted by DSI
3 Cuprum-Bank SA	o/Lubin	474.6	18.6%	30.04.1999	charge on assets
4 Bank Ochrony Środowiska	Wrocław	202.6	60% of the refinancing loan interest rate	31.01.1998	bill of exchange in blanco, transfer of legal rights relating to charge over assets
5 Narodowy Fundusz Ochrony Środowiska (National Environment Protection Fund)	Warszawa	4,000.0	50% of the refinancing loan interest rate	1998	mortgage on real estate of HM Cedynia
6 Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej (Provisional Fund of Environmental Protection and Water Resources Administration)	Legnica	2,700.0	60% of the refinancing loan interest rate	1998	charge on deposit at Cuprum-Bank S.A.
<b>Total</b>		<b>11,022.9</b>			

**Note 17 – Short-term creditors**  
**17.1. Short-term creditors by type**

		<i>As at 31st December</i>	
		1995	1996
		PLN'000	PLN'000
Bank loans . . . . .		1,615.1	196,685.9
Loans, of which: . . . . .		1,000.0	23.8
from subsidiaries . . . . .		—	—
from associates . . . . .		—	—
Creditors due to short-term debt notes issued . . . . .		139,376.6	93,642.2
Trade creditors . . . . .		439.8	286.1
Payment on account . . . . .		—	—
Bills of exchange . . . . .		71,092.1	54,983.7
Tax, customs and social insurance creditors . . . . .		24,898.6	7,041.3
Payroll creditors . . . . .		—	—
Intercompany creditors . . . . .		—	—
Short-term creditors . . . . .		36,876.0	41,191.4
Social Fund . . . . .		816.0	800.6
Bonus fund . . . . .		2,189.2	2,030.5
Other funds . . . . .		38,141.2	59,082.6
Other short-term creditors . . . . .		<u>316,444.6</u>	<u>455,768.1</u>

**17.2. Short-term creditors by currency**

		<i>As at 31st December</i>	
		1995	1996
		PLN'000	PLN'000
Short-term creditors in PLN . . . . .		291,587.4	442,232.1
Short-term creditors in foreign currency . . . . .		24,857.2	13,536.0
		<u>316,444.6</u>	<u>455,768.1</u>

**17.3. Short-term creditors – bank loans**

**17.3.1. Short-term creditors – bank loans as at 31st December 1995.**

No	Creditor	Seat	Amount in PLN'000	Interest	Deadline	Security
1	Narodowy Fundusz Ochrony Środowiska	Warszawa	1,000.0	45% of the refinancing loan interest rate	1995	transfer of legal rights to receivables
<b>Total</b>			<u>1,000.0</u>			

### 17.3.2 Short-term creditors – banks loans as at 31st December 1996.

No	Creditor	Seat	Amount in PLN'000	Interest	Deadline	Security
1	Bank Rozwoju Eksportu . . . . .	Wrocław	28,755.0	LIBOR USD 3MD + 0.5%	12.06.97	bill of exchange in blanco
2	Citibank Poland S.A. . . . .	Warszawa	53,196.7	LIBOR USD 1MD + 0.25%	15.05.97	—
3	Societe Generale . . . . .	Warszawa	55,000.0	fixed 0.8025%	21.05.97	charge on Treasury bonds
4	ING Bank. . . . .	Warszawa	56,979.2	Wibor + 0.25%	30.04.97	—
5	Bank Zachodni S.A. . . . .	Legnica	1,011.6	23%	11.06.97	guaranteed by Instytut Naturalnych Włókien
6	Bank Gospodarki Żywnościowej. . . . .	Głogów	433.0	39.6%	overdue	
7	Bank Spółdzielczy. . . . .	Gaworzyce	50.8	60%	overdue	
8	Bank Spółdzielczy. . . . .	Gaworzyce	13.8	8.8%	15.09.97	charge on movables
9	PKO BP . . . . .	Lwówek Śl.	40.2	26%	10.12.97	charge on movables
10	Cuprum Bank S.A. . . . .	Lubin	375.4	25.5%	26.01.97	charge on tangible fixed assets
11	Bank Zachodni S.A. . . . .	Złotoryja	600.0	26.4%	18.02.97	secured on debtors
12	Bank Zachodni S.A. . . . .	Złotoryja	230.2	24.04%	27.03.97	fixed assets of the value 1,127.5
<b>Total</b>			<b>196,685.9</b>			fixed assets of the value 600.0

“PPCW CELLINEN” Sp. z o.o. in Radwanice, has a loan of PLN 23.8 thousand outstanding towards Fundusz Gwarantowanych Świadczeń Pracowniczych. The loan does not bear interest and has no security.

Central Statistical Office.



### 19.3. Revenue from sales of goods and products by destination

For the 12 months ended  
31st December

	1995	1996
	PLN'000	PLN'000
Revenue from domestic sales . . . . .	1,217,511.1	1,382,745.4
Revenue from sales of goods and materials . . . . .	142,453.7	147,540.9
Revenue from sales of products and services . . . . .	1,075,057.4	1,235,204.5
Revenue from export sales . . . . .	2,486,563.3	2,144,434.0
Revenue from sales of goods and materials . . . . .	28,190.7	18,289.1
Revenue from sales of products and services . . . . .	2,458,372.6	2,126,144.9
	<b>3,704,074.4</b>	<b>3,527,179.4</b>

### Note 20 – Operating costs

#### 20.1. Operating costs by function

For the 12 months ended  
31st December

	1995	1996
	PLN'000	PLN'000
Cost of goods and products sold . . . . .	2,279,153.5	2,661,373.2
Selling costs . . . . .	53,660.2	55,879.0
General administration . . . . .	334,588.9	363,894.0
	<b>2,667,402.6</b>	<b>3,081,146.2</b>

#### 20.2. Operating costs by type

For the 12 months ended  
31st December

	1995	1996
	PLN'000	PLN'000
Materials and energy . . . . .	1,240,438.4	1,270,695.8
Bought-in services . . . . .	271,682.8	355,317.7
Wages and salaries . . . . .	564,528.7	703,292.8
Social security and similar items . . . . .	276,459.8	350,813.9
Depreciation . . . . .	220,827.8	311,039.6
Taxes and other charges . . . . .	172,066.6	216,101.0
Other . . . . .	43,327.1	56,612.5
Change in the level of products . . . . .	(208,575.5)	(174,323.8)
Cost of goods and materials sold . . . . .	140,293.0	142,144.9
Own work capitalised . . . . .	(53,646.1)	(150,548.2)
<b>Total operating costs . . . . .</b>	<b>2,667,402.6</b>	<b>3,081,146.2</b>
<i>Inflation rate . . . . .</i>		1.199
<b>Cost of sales adjusted by inflation . . . . .</b>	<b>3,198,215.7</b>	<b>3,081,146.2</b>

## Note 21 – Other operating income

Income from sale of fixed assets . . . . .
Subsidies . . . . .
Other . . . . .

For the 12 months ended 31st December	
1995	1996
PLN'000	PLN'000
1,371.9	5,295.6
8.2	289.5
8,835.0	15,181.0
<b>10,215.1</b>	<b>20,766.1</b>

## Note 22 – Other operating costs

### 22.1. Other operating costs by type

Cost of fixed assets sold . . . . .
Adjustments to the valuation of stocks . . . . .
Other, of which: . . . . .
100% depreciation of fixed assets subject to investment relief . . . . .
other write-off of depreciation . . . . .
provisions, of which: . . . . .
potential mine closure costs . . . . .
potential tax liabilities . . . . .
environmental penalties . . . . .
provisions for creditors . . . . .
fines paid . . . . .
gifts . . . . .
other . . . . .

For the 12 months ended 31st December	
1995	1996
PLN'000	PLN'000
632.0	4,731.0
655.2	1,395.7
246,918.3	73,370.7
170,349.6	(227,536.8)
2,311.3	52,017.5
9,211.9	232,662.2
—	120,000.0
—	44,439.7
—	30,949.5
—	24,106.7
9,329.2	4,273.4
48,958.7	4,593.8
6,757.6	7,360.6
<b>248,205.5</b>	<b>79,497.4</b>

### 22.2. Amounts and reasons for additional depreciation

Investment relief . . . . .
Adjustment of depreciation re assets subject to investment relief in 1994-1995 . . . . .
Depreciation of tangible assets scrapped . . . . .
Depreciation of tangible assets sold . . . . .
Depreciation of tangible assets given out . . . . .
Adjustment on 1995 depreciation regarding "regrossing" the book value of tangible assets . . . . .
Other . . . . .

For the 12 months ended 31st December	
1995	1996
PLN'000	PLN'000
170,349.6	—
—	(227,951.8)
4,120.6	2,538.9
632.0	5,390.0
38,147.7	1,412.5
—	52,325.3
1,115.9	121.7
<b>214,365.8</b>	<b>(166,163.4)</b>

## Note 23 – Financial income

		<i>For the 12 months ended 31st December</i>	
		1995	1996
		PLN'000	PLN'000
Interest, of which:		90,014.1	75,865.3
from subsidiaries . . . . .		—	—
from associates . . . . .		—	—
Income from sales of securities . . . . .		510,049.5	568,208.5
Foreign exchange gains . . . . .		13,557.3	42,739.8
Other . . . . .		19,981.7	10,166.2
		<b>633,602.6</b>	<b>696,979.8</b>

## Note 24 – Financial costs

		<i>For the 12 months ended 31st December</i>	
		1995	1996
		PLN'000	PLN'000
Adjustments to the value of long-term investments			
securities . . . . .		46.7	2,341.7
Interest, of which:		5,779.6	9,769.5
to subsidiaries . . . . .		—	—
to associates . . . . .		—	—
Cost of securities sold . . . . .		490,480.7	544,355.3
Foreign exchange losses, of which:		56,708.4	52,909.5
realised . . . . .		17,132.9	39,462.8
unrealised . . . . .		1,213.0	3,357.4
consolidated adjustment . . . . .		38,362.5	10,089.3
Other . . . . .		8,049.5	9,894.5
		<b>561,064.9</b>	<b>619,270.5</b>

## Note 25 – Extraordinary gains

		<i>For the 12 months ended 31st December</i>	
		1995	1996
		PLN'000	PLN'000
Unforeseen gains . . . . .		130.1	285.3
Other gains . . . . .		56.4	9.1
		<b>186.5</b>	<b>294.4</b>

## Note 26 – Extraordinary losses

		<i>For the 12 months ended 31st December</i>	
		1995	1996
		PLN'000	PLN'000
Unforeseen gains . . . . .		46.0	360.1
Other losses . . . . .		1,475.1	9,112.2
		<b>1,521.1</b>	<b>9,472.3</b>

## Note 27 – Corporate income tax

### 27.1. Corporate income tax

For the 12 months ended  
31st December

	1995	1996
	PLN'000	PLN'000
Corporate income tax . . . . .	350,007.8	212,980.5
Deferred corporate income tax provision . . . . .	5,882.5	78,719.4

The KGHM Polska Miedź Capital Group is not a taxpayer under the corporate income tax law. The above corporate income tax is the total of the amounts calculated by members of the Capital Group.

### 27.2. Other charges on profit

For the 12 months ended  
31st December

	1995	1996
	PLN'000	PLN'000
Interest on capital of companies wholly owned by the State Treasury . . . . .	15,900.0	—
Payment from profit to the state budget . . . . .	—	37,122.3
Tax on pay rises over norm . . . . .	431.4	115.6
Adjustment to corporate income tax after tax audit . . . . .	—	0.1
	<u>16,331.4</u>	<u>37,238.0</u>

## Note 28 – Net profit of the Capital Group

For the 12 months ended  
31st December

	1995	1996
	PLN'000	PLN'000
Net profit of the holding entity. . . . .	481,905.9	147,224.9
Net profit of subsidiaries. . . . .	17,740.9	(6,154.1)
Consolidation adjustment . . . . .	3,758.0	(3,210.8)
Net profit of associates . . . . .	10,270.1	10,999.7
Net profit of the Group . . . . .	<u>513,674.9</u>	<u>148,859.7</u>

## **9.5 Additional information to the financial statements**

### **9.5.1. The areas of business of the Capital Group**

**The areas of business of the Capital Group are:**

- extraction and concentration of copper ore,
- production of other metals present in copper ore,
- smelting and processing of copper,
- manufacturing and overhaul of mining machines,
- underground mining services,
- building and civil engineering,
- manufacture of plant and machinery for mining and quarrying,
- research and development on the utilisation of copper,
- manufacture of insulated wires and cables,
- promotion of copper products,
- telecommunication and information technology services,
- mining and drilling works,
- commerce and trade, services of agents and representatives,
- tourism and recreation services,
- medical services,
- investment activity,
- banking,
- brokerage operations,
- production of clothes,
- production of cellulose,
- production of organic chemical, glues and gelatine,
- production of rubber products,
- transport by road, rail, air.

### **9.5.2. Accounting for inflation**

Sales revenue in note 19.1 and sales cost in note 20.2, both for 1995, were restated on the basis of the inflation rate for 1996 published by the central statistical office.



### 9.5.3. Information on material events after the balance sheet date

Information on material events which took place after the balance sheet date which were not included in the 1996 financial statements.

PLN'000

#### KGHM Polska Miedź S.A.

1. Structural changes in KGHM Polska Miedź S.A.:
  - establishment of self – governing branches:
  - Jednostka Ratownictwa Górniczo – Hutniczego
  - Oddział Robót Górniczych "Zair"
  - liquidation of the division– Zakład Transportu
  - leasing of the assets of the ZG Konrad branch relating to anhydrite extraction . . . . . 17,374.9
2. Contribution in kind and cash contributions to members of the Capital Group including:
  - POL - MIEDŹ TRANS spółka z o.o. . . . . 131,340.5
  - "SUWIR" Spółka z o.o. . . . . 121,447.1
  - "REMY" Spółka z o.o. . . . . 293.4
  - "HUTMECH" Spółka z o.o. . . . . 649.3
  - "Energetyka" Spółka z o.o. . . . . 750.9
  - INTERFERIE Spółka z ograniczoną odpowiedzialnością . . . . . 6,487.8
  - CBPM "CUPRUM" Spółka z o.o. . . . . 1,711.9
  - CBJ Sp. z o.o. . . . . 670.0
  - Polkomtel S.A. . . . . 497.9
  - Polkomtel S.A. by a consortium of banks until . . . . . 38,500.0
  - 31 December 1997 . . . . . US\$42,542,500.0
3. Guarantee of a loan to Polkomtel S.A. by a consortium of banks until . . . . . US\$42,542,500.0

#### DSI S.A.

1. Merger of "PeBeka" Spółka z o.o. and PRG LUBIN Spółka z o.o. . . . . 18,220.8
- Share capital of "PeBeka" Spółka z o.o. before the merger . . . . . 12,337.7
- Share capital of PRG LUBIN Spółka z o.o. before the merger. . . . . 5,883.1
2. Contribution in kind from PHM KGHM "METRACO" Sp. z o.o. to KGHM Metale . . . . . 8,814.2
- S.A. . . . . 1,650.4
3. Covering of 1995 loss in Zanam Spółka z o.o. . . . . 4,000.0
4. Increase of capital in Kopalnia Gipsu i Anhydrytu "NOWY ŁĄD" Sp. z o.o. . . . . 3,200.0
5. Additional payments to capital in "PeBeka" Spółka z o.o. . . . .

#### KGHM Metale Sp. z o.o.

1. Increase of share capital in KGHM Metale S.A. . . . . 8,814.2
2. Take-over of 758,830 value of shares in Walcownia Metali Łabędy . . . . . 7,588.3

On 30th April, 1997 a general meeting of shareholders passed resolution no. 2 deciding to raise the share capital of the company to PLN 2,000,000,000 through a transfer of PLN 1,470,000,000 from reserve capital to share capital. 147,000,000 new bearer shares taken over by the State Treasury represented by the Minister of State Treasury were thus created. Resolution no. 3 passed at the same general meeting changed the nominal value of each share to PLN 10, thus one previous share of nominal value PLN 100 equals 10 shares with a nominal value of PLN 10 each.

The above is not in full agreement with 5.5.3. because it includes post balance sheet events which occurred after the preparation of the unconsolidated financial statements.

#### 9.5.4. Contingent liabilities

List of contingent liabilities as at 31st December, 1996

Entity	Type of liability	Amount in PLN'000.	Date of payment
<b>KGHM Polska Miedź S.A.</b>			
1. EuroSHELL	Bills of exchange as guarantee for credit cards	72.0	
2. Customs Office in Legnica	Customs liabilities	3,688.2	
3. Local authorities in Legnica	Environmental penalties	1,609.7	March 1997
	Environmental penalties	49,267.4	November 1997
	Environmental penalties	463.5	December 1998
	Environmental penalties	13.4	December 1998
<b>Subtotal</b>		<b>55,114.2</b>	
<b>DSI Holding</b>			
1. Zakłady Lniarskie Radwanice	return of the additional payment to the reserve capital to cover the loss	41.4	—
2. Osoby Fizyczne	—	37.0	—
3. Olsztyńskie Przedsiębiorstwo Przemysłu Drzewnego Olsztyn	compensation for damage and interest	80.0	—
4. WO d/s ZON Legnica	agreement WUP/ 9115/94, bill of change	12.0	01.01.99r.
5. Kredyt Lease Sp. z o.o. Wrocław	operational leasing, bill of exchange	189.9	01.12.97r.
6. BOŚ Wrocław	loan	320.0	01.02.98r.
7. Cuprum Bank O/Legnica	bill of exchange	1,200.0	01.11.97r.
8. ZUiH Garda Met Sp. pracownicza Legnica	guarantee	4.0	01.10.97r.
9. PPU Marciniak i Spółka Gorzów	bill of exchange	168.8	01.01.99r.
10. "CUPRUM 2000" Spółka z o.o.	guarantee of loan	3,401.6	31.12.00r.
11. Zanam Spółka z o.o.	guarantee of loan	3,366.0	31.01.97r.
12. Zanam Spółka z o.o.	guarantee of loan	2,500.0	30.04.02r.
13. "BGH-RM" Spółka z o.o.	guarantee of loan	1,100.0	30.09.97r.
14. NATUROPAK Sp. z o.o.	guarantee of loan	1,207.6	31.12.01r.
15. Urząd Celny Legnica	bill of exchange in blanco	2,500.0	24.06.97r.
16. FCB Waclaw Jopek w Bytomiu	guarantee of payment	765.5	30.06.97r.
<b>Subtotal</b>		<b>16,893.8</b>	
<b>Total</b>		<b>72,008.0</b>	

#### Other liabilities:

- coal equivalent in cash valued approx, PLN10,000 thousand
- annual liability in relation to retirement allowance and long term service awards which amount to PLN12,584.0 thousand in 1997.

For the periods presented the prospectus expenses relating to the above were charged to profit and loss account in the periods in which payments were made.

### 9.5.5. Legal charges on assets relating to guarantees

Entity for which the security is given	Type of security	Amount in PLN'000	Date
1. KGHM Polska Miedź S.A. Narodowy Fundusz Ochrony Środowiska	Mortgage on real estate of HM Cedynia	20,420.8	30.06.98r.
2. Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej	Charge on deposits at Cuprum Bank	3,300.0	25.09.98r.
Subtotal		23,720.8	
1. DSI Holding	Mortgage	920,0	until paid
2. BGŻ GŁOGÓW	Charge on assets, membership shares	50,0	until paid
3. BS Gaworzyce	Charge on fixed assets	1,939.9	31.01.97r.
4. Cuprum Bank SA O/Polkowice	Secured on debtors No 4/8/02/96	to the value of the loan	31.12.97r.
5. Cuprum Bank SA O/Polkowice	Secured on bank transaction	to the value of the loan	31.12.97r.
6. Cuprum Bank SA O/Lubin	Charge on assets	559,6	30.04.99r.
7. Bank Zachodni O/Złotoryja	Charge on fixed assets	1,127.5	27.03.97r.
8. Bank Zachodni O/Złotoryja	Charge on fixed assets	1,201.8	19.12.97r.
9. Cuprum Bank S.A. O/Lubin	Secured on debtors	708,4	26.01.97r.
Subtotal		6,507.2	
Total		30,228.0	

### 9.5.6. Planned investment expenditure

The amounts of investment expenditure planned for 1997 are as follows:

	PLN'000
Investments in tangible fixed assets	582,314.0
Investments in entities:	472,536.0
— cash contributions	297,496.0
— contribution in kind non-cash.	175,040.0
Total planned investment expenditure	1,054,850.0

### 9.5.7. Transactions with related parties

There are no transactions with related parties which are not consolidated

### 9.5.8. Material events relating to prior years in the balance sheet for 1996

The consolidated financial statements for 1996 include the effects of events relating to prior years. Points 9.5.8.1, 9.5.8.2 and 9.5.8.3 show of the consequences that these events have had on the balance sheet items and on the results of the years presented in the Prospectus.

9.5.8.1. Restated consolidated balance sheets, which reflect the effects of prior year events on the balance sheet as at 31st December, 1996 shown in point 9.1.

Restated consolidated balance sheets

		As at 31st December	
	Note	1995	1996
		PLN'000	PLN'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets . . . . .	1)	11,631.2	14,636.8
Goodwill arising on consolidation . . . . .		980.2	2,395.3
Tangible fixed assets . . . . .	1)	2,519,508.3	2,648,389.4
Long-term investments . . . . .		118,260.1	253,899.6
Long-term debtors. . . . .		10,604.6	17,892.4
<b>Total fixed assets . . . . .</b>		<b>2,660,984.4</b>	<b>2,937,213.5</b>
<b>Current assets</b>			
Stocks . . . . .		594,782.1	763,070.1
Debtors . . . . .	2)	393,457.0	388,609.9
Short-term investments . . . . .		294,486.9	235,926.2
Cash at bank and in hand . . . . .		267,142.7	182,559.7
<b>Total current assets . . . . .</b>		<b>1,549,868.7</b>	<b>1,570,165.9</b>
<b>Prepayments . . . . .</b>		<b>5,652.4</b>	<b>8,968.7</b>
<b>TOTAL ASSETS . . . . .</b>		<b>4,216,505.5</b>	<b>4,516,348.1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital . . . . .		530,000.0	530,000.0
Called up share capital not paid . . . . .		—	—
Reserve capital . . . . .		1,688,146.1	2,141,126.6
Capital revaluation reserve. . . . .		27,894.6	29,799.2
Fixed assets revaluation reserve capital. . . . .		853,164.4	814,137.2
Other reserve capital . . . . .		37,739.2	34,184.8
Foreign exchange differences arising on consolidation . . . . .		343.9	5,389.8
Profit/(loss) for prior years. . . . .	3)	(72,940.8)	(57,400.0)
Profit for the year . . . . .	4)	528,191.1	207,284.3
<b>Total equity . . . . .</b>		<b>3,592,538.5</b>	<b>3,704,521.9</b>
<b>Capital reserve arising on consolidation . . . . .</b>		<b>40,625.3</b>	<b>31,188.7</b>
<b>Minority interest . . . . .</b>		<b>405.4</b>	<b>2,298.3</b>
<b>Provisions for liabilities and charges . . . . .</b>	5)	<b>229,276.6</b>	<b>277,441.0</b>
<b>Creditors</b>			
Amounts falling due after more than one year . . . . .		11,420.3	12,355.9
Amounts falling due within one year. . . . .		316,444.6	455,768.1
<b>Total creditors . . . . .</b>		<b>327,864.9</b>	<b>468,124.0</b>
<b>Accruals and deferred income . . . . .</b>		<b>25,794.8</b>	<b>32,774.2</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b>4,216,505.5</b>	<b>4,516,348.1</b>

Restated consolidated balance sheet as at 31st December, 1995

	As published	Adjustment	Restated
	PLN'000	PLN'000	PLN'000
<b>ASSETS</b>			
<b>Fixed assets</b>	11,094.7	536.5	11,631.2
Intangible fixed assets . . . . .	980.2	—	980.2
Goodwill arising on consolidation . . . . .	2,344,805.7	174,702.6	2,519,508.3
Tangible fixed assets . . . . .	118,260.1	—	118,260.1
Long-term investments . . . . .	10,604.6	—	10,604.6
Long-term debtors . . . . .	<u>2,485,745.3</u>	<u>175,239.1</u>	<u>2,660,984.4</u>
<b>Total fixed assets . . . . .</b>			
<b>Current assets</b>	594,782.1	—	594,782.1
Stocks . . . . .	404,549.1	(11,092.1)	393,457.0
Short-term debtors . . . . .	294,486.9	—	294,486.9
Short-term investments . . . . .	267,142.7	—	267,142.7
Cash at bank and in hand . . . . .	<u>1,560,960.8</u>	<u>(11,092.1)</u>	<u>1,549,868.7</u>
<b>Total current assets . . . . .</b>	<u>5,652.4</u>		<u>5,652.4</u>
<b>Prepayments . . . . .</b>	<u>4,052,358.5</u>	<u>164,147.0</u>	<u>4,216,505.5</u>
<b>TOTAL ASSETS . . . . .</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	530,000.0	—	530,000.0
Share capital . . . . .	—	—	—
Called up share capital not paid . . . . .	1,688,146.1	—	1,688,146.1
Reserve capital . . . . .	27,894.6	—	27,894.6
Capital revaluation reserve . . . . .	853,164.4	—	853,164.4
Fixed assets revaluation reserve . . . . .	37,739.2	—	37,739.2
Other reserves . . . . .	343.9	—	343.9
Exchange differences arising on consolidation . . . . .	—	(72,940.8)	(72,940.8)
Profit/(loss) for prior years . . . . .	513,674.9	14,516.2	528,191.1
Profit for the year . . . . .	<u>3,650,963.1</u>	<u>(58,424.6)</u>	<u>3,592,538.5</u>
<b>Total equity . . . . .</b>	<u>40,625.3</u>	—	<u>40,625.3</u>
<b>Capital reserve arising on consolidation . . . . .</b>	<u>405.4</u>	—	<u>405.4</u>
<b>Minority interest . . . . .</b>	<u>6,705.0</u>	<u>222,571.6</u>	<u>229,276.6</u>
<b>Provisions for liabilities and charges . . . . .</b>			
<b>Creditors</b>	11,420.3	—	11,420.3
Amounts falling due after more than one year . . . . .	316,444.6	—	316,444.6
Amounts falling due within one year . . . . .	<u>327,864.9</u>	—	<u>327,864.9</u>
<b>Total creditors . . . . .</b>	<u>25,794.8</u>	—	<u>25,794.8</u>
<b>Accruals and deferred income . . . . .</b>	<u>4,052,358.5</u>	<u>164,147.0</u>	<u>4,216,505.5</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			



Restated consolidated balance sheet as at 31st December, 1996

	<i>As published</i>	<i>Adjustment</i>	<i>Restated</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets . . . . .	14,636.8	—	14,636.8
Goodwill arising on consolidation . . . . .	2,395.3	—	2,395.3
Tangible fixed assets . . . . .	2,648,389.4	—	2,648,389.4
Long-term investments . . . . .	253,899.6	—	253,899.6
Long-term debtors . . . . .	17,892.4	—	17,892.4
<b>Total fixed assets . . . . .</b>	<b>2,937,213.5</b>	<b>—</b>	<b>2,937,213.5</b>
<b>Current assets</b>			
Stocks . . . . .	763,070.1	—	763,070.1
Debtors . . . . .	388,609.9	—	388,609.9
Short-term investments . . . . .	235,926.2	—	235,926.2
Cash at bank and in hand . . . . .	182,559.7	—	182,559.7
<b>Total current assets . . . . .</b>	<b>1,570,165.9</b>	<b>—</b>	<b>1,570,165.9</b>
<b>Prepayments . . . . .</b>	<b>8,968.7</b>	<b>—</b>	<b>8,968.7</b>
<b>TOTAL ASSETS . . . . .</b>	<b>4,516,348.1</b>	<b>—</b>	<b>4,516,348.1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital . . . . .	530,000.0	—	530,000.0
Called up share capital not paid . . . . .	—	—	—
Reserve capital . . . . .	2,141,126.6	—	2,141,126.6
Capital revaluation reserve . . . . .	29,799.2	—	29,799.2
Fixed assets revaluation reserve . . . . .	814,137.2	—	814,137.2
Other reserve capital . . . . .	34,184.8	—	34,184.8
Foreign exchange differences arising on consolidation . . . . .	5,389.8	—	5,389.8
Profit/(loss) for prior years . . . . .	1,024.6	(58,424.6)	(57,400.0)
Profit for the year . . . . .	148,859.7	58,424.6	207,284.3
<b>Total equity . . . . .</b>	<b>3,704,521.9</b>	<b>—</b>	<b>3,704,521.9</b>
<b>Capital reserve arising on consolidation . . . . .</b>	<b>31,188.7</b>	<b>—</b>	<b>31,188.7</b>
<b>Minority interest . . . . .</b>	<b>2,298.3</b>	<b>—</b>	<b>2,298.3</b>
<b>Provisions for liabilities and charges . . . . .</b>	<b>277,441.0</b>	<b>—</b>	<b>277,441.0</b>
<b>Creditors</b>			
Amounts falling due after more than one year . . . . .	12,355.9	—	12,355.9
Amounts falling due within one year . . . . .	455,768.1	—	455,768.1
<b>Total creditors . . . . .</b>	<b>468,124.0</b>	<b>—</b>	<b>468,124.0</b>
<b>Accruals and deferred income . . . . .</b>	<b>32,774.2</b>	<b>—</b>	<b>32,774.2</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>	<b>4,516,348.1</b>	<b>—</b>	<b>4,516,348.1</b>

# Explanatory notes to the restated balance sheets

As at 31st December

## ASSETS

	1995	1996
	PLN'000	PLN'000
1. Changes in the value of assets due to the following:	(52,297.7)	52,297.7
– the “regrossing” of fixed assets in the 1996 financial statements. . . . .		
– reversal in 1996 financial statements of the 100% depreciation of fixed assets subject to investment relief in 1994 and 1995, and charging depreciation for 1994 and 1995 at the appropriate rates . . . . .	159,110.3	(227,536.8)
– adjustment carried forward from prior year . . . . .	68,426.5	175,239.1
<b>Total adjustment of the net book value of fixed assets . . . . .</b>	<b>175,239.1</b>	<b>—</b>
2. Adjustment to the debtors' balance:	11,233.9	(11,233.9)
– corporate income tax for the year . . . . .	—	11,233.9
– adjustment carried forward from prior year . . . . .	11,233.9	—
<b>Total adjustments . . . . .</b>	<b>(22,326.0)</b>	<b>—</b>
– less debtors' provision . . . . .	(11,092.1)	—
<b>Total adjustments . . . . .</b>	<b>—</b>	<b>—</b>

## EQUITY AND LIABILITIES

3. Adjustments to prior year profits/(losses):	(95,029.7)	(72,940.8)
– provisions relating to prior years . . . . .	22,088.9	14,516.2
– adjustment carried forward from prior year . . . . .	(72,940.8)	(58,424.6)
<b>Total adjustments . . . . .</b>	<b>—</b>	<b>—</b>
4. Adjustment to profit after tax for the year in accordance with the adjustment to the profit and loss account. . . . .	14,516.2	58,424.6
5. Adjustments to provisions by the following:	—	(96,796.4)
– cost of closing mines posted to losses prior year results . . . . .	20,742.4	—
– costs of closing mines . . . . .	—	(30,949.5)
– environmental penalties . . . . .	—	(982.6)
– guarantees granted. . . . .	60,461.9	(86,463.9)
– deferred corporate income tax . . . . .	—	(303.3)
– increased VAT . . . . .	22,326.0	(22,326.0)
– real estate tax . . . . .	—	(7,075.9)
– anticipated penalty interest. . . . .	141,367.3	244,897.6
– adjustments carried forward from prior year . . . . .	244,897.6	—
<b>Total adjustments . . . . .</b>	<b>(22,326.0)</b>	<b>—</b>
– reduction of debtors provisions. . . . .	222,571.6	—
<b>Total adjustments . . . . .</b>	<b>—</b>	<b>—</b>

9.5.8.2. Restated consolidated profit and loss account, which reflects the effects of prior year events on the profit and loss account for the 12 months ended 31st December, 1996 shown in point 9.2

Restated consolidated profit and loss accounts

		For the 12 months ended 31st December	
	Note	1995	1996
		PLN'000	PLN'000
Revenue from sales of goods and products . . . . .		3,704,074.4	3,527,179.4
Revenue from sales of goods and materials . . . . .		170,644.4	165,830.0
Revenue from sales of products . . . . .		3,533,430.0	3,361,349.4
Cost of sales of goods and products . . . . .	1), 4)	(2,342,260.8)	(2,661,373.2)
Cost of goods and materials sold . . . . .		(140,293.0)	(142,144.9)
Cost of manufacturing products sold . . . . .	1), 4)	(2,201,967.8)	(2,519,228.3)
<b>Gross profit . . . . .</b>		<b>1,361,813.6</b>	<b>865,806.2</b>
Selling costs . . . . .		(53,660.2)	(55,879.0)
General administration costs . . . . .		(334,588.9)	(363,894.0)
Other operating income . . . . .		10,215.1	20,766.1
Other operating costs . . . . .	2), 5)	(121,354.0)	(96,302.8)
<b>Profit on operations . . . . .</b>		<b>862,425.6</b>	<b>370,496.5</b>
Income from shares in other entities, of which: . . . . .		781.4	169.5
Subsidiaries . . . . .		—	—
Associates . . . . .		770.1	120.6
Income from other fixed asset investments, of which: . . . . .		1,124.1	—
Subsidiaries . . . . .		2.7	—
Associates . . . . .		1,121.4	—
Other financial income . . . . .		631,697.1	696,810.3
Other financial costs . . . . .		(561,064.9)	(619,270.5)
<b>Profit before extraordinary events and tax . . . . .</b>		<b>934,963.3</b>	<b>448,205.8</b>
Results of extraordinary events: . . . . .		(1,334.6)	(9,177.9)
Extraordinary gains . . . . .		186.5	294.4
Extraordinary losses . . . . .		(1,521.1)	(9,472.3)
Consolidation goodwill write-off . . . . .		(245.0)	(340.8)
Consolidation capital reserve write-off . . . . .		6,718.6	9,541.4
<b>Profit before tax . . . . .</b>		<b>940,102.3</b>	<b>448,228.5</b>
Corporate income tax and similar items, of which: . . . . .		(421,449.7)	(253,707.9)
Corporate income tax . . . . .	3), 6)	(405,118.3)	(216,469.9)
Other obligatory reductions of profit . . . . .		(16,331.4)	(37,238.0)
<b>Profit on shares in associates . . . . .</b>		<b>10,270.1</b>	<b>10,923.3</b>
<b>Minority interest share in profit /(loss) . . . . .</b>		<b>(732.7)</b>	<b>1,840.4</b>
<b>Profit after tax of the Capital Group . . . . .</b>		<b>528,190.0</b>	<b>207,284.3</b>
Redenomination of the zloty . . . . .		1.1	—
<b>Net profit of the Capital Group . . . . .</b>		<b>528,191.1</b>	<b>207,284.3</b>
<b>Net profit of the Capital Group per share (PLN) . . . . .</b>		<b>99.66</b>	<b>39.11</b>
Net profit per share (in PLN) after the increase in share capital as a result of a general shareholders' meeting resolution dated 30th April 1997 (see note 11). . . . .		2.64	1.04

# Restated consolidated profit and loss account for the 12 months ended 31st December 1995

	As published	Adjustment	Restated
	PLN'000	PLN'000	PLN'000
Revenue from sales of goods and products . . . . .	3,704,074.4	—	3,704,074.4
Revenue from sales of goods and materials . . . . .	170,644.4	—	170,644.4
Revenue from sales of products . . . . .	3,533,430.0	—	3,533,430.0
Cost of sales of goods and products . . . . .	(2,279,153.5)	63,107.3	(2,342,260.8)
Cost of goods and materials sold . . . . .	(140,293.0)	—	(140,293.0)
Cost of manufacturing products sold . . . . .	(2,138,860.5)	63,107.3	(2,201,967.8)
<b>Gross profit . . . . .</b>	<b>1,424,920.9</b>	<b>(63,107.3)</b>	<b>1,361,813.6</b>
Selling costs . . . . .	(53,660.2)	—	(53,660.2)
General administration costs . . . . .	(334,588.9)	—	(334,588.9)
Other operating income . . . . .	10,215.1	—	10,215.1
Other operating costs . . . . .	(248,205.5)	(126,851.5)	(121,354.0)
<b>Profit on operations . . . . .</b>	<b>798,681.4</b>	<b>63,744.2</b>	<b>862,425.6</b>
Income from shares in other entities, of which: . . . . .	781.4	—	781.4
Subsidiaries . . . . .	—	—	—
Associates . . . . .	770.1	—	770.1
Income from other fixed asset investments, of which: . . . . .	1,124.1	—	1,124.1
Subsidiaries . . . . .	2.7	—	2.7
Associates . . . . .	1,121.4	—	1,121.4
Other financial income . . . . .	631,697.1	—	631,697.1
Other financial costs . . . . .	(561,064.9)	—	(561,064.9)
<b>Profit before extraordinary events and tax . . . . .</b>	<b>871,219.1</b>	<b>63,744.2</b>	<b>934,963.3</b>
Results of extraordinary events: . . . . .	(1,334.6)	—	(1,334.6)
Extraordinary gains . . . . .	186.5	—	186.5
Extraordinary losses . . . . .	(1,521.1)	—	(1,521.1)
Consolidation goodwill write-off . . . . .	(245.0)	—	(245.0)
Consolidation capital reserve write-off . . . . .	6,718.6	—	6,718.6
<b>Profit before tax . . . . .</b>	<b>876,358.1</b>	<b>63,744.2</b>	<b>940,102.3</b>
Corporate income tax and similar items, of which: . . . . .	(372,221.7)	49,228.0	(421,449.7)
Corporate income tax . . . . .	(355,890.3)	49,228.0	(405,118.3)
Other obligatory reductions of profit . . . . .	(16,331.4)	—	(16,331.4)
<b>Profit on shares in associates . . . . .</b>	<b>10,270.1</b>	<b>—</b>	<b>10,270.1</b>
<b>Minority interest share in profit/(loss). . . . .</b>	<b>(732.7)</b>	<b>—</b>	<b>(732.7)</b>
<b>Profit after tax of the Capital Group . . . . .</b>	<b>513,673.8</b>	<b>14,516.2</b>	<b>528,190.0</b>
Redenomination of the zloty . . . . .	1.1	—	1.1
<b>Net profit of the Capital Group . . . . .</b>	<b>513,674.9</b>	<b>14,516.2</b>	<b>528,191.1</b>
<b>Net profit of the Capital Group per share (PLN) . . . . .</b>	<b>96.91</b>	<b>—</b>	<b>99.66</b>
<b>Net profit per share (in PLN) after the increase share capital as a result of a general shareholders' meeting resolution dated 30th April 1997 (see note 11). . . . .</b>	<b>2.57</b>	<b>—</b>	<b>2.64</b>

Restated consolidated profit and loss account for the 12 months ended 31st December, 1996

	<i>As published</i>	<i>Adjustment</i>	<i>Restated</i>
	<i>PLN'000</i>	<i>PLN'000</i>	<i>PLN'000</i>
Revenue from sales of goods and products . . . . .	3,527,179.4	—	3,527,179.4
Revenue from sales of goods and materials . . . . .	165,830.0	—	165,830.0
Revenue from sales of products . . . . .	3,361,349.4	—	3,361,349.4
Cost of sales of goods and products . . . . .	(2,661,373.2)	—	(2,661,373.2)
Cost of goods and materials sold . . . . .	(142,144.9)	—	(142,144.9)
Cost of manufacturing products sold . . . . .	(2,519,228.3)	—	(2,519,228.3)
<b>Profit before tax on sales . . . . .</b>	<b>865,806.2</b>	<b>—</b>	<b>865,806.2</b>
Selling costs . . . . .	(55,879.0)	—	(55,879.0)
General administration costs . . . . .	(363,894.0)	—	(363,894.0)
Other operating income . . . . .	20,766.1	—	20,766.1
Other operating costs . . . . .	(79,497.4)	16,805.4	(96,302.8)
<b>Profit on operations . . . . .</b>	<b>387,301.9</b>	<b>(16,805.4)</b>	<b>370,496.5</b>
Income from shares in other entities, of which: . . . . .	169.5	—	169.5
Subsidiaries . . . . .	—	—	—
Associates . . . . .	120.6	—	120.6
Income from other fixed asset investments, of which: . . . . .	—	—	—
Subsidiaries . . . . .	—	—	—
Associates . . . . .	—	—	—
Other financial income . . . . .	696,810.3	—	696,810.3
Other financial costs . . . . .	(619,270.5)	—	(619,270.5)
<b>Profit before extraordinary items and tax . . . . .</b>	<b>465,011.2</b>	<b>(16,805.4)</b>	<b>448,205.8</b>
Results of extraordinary events: . . . . .	(9,177.9)	—	(9,177.9)
Extraordinary gains . . . . .	294.4	—	294.4
Extraordinary losses . . . . .	(9,472.3)	—	(9,472.3)
Consolidation goodwill write-off . . . . .	(340.8)	—	(340.8)
Consolidation capital reserve write-off . . . . .	9,541.4	—	9,541.4
<b>Profit before tax . . . . .</b>	<b>465,033.9</b>	<b>(16,805.4)</b>	<b>448,228.5</b>
Corporate income tax and similar items, of which: . . . . .	(328,937.9)	(75,230.0)	(253,707.9)
Corporate income tax . . . . .	(291,699.9)	(75,230.0)	(216,469.9)
Other obligatory reductions of profit . . . . .	(37,238.0)	—	(37,238.0)
<b>Profit on shares in associates . . . . .</b>	<b>10,923.3</b>	<b>—</b>	<b>10,923.3</b>
<b>Minority interest share in profit /(loss) . . . . .</b>	<b>1,840.4</b>	<b>—</b>	<b>1,840.4</b>
<b>Net profit of the Capital Group . . . . .</b>	<b>148,859.7</b>	<b>58,424.6</b>	<b>207,284.3</b>
<b>Net profit of the Capital Group per share (PLN) . . . . .</b>	<b>28.09</b>	<b>—</b>	<b>39.11</b>
<b>Net profit per share (in PLN) after the increase in share capital as a result of a general shareholders' meeting resolution dated 30th April 1997 (see note 11) . . . . .</b>	<b>0.74</b>	<b>—</b>	<b>1.04</b>



# Explanatory notes on the adjustments to the consolidated profit and loss account:

		For the 12 months ended 31st December	
		1995	1996
		PLN'000	PLN'000
1. Adjustments of manufacturing cost of goods sold and cost of goods sold, due to the following			
- depreciation on the basis of appropriate rates instead of the full write downs . . . . .			
		10,809.6	—
- depreciation write-offs regarding the "grossing up" of fixed assets for 1995 . . . . .			
		52,297.7	—
<b>Total adjustments</b> . . . . .		<b>63,107.3</b>	<b>—</b>
2. Adjustments to other operating costs due to the following:			
- retrospective provision for the costs of closing mines over the 35 year period ended 1996 . . . . .			
		20,742.4	(96,796.4)
- provision for real estate tax for 1995 . . . . .			
		22,326.0	(22,326.0)
- provision for penalty payments for air pollution in the years 1991-1993 . . . . .			
		—	(30,949.5)
- provision for guarantees granted . . . . .			
		—	(982.6)
- reversal of 100% depreciation relating to the 1994 and 1995 investment relief.			
		(169,919.9)	239,497.8
- depreciation charged on the basis of prevailing rates . . . . .			
		—	(11,961.0)
- provision for VAT relating to 1994 . . . . .			
		—	(303.3)
- depreciation charges relating to "regrossing" of fixed assets for 1995 . . . . .			
		—	(52,297.7)
- provisions for anticipated penalty interest relating to 1992 . . . . .			
		—	(7,075.9)
<b>Total adjustments</b> . . . . .		<b>(126,851.5)</b>	<b>16,805.4</b>
3. Adjustments to corporate income tax			
- provisions for deferred corporate income tax . . . . .			
		60,461.9	(86,463.9)
- changes in the amount of corporate income tax due . . . . .			
		(11,233.9)	11,233.9
<b>Total adjustments</b> . . . . .		<b>49,228.0</b>	<b>(75,230.0)</b>
4. Restated costs by type			
- use of materials and energy . . . . .			
		1,240,438.4	1,270,695.8
- external services . . . . .			
		271,682.8	355,317.7
- wages and salaries . . . . .			
		564,528.7	703,292.8
- social insurance and similar items . . . . .			
		276,459.8	350,813.9
- depreciation . . . . .			
		283,935.1	311,039.6
- taxes and charges . . . . .			
		172,066.6	216,101.0
- other . . . . .			
		43,327.1	56,612.5
change in stock . . . . .			
		(208,575.5)	(174,323.8)
cost of materials and goods sold . . . . .			
		140,293.0	142,144.9
own work capitalised . . . . .			
		(53,646.1)	(150,548.2)
cost of materials and goods sold . . . . .			
		(140,293.0)	(142,144.9)
selling costs . . . . .			
		(53,660.2)	(55,879.0)
general administration expenses . . . . .			
		(334,588.9)	(363,894.0)
<b>Total restated costs by type</b> . . . . .		<b>2,201,967.8</b>	<b>2,519,228.3</b>



For the 12 months ended  
31st December

	1995	1996
	PLN'000	PLN'000
5. Restated other operating costs	632.0	4,731.0
– cost of assets sold . . . . .	655.2	1,395.7
– adjustments to the stock value . . . . .	120,066.8	90,176.1
– other operating costs, including: . . . . .	48,958.7	4,236.6
donations . . . . .	20,742.4	23,203.6
provision for potential mine closure costs . . . . .	22,326.0	1,786.3
provision for debtors . . . . .	9,329.2	3,555.3
penalties and compensation paid . . . . .	—	37,060.5
potential tax liabilities . . . . .		
<b>Total restated other operating costs</b> . . . . .	<b>121,354.0</b>	<b>96,302.8</b>
6. Restated corporate income tax	338,773.9	224,214.4
corporate income tax . . . . .	66,344.4	(7,744.5)
deferred corporate income tax provision . . . . .		
<b>Total restated corporate income tax</b> . . . . .	<b>405,118.3</b>	<b>216,469.9</b>

**9.5.8.3 Restated consolidated cash flow statement reflecting the effect of prior year events on the cash flow statement for the 12 months ended 31st December, 1996 presented in point 9.3.**

For the 12 months ended  
31st December

	1995	1996
	PLN'000	PLN'000
<b>Cash flow from operations:</b>	<b>528,191.1</b>	<b>207,284.3</b>
<b>Net profit.</b> . . . . .		
<b>Adjustments:</b>	732.8	(2,175.6)
Minority shareholders profit/loss . . . . .	(10,270.1)	(10,947.6)
Profit/(loss) from shares in associates . . . . .	209,782.6	307,638.9
Depreciation . . . . .	335.2	7,862.0
Unrealised foreign exchange gains /losses . . . . .	(4,913.5)	(49,632.3)
Interest and dividends received and paid . . . . .	7,520.8	22,868.9
Debtors provisions . . . . .	43,948.7	39,523.6
Other provisions. . . . .	405,100.5	214,518.0
Corporate income tax charge. . . . .	(420,851.1)	(178,477.3)
Corporate income tax paid. . . . .	44,412.7	(5,518.4)
Profits or losses on disposals of investments and capital items. . . . .	(223,575.6)	(160,082.7)
Change in stock . . . . .	(50,465.3)	(29,962.3)
Change in debtors . . . . .	125,188.0	(38,674.2)
Change in short-term creditors (except loans and credits) and special funds . . . . .	(1,960.8)	(3,143.7)
Change in prepayments . . . . .	6,883.5	13,230.1
Change in creditors and accruals. . . . .	(32,409.1)	34,930.6
Other items . . . . .	(17,913.3)	(19,224.3)
– Appropriation of profit to the Social Fund . . . . .	—	37,231.6
– Adjustment of net profit for interest on capital . . . . .	(19,022.7)	(11.7)
– Conversion of debtors into shares in other entities . . . . .	(8,419.7)	1,145.1
– Write-downs updating the value of securities . . . . .	12,946.6	15,789.9
– Other . . . . .		
<b>Total adjustments</b> . . . . .	<b>99,459.3</b>	<b>161,958.0</b>
<b>Net cash inflow from operations</b> . . . . .	<b>627,650.4</b>	<b>369,242.3</b>

# **Cash flow from investing activities**

		For the 12 months ended 31st December	
		1995	1996
		PLN'000	PLN'000
(Purchase)/sale of intangible fixed assets . . . . .		(2,687.2)	(6,129.7)
(Purchase)/sale of tangible fixed assets . . . . .		(321,599.0)	(455,648.1)
(Purchase)/sale of shares in subsidiaries and other short-term investments issued by subsidiaries . . . . .		(13,575.4)	(7,131.3)
(Purchase)/sale of shares in associates and other short-term investments issued by associates . . . . .		(945.1)	(5,710.9)
(Purchase)/sale of other long-term investments . . . . .		768.2	(114,636.8)
(Purchase)/sale of other shares and securities, including short-term investments . . . . .		(275,730.0)	60,455.8
Loans received/(repaid) . . . . .		958.1	549.9
Dividends paid minority shareholders . . . . .		—	—
Dividends received/(paid) . . . . .		798.0	169.4
Interest received/(paid) . . . . .		1,277.3	49,571.5
Other items . . . . .		(1,539.6)	(24,751.1)
<b>Net cash outflow from investment activities . . . . .</b>		<b>(612,274.7)</b>	<b>(503,261.3)</b>

# **Cash flow from financing activities**

Proceeds/(repayment) of long-term bank loans . . . . .	419.7	3,897.2
Proceeds/(repayment) of long-term loans . . . . .	9,544.9	(5,694.0)
Issue/(purchase) of long-term debentures and other securities . . . . .	—	—
Proceeds/(repayment) of short-term bank loans . . . . .	(1,499.4)	193,029.4
Proceeds/(repayment) of short-term loans . . . . .	(14,825.6)	(3,035.2)
Issue/purchase of short-term debentures and other securities . . . . .	—	—
Dividends and other payments for the benefit of shareholders . . . . .	—	(37,231.6)
Leasing and hire purchase repayments . . . . .	—	—
Income from shares issued and from additional payments to capital . . . . .	946.6	(108.7)
Interest paid . . . . .	(68,816.6)	(101,421.1)
Other items . . . . .	(68,171.1)	(90,503.8)
— Bonuses from profit paid to the employees . . . . .	—	(4,972.3)
— Realised foreign exchange on loans . . . . .	—	(18,397.6)
— Holiday benefits . . . . .	—	16,185.2
— Consolidated adjustment . . . . .	(645.5)	(3,732.6)
— Other . . . . .	(74,230.4)	49,436.0
<b>Net outflow from financing activities . . . . .</b>	<b>(58,854.7)</b>	<b>(84,583.0)</b>

# **Change in cash and cash equivalents . . . . .**

<b>Cash and cash equivalents – beginning of period . . . . .</b>	<b>325,997.4</b>	<b>267,142.7</b>
<b>Cash and cash equivalents – end of period . . . . .</b>	<b>267,142.7</b>	<b>182,559.7</b>

# Explanatory notes on the adjustments to the consolidated cash flow statement

		For the 12 months ended 31st December	
		1995	1996
		PLN'000	PLN'000
<b>Cash flow from operations:</b>			
1. Adjustment to the net profit . . . . .		14,516.2	58,424.6
2. Reversal of 100% depreciation of fixed assets subject to investment relief in 1994 and 1995 . . . . .		(159,110.3)	227,536.8
3. Depreciation relating to the "regrossing" of fixed assets . . . . .		52,297.7	(52,297.7)
4. Provisions for:			
— the mine closure costs . . . . .		20,742.4	(96,796.4)
— VAT relating to 1994. . . . .		—	(303.3)
— real estate tax . . . . .		22,326.0	(22,326.0)
— environmental penalties for the years 1991-1993. . . . .		—	(30,949.5)
— guarantees granted . . . . .		—	(982.6)
— anticipated penalty interest . . . . .		—	(7,075.9)
5. Adjustment to corporate income tax . . . . .		49,228.0	(75,230.0)
<b>Total adjustments to the cash flow from operations . . . . .</b>		<b>—</b>	<b>—</b>

9.5.9. Financial statements for the entities not consolidated

9.5.9.1. Financial statements for the 12 months ended 31st December 1996 of Cuprum-Bank SA

Balance Sheet as at 31 December 1996

ASSETS

	As at 31st December 1996
	PLN'000
	27,199.0
I Cash in hand and in Central Bank . . . . .	—
II Bills of exchange entitled to be rediscounted at Central Bank . . . . .	69,280.0
III Receivables from other institutions . . . . .	156,532.6
IV Receivables from clients and State Treasury . . . . .	27,300.4
V Debt notes . . . . .	58.0
VI Shares and other securities with varying income . . . . .	—
VII Shares in subsidiaries . . . . .	12.2
VIII Shares in associates . . . . .	—
IX Shares in other entities . . . . .	542.6
X Intangible fixed assets . . . . .	12,249.0
XI Tangible fixed assets . . . . .	—
XII Shares and own shares for resale . . . . .	3,507.9
XIII Other assets . . . . .	813.9
XIV Prepayments . . . . .	—
	<u>297,495.6</u>
<b>TOTAL ASSETS . . . . .</b>	<b>297,495.6</b>

LIABILITIES

	—
I Liabilities to Central Bank . . . . .	432.2
II Liabilities to financial institutions . . . . .	219,977.5
III Liabilities to clients and the budget . . . . .	—
IV Liabilities arising as a result of securities . . . . .	17,239.8
V Special funds and other liabilities . . . . .	26,658.6
VI Accruals and deferred income . . . . .	—
VII Provisions . . . . .	—
VIII Subordinated liabilities . . . . .	20,000.0
IX Share capital . . . . .	—
X Called up capital not paid . . . . .	3,668.3
XI Reserve capital . . . . .	1,300.0
XII Other reserve capital . . . . .	2,851.5
XIII Revaluation reserve capital . . . . .	—
XIV Profit/(loss) for prior years . . . . .	5,367.7
XV Profit for the year . . . . .	—
	<u>297,495.6</u>
<b>TOTAL LIABILITIES AND EQUITY . . . . .</b>	<b>297,495.6</b>

**Profit and loss statement for the 12 months ended 31 December 1996**

For the  
12 months ended  
31 December  
1996  
PLN '000

I	Interest income . . . . .	60,018.9
II	Interest expense . . . . .	36,166.8
III	Net interest income . . . . .	<u>23,851.9</u>
IV	Commission income . . . . .	5,024.8
V	Commission expense . . . . .	197.1
VI	Net commission income . . . . .	<u>4,827.7</u>
VII	Income from sale of shares and other securities . . . . .	—
VIII	Result on financial operations . . . . .	17.3
IX	Result on foreign exchange transactions . . . . .	562.9
X	Result of banking operations . . . . .	<u>29,259.8</u>
XI	Other operating income . . . . .	466.2
XII	Other operating costs . . . . .	1,990.0
XIII	Cost of general operations . . . . .	15,361.6
XIV	Depreciation of fixed and intangible assets . . . . .	2,334.7
XV	Creation of provisions and write-offs . . . . .	1,781.2
XVI	Release of provisions and increases in valuations . . . . .	2,285.0
XVII	Difference between creation and release of provisions . . . . .	<u>503.8</u>
XVIII	Result of operations . . . . .	<u>10,543.5</u>
XIX	Result of extraordinary operations . . . . .	—
XX	Net profit before tax . . . . .	<u>10,543.5</u>
XXI	Corporate income tax . . . . .	5,175.8
XXII	Net profit . . . . .	<u><u>5,367.7</u></u>



# Statement of cash flow for the 12 months ended 31 December 1996

No

Description

For the  
12 months ended  
31 December  
1996

PLN'000

<b>A</b>	<b>Cash flow from operations</b>	<b>5,367.7</b>
<b>I</b>	<b>Net profit</b>	<b>1,355.7</b>
<b>II</b>	<b>Adjustments</b>	<b>2,334.7</b>
1	Depreciation	(4,683.0)
2	Foreign exchange gains/losses	(903.8)
3	Interest and dividends received and paid	400.0
4	Debtors provisions	5,175.7
5	Other provisions	(5,354.3)
6	Corporate income tax charge	17.0
7	Corporate income tax paid	—
8	Profits or losses on disposals of investments and capital items	20,533.9
9	Change in bills of exchange	(52,921.3)
10	Change in receivables from other financial institutions	156.8
11	Change in receivables	(6,727.5)
12	Change in shares and other securities with variable income	30,654.9
13	Change in liabilities to financial institutions	—
14	Change in liabilities to clients and budget	(751.1)
15	Change in liabilities relating to securities	(110.8)
16	Change in other liabilities	8,053.8
17	Change in prepayments	5,480.6
18	Change in accruals and deferred income	—
19	Other items	<b>6,723.4</b>
<b>III</b>	<b>Net Cash flow from operations (I-II)</b>	<b>56,483.6</b>
<b>B</b>	<b>Cash flow from investing activities</b>	<b>—</b>
<b>I</b>	<b>Inflow from investing activities</b>	<b>—</b>
1	Sale of intangible assets	—
2	Sale of fixed assets	—
3	Sale of shares in subsidiaries	—
4	Sale of shares in associates	56,483.6
5	Sale of other shares and securities (including shares and securities for resale)	—
6	Other items	(58,538.9)
<b>II</b>	<b>Outflow from investing activities</b>	<b>(422.9)</b>
1	Purchase of intangible assets	(2,475.2)
2	Purchase of fixed assets	—
3	Purchase of shares in subsidiaries	—
4	Purchase of shares in associates	(55,640.8)
5	Purchase of other shares and securities (including shares and securities for resale)	—
6	Other items	<b>(2,055.3)</b>
<b>III</b>	<b>Net cash flow from investing activities (I-II)</b>	<b>—</b>
<b>C</b>	<b>Cash flow from financing activities</b>	<b>—</b>
<b>I</b>	<b>Long term credits and loans received from banks</b>	<b>—</b>
<b>II</b>	<b>Long term credits and loans repaid to banks</b>	<b>—</b>
<b>III</b>	<b>Issue of debentures and other securities to other financial institutions</b>	<b>—</b>
<b>IV</b>	<b>Purchase of debentures and other securities from other financial institutions</b>	<b>—</b>
<b>V</b>	<b>Change in subordinated liabilities</b>	<b>(292.0)</b>
<b>VI</b>	<b>Dividends and other payments payments for the benefit of shareholders</b>	<b>—</b>
<b>VII</b>	<b>Payment of liabilities resulting from financial leasing</b>	<b>—</b>
<b>VIII</b>	<b>Income from issue of shares and additional payments to capital</b>	<b>—</b>
<b>IX</b>	<b>Other items</b>	<b>(292.0)</b>
<b>X</b>	<b>Net cash flow from financing activities (I+II+III+IV+V+VI+VII+VIII+IX)</b>	<b>4,376.1</b>
<b>D</b>	<b>Change in the level of cash and cash equivalents (A+B+C)</b>	<b>25,747.1</b>
<b>E</b>	<b>Cash and cash equivalents – beginning of period</b>	<b>30,123.2</b>
<b>F</b>	<b>Cash and cash equivalents – end of period</b>	<b>—</b>

The financial statements for 1995 have been published in MONITOR POLSKI B NR 101/96.  
The financial statements for 1996 have been submitted for publishing.

9.5.9.2 Financial statements for the 12 months ended 31 December 1996 of TOWARZYSTWO  
UBEZPIECZENÍ WZAJEMNYCH „CUPRUM”

Balance sheet as at 31 December 1996

		As at 31 December 1996
		PLN'000
<b>ASSETS</b>		
A	Intangible assets . . . . .	1.5
B	Investments . . . . .	8,752.1
I	Real estate . . . . .	—
II	Investments in subsidiaries and associates . . . . .	—
III	Other financial investments . . . . .	8,752.1
IV	Investment related receivables from transferrers . . . . .	—
C	Investments of the life insurance fund on the account and at the risk of the insurer . . . . .	—
D	Debtors and disputed claims . . . . .	958.2
I	Debtors from direct insurance . . . . .	269.9
II	Debtors from reinsurance . . . . .	685.2
III	Other debtors and disputed claims . . . . .	3.1
E	Other assets . . . . .	188.3
I	Tangible assets . . . . .	103.2
II	Cash . . . . .	85.1
III	Own shares for sale . . . . .	—
IV	Other assets . . . . .	—
F	Prepayments . . . . .	359.7
<b>TOTAL ASSETS.</b>		<b>10,259.8</b>
<b>LIABILITIES</b>		
A	Total capital . . . . .	6,879.0
I	Share capital . . . . .	2,040.0
II	Called up capital not paid . . . . .	—
III	Reserve capital . . . . .	2,449.0
IV	Reserve capital from revaluation . . . . .	—
V	Basic reserve capital . . . . .	—
VI	Profits/(losses) for years . . . . .	—
VII	Profit for current year . . . . .	2,390.0
B	Subordinated liabilities . . . . .	—
C	Technical and insurance provisions . . . . .	714.3
I	Provision for premiums and provisions to cover existing risk . . . . .	18.0
II	Provision for life insurances . . . . .	—
III	Provision for non paid indemnities and compensations . . . . .	168.3
IV	Provision for bonuses and discounts for the insured . . . . .	—
V	Provision for compensation of damage probability by force majeure . . . . .	309.3
VI	Other technical and insurance provisions . . . . .	218.7
D	Technical and insurance provisions for life insurance if the risk of deposit is covered by the insurer . . . . .	—
E	Other provisions . . . . .	132.9
F	Deposit liabilities to reinsurers . . . . .	—
G	Other liabilities and special funds . . . . .	2,509.9
I	Liabilities relating to direct insurance . . . . .	141.3
II	Liabilities relating to reinsurance . . . . .	731.6
III	Liabilities relating to own debentures . . . . .	—
IV	Liabilities to financial institutions . . . . .	—
V	Other liabilities . . . . .	1,503.0
VI	Special funds . . . . .	134.1
H	Accruals and deferred income . . . . .	23.7
<b>TOTAL LIABILITIES AND EQUITY.</b>		<b>10,259.8</b>

# Profit and loss statement for the 12 months ended 31 December 1996

		For the 12 months ended 31st December 1996
		PLN'000
I	Technical result of life and personal insurances. . . . .	2,792.3
II	Proceeds from investments. . . . .	1,565.4
III	Transfer of proceeds from investments from the part not included in technical proceeds of insurances' account. . . . .	—
IV	Costs of investing activity. . . . .	8.3
V	Other operational proceeds. . . . .	16.0
VI	Other operational costs. . . . .	4,350.0
VII	Result on operations. . . . .	—
VIII	Extraordinary gains. . . . .	—
IX	Extraordinary losses. . . . .	4,350.0
X	Gross profit before tax. . . . .	1,960.0
XI	Corporate income tax. . . . .	2,390.0
XII	Net profit. . . . .	

## Statement of cash flow for the 12 months ended 31 December 1996

No	Description	For the 12 months ended 31st December 1996
		PLN'000
A	Net cash flow from operations . . . . .	1,015.1
I	Net proceeds from premiums . . . . .	5,051.6
II	Net payments due to reinsurance. . . . .	1,650.9
III	Indemnities and compensations paid . . . . .	460.4
IV	Payments of reinsurers due to their participation in indemnities . . . . .	204.0
V	Income tax paid. . . . .	1,483.0
VI	Other operational proceeds. . . . .	421.3
VII	Other operational costs . . . . .	1,067.5
B	Net cash flow from investing activity. . . . .	(957.9)
I	Proceeds from liquidation of investments. . . . .	10,158.9
II	Costs of investments . . . . .	12,738.0
III	Proceeds from the sale of shares in subsidiaries and associates . . . . .	—
IV	Cost of purchase of shares in subsidiaries and associates . . . . .	—
V	Income from other investments . . . . .	75.0
VI	Cost of other investments . . . . .	1,803.2
VII	Interest received. . . . .	—
VIII	Dividends received . . . . .	107.0
IX	Cost of purchase of intangible and tangible fixed assets. . . . .	—
X	Proceeds from sale and disposal of intangible and tangible fixed assets . . . . .	—
XI	Other items . . . . .	—
C	Net cash flow from financial activity . . . . .	—
I	Proceeds from issuance . . . . .	—
II	Dividends paid . . . . .	—
III	Other items . . . . .	57.2
D	Change in cash and cash equivalents. . . . .	27.9
I	Cash and cash equivalents – beginning of period . . . . .	—
II	Unrealised exchange differences at balance sheet date . . . . .	85.1
III	Cash and cash equivalents – end of period . . . . .	

The financial statements for 1995 have been published in MONITOR POLSKI B NR 101/96.  
The financial statements for 1996 are in the process of being published.

## PART II: UNAUDITED INTERIM FINANCIAL STATEMENTS

### 1. The financial statements of KGHM Polska Miedź S.A. for the 3 months ended 31st March, 1997

In accordance with article 16 of the Prospectus Requirements presented below are the financial statements of KGHM Polska Miedź S.A. for the 3 months ended 31st March, 1997. The financial statements, prepared by the Management Board of the Company in accordance with the requirements of the Prospectus Requirements, have not been audited by a chartered accountant.

#### 1.1. Accounting principles applied for the valuation of assets, and equity and liabilities, and for the measurement of financial results.

The Company continues to apply the accounting principles described in point 7.3 of Appendix A of this Prospectus. A resolution of the Management Board from 7th April, 1997 has modified the classification of certain fixed and intangible assets.

Assets are treated as fixed or intangible assets if their value exceeds PLN 300 and period of their exploitation exceeds one year. Fixed assets and intangible assets are fully depreciated when brought into use if their initial value does not exceed PLN 2,500. This modification may have an influence on the financial result of the year 1997 which will be difficult to estimate.

##### 1.1.1. Information on fixed assets fully depreciated when brought into use

	01.01- 31.03.1996	01.01- 31.12.1996	01.01- 31.03.1997
	PLN'000	PLN'000	PLN'000
Total depreciation . . . . .	54,467.3	261,794.8	74,403.1
Depreciation of fixed assets fully depreciated when brought into use . . . . .	1,998.4	9,310.7	674.4
Percentage of total depreciation . . . . .	3.7%	3.6%	0.9%

## 1.2. Balance sheet as at 31st March, 1997

	Note No	As at 31st March 1997 PLN'000
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible fixed assets . . . . .	1)	9,353.5
Tangible fixed assets . . . . .	2)	2,487,772.1
Long-term investments . . . . .	3)	697,777.8
Long-term debtors . . . . .	4)	19,579.4
<b>Total fixed assets . . . . .</b>		<b>3,214,482.8</b>
<b>Current assets</b>		
Stocks . . . . .	5)	752,059.3
Short-term debtors . . . . .	6)	321,491.9
Short-term investments . . . . .	7)	199,419.0
Cash at bank and in hand . . . . .	8)	138,323.6
<b>Total current assets . . . . .</b>		<b>1,411,293.8</b>
<b>Prepayments . . . . .</b>	9)	<b>52,013.9</b>
<b>TOTAL ASSETS . . . . .</b>		<b>4,677,790.5</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital . . . . .	10)	530,000.0
Called up share capital not paid . . . . .		—
Reserve capital . . . . .	11)	2,220,108.6
Fixed asset revaluation reserve capital . . . . .	12)	768,999.0
Other reserve capital . . . . .	13)	—
Profit /(loss) for prior years . . . . .		115,679.9
Profit /(loss) for the period . . . . .		—
<b>Total equity . . . . .</b>		<b>3,634,787.5</b>
<b>Provisions for liabilities and charges . . . . .</b>	14)	<b>269,331.2</b>
<b>Creditors</b>		
Creditors – amounts falling due after more than one year . . . . .	15)	2,400.0
Creditors – amounts falling due within one year . . . . .	16)	653,512.4
<b>Total creditors . . . . .</b>		<b>655,912.4</b>
<b>Accruals and deferred income . . . . .</b>	17)	<b>117,759.4</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b>4,677,790.5</b>



1.3. Profit and loss account for the 3 months ended 31st March, 1997

	Note No	For the 3 months ended 31st March 1997  PLN'000
Revenue from sales of goods and products . . . . .	18)	970,983.6
Revenue from sales of goods and materials . . . . .		18,958.7
Revenue from sales of products . . . . .		952,024.9
Cost of sales . . . . .	19)	(643,358.5)
Cost of goods and materials sold . . . . .		(17,792.9)
Cost of manufacturing products sold . . . . .		(625,565.6)
<b>Gross profit . . . . .</b>		<b>327,625.1</b>
Selling costs . . . . .	19)	(14,043.0)
General administration costs . . . . .	19)	(62,831.8)
Other operating income . . . . .	20)	25,551.4
Other operating costs . . . . .	21)	(36,444.2)
<b>Profit on operations . . . . .</b>		<b>239,857.5</b>
Income from shares in other entities, of which:		
Subsidiaries . . . . .		—
Associates . . . . .		—
Income from other fixed asset investments, of which:		
Subsidiaries . . . . .		—
Associates . . . . .		—
Other financial income . . . . .	22)	164,226.3
Financial costs . . . . .	23)	(161,867.0)
<b>Profit on ordinary activities before tax . . . . .</b>		<b>242,216.8</b>
Results of extraordinary events:		
Extraordinary gains . . . . .	24)	10.3
Extraordinary losses . . . . .	25)	(213.3)
<b>Profit before tax . . . . .</b>		<b>242,013.8</b>
Corporate income tax . . . . .	26)	(106,465.6)
Other obligatory reductions of profit . . . . .	27)	(19,868.3)
<b>Net profit after tax . . . . .</b>		<b>115,679.9</b>
<b>Net profit per share (in PLN) . . . . .</b>		<b>21.83</b>
<b>Net profit per share (in PLN) after the increase in share capital approved by a resolution of the shareholders dated 30 April 1997 (see note 10) . . . . .</b>		<b>0.58</b>



1.4. Cash flow statement for the 3 months ended 31st March, 1997

Item

01.01-31.03.  
1997

TPLN

	115,679.9
<b>Cash flow from operations:</b>	
Net profit/(loss)	75,262.5
Adjustments for the following items	5,775.9
Depreciation	5,475.8
Foreign exchange gains/losses	(23,013.2)
Interest and dividends received and paid	(4,616.1)
Debtors reserves.	106,465.6
Other reserves.	(98,746.8)
Corporate income tax charge.	(1,446.2)
Corporate income tax paid.	(20,807.3)
Profit/(loss) on disposals of investments and capital items.	23,564.9
Change in stock.	
Change in debtors.	88,843.4
Change in Creditors – amounts falling due within one year (except loans and credits) and special funds	(34,702.3)
Change in prepayments	77,654.9
Change in creditors and accruals.	(88,187.2)
Other items	(20,673.0)
— Appropriation of profit to the Social Fund.	(62,205.0)
— Adjustment of the value of fixed assets	(376.6)
— Write-downs updating the value of securities	(4,932.6)
— Other	
<b>Total adjustments</b>	<b>111,523.9</b>
<b>Net cash inflow from operations</b>	<b>227,203.8</b>
<b>Cash flow from investing activities</b>	(560.2)
(Purchase)/sale of intangible fixed assets	(72,785.1)
(Purchase)/sale of tangible fixed assets	(8,693.9)
(Purchase)/sale of shares in subsidiaries and other securities issued by these entities	—
(Purchase)/sale of shares in associated entities and other securities issued by these entities	(38,500.0)
(Purchase)/sale of other long-term investments	(10,124.4)
(Purchase)/sale of other shares and securities, including short-term investments	81.4
Loans received/repaid	—
Dividends paid to minority shareholders	—
Dividends received/(paid)	(2,969.6)
Interest received/(paid)	—
Other items	(133,551.8)
<b>Net cash outflow on investment activities</b>	<b>—</b>
<b>Cash flow on financing activities</b>	<b>—</b>
Receipt/(repayment) of long-term bank loans	—
Receipt/(repayment) of long-term loans	29,939.9
Issue/(purchase) of long-term debentures and other securities	—
Receipt/(repayment) of short-term bank loans.	—
Receipt/(repayment) of short-term loans	—
Issue/(purchase) of short-term debentures and other securities	—
Dividends and other payments for the benefit of shareholders	—
Leasing and hire purchase repayments	(5,475.8)
Income from shares issued and from additional payments to capital	(66,690.6)
Interest paid.	(70,748.5)
Other items	4,057.9
— Rewards from profit paid to the employees	—
— Realised foreign exchange gains	(42,226.5)
<b>Net outflow on financing activities</b>	<b>51,425.5</b>
<b>Change in cash and cash equivalents</b>	<b>86,898.1</b>
<b>Cash and cash equivalents – beginning of period.</b>	<b>138,323.6</b>
<b>Cash and cash equivalents – end of period.</b>	<b>—</b>

# 1.5. Notes to the financial statements

Notes to the balance sheet as at 31st March, 1997

## Note 1 – Intangible fixed assets

As at  
31st March  
1997

PLN'000

### 1.1. Intangible fixed assets by group

Organisation costs incurred when founding or expanding a joint stock company . . . . .	—
Research and development costs . . . . .	318.8
Goodwill . . . . .	—
Concessions, patents, licences and similar . . . . .	3,851.5
Software . . . . .	3,301.5
Perpetual usufruct of land . . . . .	112.9
Other intangible fixed assets . . . . .	1,768.8
Payments on account of intangible assets . . . . .	—
	<b>9,353.5</b>

### 1.2. Movements in intangible fixed assets

Movements in intangible assets  
01.01. – 31.03.1997 (PLN'000)

	Total	Research and development costs	Concessions, patents, licences	Software	Perpetual usufruct of land	Other
<b>1 Gross book value – beginning of period . . . . .</b>	<b>16,321.0</b>	<b>405.4</b>	<b>4,902.6</b>	<b>6,401.8</b>	<b>149.1</b>	<b>4,462.1</b>
<b>2 Additions . . . . .</b>	<b>560.2</b>	<b>83.0</b>	<b>319.1</b>	<b>158.1</b>	<b>—</b>	<b>—</b>
2.1 Completion of capital development . . . . .	560.2	83.0	319.1	158.1	—	—
<b>3 Disposals . . . . .</b>	<b>55.4</b>	<b>—</b>	<b>—</b>	<b>51.6</b>	<b>3.8</b>	<b>—</b>
3.1 Contributions in-kind . . . . .	30.4	—	—	26.6	3.8	—
3.2 Other . . . . .	25.0	—	—	25.0	—	—
<b>4 Gross book value – end of period . . . . .</b>	<b>16,825.8</b>	<b>488.4</b>	<b>5,221.7</b>	<b>6,508.3</b>	<b>145.3</b>	<b>4,462.1</b>
<b>5 Accumulated amortisation – beginning of period . . . . .</b>	<b>6,615.2</b>	<b>134.5</b>	<b>1,185.8</b>	<b>2,684.1</b>	<b>27.5</b>	<b>2,583.3</b>
<b>6 Changes in amortisation during the period (6.1-6.2) . . . . .</b>	<b>857.1</b>	<b>35.1</b>	<b>184.4</b>	<b>522.7</b>	<b>4.9</b>	<b>110.0</b>
<b>6.1 Additions: . . . . .</b>	<b>910.3</b>	<b>35.1</b>	<b>184.4</b>	<b>575.2</b>	<b>5.6</b>	<b>110.0</b>
Amortisation charge . . . . .	889.8	35.1	184.4	554.7	5.6	110.0
Other . . . . .	20.5	—	—	20.5	—	—
<b>6.2 Disposals: . . . . .</b>	<b>53.2</b>	<b>—</b>	<b>—</b>	<b>52.5</b>	<b>0.7</b>	<b>—</b>
Contributions in kind . . . . .	16.1	—	—	15.4	0.7	—
Other . . . . .	37.1	—	—	37.1	—	—
<b>7 Accumulated amortisation – end of period . . . . .</b>	<b>7,472.3</b>	<b>169.6</b>	<b>1,370.2</b>	<b>3,206.8</b>	<b>32.4</b>	<b>2,693.3</b>
<b>8 Net book value – end of period . . . . .</b>	<b>9,353.5</b>	<b>318.8</b>	<b>3,851.5</b>	<b>3,301.5</b>	<b>112.9</b>	<b>1,768.8</b>

## Note 2 – Tangible fixed assets

### 2.1. Tangible fixed assets by group

	As at 31st March 1997
	PLN'000
	2,838.2
Land . . . . .	1,511,671.3
Buildings . . . . .	640,346.4
Plant and machinery . . . . .	22,962.8
Vehicles . . . . .	17,294.3
Other . . . . .	<u>2,195,113.0</u>

### 2.2. Assets under construction and payments on account

Assets in course of construction . . . . .	286,514.2
Payments on account . . . . .	<u>6,144.9</u>
	292,659.1
<b>Total tangible fixed assets . . . . .</b>	<b><u>2,487,772.1</u></b>

The Company intends to invest USD54 million in the exploitation of mineral deposits in Zaire. In the first quarter of 1997 the Company prepaid USD10 million for the economic rights to the deposits. In 1997 the Company plans to invest approximately a further USD9 million in purchasing machinery and equipment required for the exploitation of the deposits. Despite the unstable political situation in Zaire, in the opinion of the Management Board there is no risk of a permanent diminution in value of this asset or a reduction of its usefulness to the Company.

### 2.3. Movements in tangible fixed assets

Movements in tangible fixed assets  
01.01 – 31.03.1997 (PLN'000)

	Total	Own land	Buildings	Plant and machinery	Vehicles	Other
<b>1 Gross book value – beginning of period . . . . .</b>	<b>5,922,592.6</b>	<b>2,848.1</b>	<b>3,229,171.9</b>	<b>2,450,220.3</b>	<b>167,441.6</b>	<b>72,910.7</b>
<b>2 Additions . . . . .</b>	<b>21,779.4</b>	<b>32.2</b>	<b>3,310.1</b>	<b>16,623.0</b>	<b>949.4</b>	<b>864.7</b>
2.1 Completion of capital development . . . . .	18,909.9	32.2	3,310.1	13,839.3	894.9	833.4
2.2 Contribution in-kind . . . . .	54.5	—	—	—	54.5	—
2.3 Other . . . . .	2,815.0	—	—	2,783.7	—	31.3
<b>3 Disposals . . . . .</b>	<b>187,973.5</b>	<b>42.1</b>	<b>71,982.3</b>	<b>32,336.5</b>	<b>73,581.9</b>	<b>10,030.7</b>
3.1 Sale . . . . .	180.2	—	—	155.7	23.0	1.5
3.2 Scrapping . . . . .	5,925.4	—	1,683.2	2,984.7	257.2	1,000.3
3.3 Contribution in kind . . . . .	178,943.1	42.1	70,299.1	27,272.0	72,368.4	8,961.5
3.4 Donations . . . . .	99.3	—	—	82.5	14.6	2.2
3.5 Other . . . . .	2,825.5	—	—	1,841.6	918.7	65.2
<b>4 Gross book value – end of period . . . . .</b>	<b>5,756,398.5</b>	<b>2,838.2</b>	<b>3,160,499.7</b>	<b>2,434,506.8</b>	<b>94,809.1</b>	<b>63,744.7</b>
<b>5 Accumulated depreciation – beginning of period . . . . .</b>	<b>3,613,144.0</b>	<b>—</b>	<b>1,660,955.4</b>	<b>1,775,385.2</b>	<b>124,291.0</b>	<b>52,512.4</b>
<b>6 Changes in depreciation charges during the period (6.1 – 6.2). . . . .</b>	<b>(51,858.5)</b>	<b>—</b>	<b>(12,126.9)</b>	<b>18,775.3</b>	<b>(52,444.7)</b>	<b>(6,062.2)</b>
6.1 Additions . . . . .	75,567.0	—	27,635.5	44,317.0	1,506.1	2,108.4
Depreciation charge . . . . .	73,592.7	—	27,823.7	42,113.8	1,521.8	2,133.4
Other . . . . .	1,974.3	—	(188.2)	2,203.2	(15.7)	(25.0)
6.2 Disposals . . . . .	127,425.5	—	39,762.4	25,541.7	53,950.8	8,170.6
Sale . . . . .	179.1	—	—	155.7	21.9	1.5
Scrapping . . . . .	5,084.8	—	952.1	2,877.9	254.9	999.9
Contribution in kind . . . . .	120,015.4	—	38,809.9	21,255.8	52,800.3	7,149.4
Donations . . . . .	64.5	—	—	47.6	14.7	2.2
Other . . . . .	2,081.7	—	0.4	1,204.7	859.0	17.6
<b>7 Accumulated depreciation end of period . . . . .</b>	<b>3,561,285.5</b>	<b>—</b>	<b>1,648,828.5</b>	<b>1,794,160.5</b>	<b>71,846.3</b>	<b>46,450.2</b>
<b>8 Net book value – end of period . . . . .</b>	<b>2,195,113.0</b>	<b>2,838.2</b>	<b>1,511,671.2</b>	<b>640,346.3</b>	<b>22,962.8</b>	<b>17,294.5</b>

### 2.4. Fixed assets by class of ownership

As at  
31st March 1997

Own . . . . .	PLN'000
Used on the basis of a leasing contract or similar arrangements and included in the assets of the Issuer. . . . .	2,195,113.0
Off-balance sheet assets used on the basis of a leasing contract or similar arrangements and included in the assets of the lessee . . . . .	44.2
	<b>2,195,157.2</b>

# Note 3 – Long-term investments

## 3.1. Long-term investments by type

	As at 31st March 1997
	PLN'000
Shares, of which:	693,858.6
in subsidiaries	514,421.5
in associates	22,517.4
Long-term loans granted, of which:	3,919.2
to subsidiaries	—
to associates	—
Other long-term investments, of which:	—
in subsidiaries	—
in associates	—
	<u>697,777.8</u>

### 3.2 Shares in subsidiaries, associates and other entities

#### 3.2(a) Shares in subsidiaries.

Name of entity and its legal form	Seat	Area of business	Book value of shares PLN'000	Share in capital, (%)	Share capital PLN'000	Reserve capital PLN'000	Other reserves PLN'000	Profit/(loss) after tax Jan - March 1997 PLN'000	Share capital not paid PLN'000	Dividends received or due for the last year PLN'000
1. INTERFERIE Spółka z ograniczoną odpowiedzialnością	Lubin	tourist and recreation services	48,149.8	100%	48,245.4	71.7	1,541.0	(964.3)	95.6	—
2. PPH KSANTE Sp. z o.o.	Połkowice	production and trade in chemical substances	9,623.6	100%	9,623.6	269.3	—	78.8	—	—
3. Energetyka Spółka z o.o.	Lubin	production and trade in electrical and steam energy	47,598.0	100%	47,598.0	2,878.7	—	2,512.3	—	—
4. Zakład Wyrobów Gumowych Spółka z ograniczoną odpowiedzialnością	Iwiny	production and trade in synthetic and rubber products	11,292.5	100%	11,292.5	42.8	—	46.0	—	—
5. Polskie Centrum Promocji Miedzi S.A.	Wrocław	promotion of copper products	65.0	65%	100.0	—	—	94.6	—	—
6. MIEDZIOWE CENTRUM ZDROWIA S.A.	Lubin	medical services	60,121.0	99.99%	60,121.2	—	—	(78.8)	—	—
7. CBPM CUPRUM Spółka z o.o.	Wrocław	research work regarding the utilisation of copper	3,506.5	100%	3,506.5	672.4	481.3	(189.3)	—	—
8. KGHM Polish Copper Ltd.	London	trade	6,903.3	100%	10,039.2	35,981.1	—	—	—	—
9. KGHM Metale S.A.	Lubin	trade	67,957.4	87.38%	77,771.7	—	—	5,017.7	—	—
10. DSI S.A.	Lubin	investment activity	111,053.4	100%	111,053.4	2,501.4	—	(2,284.9)	—	—
11. CBJ Spółka z o.o.	Lubin	research, technical analyses	10,917.5	99.99%	10,917.8	—	—	344.0	—	—
12. AQUAKONRAD S.A.	Iwiny	production of mineral water, drawing, purification and distribution of water	5,847.0	70.02%	16,700.0	—	—	(4,214.2)	5,847.0	—
13. POL-MIEDŹ TRANS Spółka z o.o.	Lubin	transport services, trade in solid fuels	121,451.1	100%	121,451.1	5,180.0	—	546.6	—	—
14. KGHM Kaupferhandels G.m.b.H	Vienna	trade in metals, chemicals and synthetics	924.7	100%	912.8	—	—	113.4	—	—
15. "SUWIR" Spółka z o.o.	Głogów	foundry, production of steel constructions	2,300.2	99.87%	2,303.2	—	—	240.2	—	—
16. "REMY" Spółka z o.o.	Głogów	production of metal constructions, building services	3,833.8	99.92%	3,836.8	—	—	620.3	—	—
17. "HUTMECH" Spółka z o.o.	Głogów	initial processing of steel, production of mechanical tools	2,876.7	99.90%	2,879.7	—	—	74.2	—	—
<b>Total</b>			<b>514,421.5</b>							



### 3.2(b) Shares in associated

Entity	Seat	Area of business	Book value of shares PLN'000	Share in capital (%)	Share capital PLN'000	Reserve capital PLN'000	Other capital PLN'000	Profit (loss) after tax Jan - March 1997 PLN'000	Share capital not paid PLN'000	Dividends received or due for the last year PLN'000
1. Krakowska Fabryka Kabli Spółka akcyjna	Kraków	production of cables	17,233.4	34.54%	77,525.4	85,307.8	—	2,284.7	—	—
2. Cuprum Bank SA	Lubin	banking services	5,234.0	26.17%	20,000.0	3,668.3	4,151.5	1,492.0	—	—
3. "Blastexpol" Sp. z o.o.	Lubin	production, trade and services re explosives for mining	50.0	33.33%	150.0	—	—	—	—	—
<b>Total</b>			<b>22,517.4</b>							

### 3.2(c) Shares in other entities.

Entity	Seat	Areas of business	Book value of shares PLN'000	Share in capital (%)	Percentage of vote in the General Meeting	Equity in PLN'000
1. "TUW CUPRUM"	Lubin	Insurance	1,900.0	93.14%	93.14%	2,040
2. Polkomtel S.A.	Warszawa	Mobile telephones	140,717.5	19.25%	19.25%	531,000
3. Polskie Towarzystwo Reasekuracyjne S.A.	Warszawa	Reinsurance	12,500.0	19.19%	19.19%	65,150
4. ZP Krapkowice S.A.	Krapkowice	Paper production	1,789.2	9.63%	9.63%	18,620
5. "Huta Szczecin" S.A.	Szczecin	Production of steel	3.4	0.06%	0.06%	6,000
6. "Energomontaż - Zachód" S.A.	Wrocław	Construction services	1.5	0.02%	0.02%	4,200
7. Huta "Ostrowiec" S.A.	Ostrowiec	Production of steel	7.9	0.01%	0.01%	64,037.6
8. "Diora" S.A.	Dzierżoniów	Electronic equipment	0.2	0.0009%	0.0009%	23,120.7
<b>Total</b>			<b>156,919.7</b>			

### Note 4 - Long-term debtors

	As at 31st March 1997 PLN'000
Long-term debtors:	
subsidiaries . . . . .	17,604.4
associates . . . . .	938.6
other . . . . .	1,795.0
	<b>20,338.0</b>
	(758.6)
Long-term debtors provision . . . . .	
	<b>19,579.4</b>
<b>Net long-term debtors . . . . .</b>	

## Note 5 – Stocks

	As at 31st March 1997
	PLN'000
Materials . . . . .	85,056.5
Semiproducs and work in progress . . . . .	611,644.0
Finished products . . . . .	55,326.8
Traded goods . . . . .	—
Payments on account . . . . .	32.0
	<b>752,059.3</b>

## Note 6 – Short-term debtors

### 6.1. Short-term debtors by type

	As at 31st March 1997
	PLN'000
Trade debtors, of which:	249,565.4
subsidiaries . . . . .	19,935.2
associates . . . . .	60,207.6
Other debtors – subsidiaries . . . . .	371.0
Other debtors – associates . . . . .	580.3
Tax, subsidy and social insurance debtors . . . . .	39,706.3
Intercompany debtors . . . . .	—
Disputed claims . . . . .	648.4
Other debtors . . . . .	36,227.3
	<b>327,098.7</b>
Short-term debtors reserve . . . . .	(5,606.8)
<b>Balance sheet short-term debtors . . . . .</b>	<b>321,491.9</b>

### 6.2 Ageing of outstanding trade debtors:

	As at 31st March 1997
	PLN'000
Less than 1 month . . . . .	231,270.1
1 to 3 months . . . . .	14,105.0
3 to 6 months . . . . .	2,107.8
6 months to 1 year . . . . .	499.7
More than 1 year . . . . .	1,582.8
	<b>249,565.4</b>

The usual payment terms do not exceed one month.

As at 31st March, 1997 there is a receivable from the Łabędy Metal Rolling Mill in Gliwice S.A. ("Łabędy") of 9.8 million złoty. The Company entered into a prefinancing agreement with Łabędy in which the date for payment for copper delivered to the mill was deferred. For the extended period the Company charges interest at the bank credit rate. Łabędy is currently executing the terms of the agreements. KGHM Metale S.A. (a subsidiary of KGHM Polska Miedź S.A.) owns 32% of the shares in "Łabędy", which under the provisions of the commercial code allow the Company to influence the day to day activity in "Łabędy". In the opinion of the Company's Management Board, the recovery of the account receivable from "Łabędy" is not at risk and therefore no provision for doubtful debts has been established as at 31st March, 1997.

### 6.3. Debtors by currency

	As at 31st March 1997
	PLN'000
Debtors in PLN . . . . .	263,725.8
Debtors in foreign currency . . . . .	63,372.9
	<u>327,098.7</u>

### Note 7 – Short-term investments

#### 7.1 Short-term investments by group

	As at 31st March 1997
	PLN'000
Short-term investments . . . . .	—
Short-term investments in subsidiaries, of which: . . . . .	—
shares . . . . .	—
Short-term investments in associates, of which: . . . . .	—
shares . . . . .	199,419.0
Other short-term investments . . . . .	<u>199,419.0</u>

#### 7.2. Short-term investments by liquidity

	As at 31st March 1997
	PLN'000
Unrestricted trading, quoted on the Stock Exchange . . . . .	125,496.5
Unrestricted trading, not quoted on the Stock Exchange. . . . .	73,922.5
Restricted trading . . . . .	—
	<u>199,419.0</u>

### Note 8 – Cash in hand and at bank

	As at 31st March 1997
	PLN'000
Cash at hand . . . . .	573.5
Cash in bank . . . . .	137,319.1
Cash equivalents . . . . .	431.0
	<u>138,323.6</u>

### Note 9 – Prepayments

	As at 31st March 1997
	PLN'000
Prepayments of costs . . . . .	52,013.9
Other prepayments . . . . .	—
	<u>52,013.9</u>

## Note 10 – Share capital

The share capital of the company as at 31st March, 1997 is made up of 5,300,000 bearer shares held by the State Treasury of nominal value PLN100 each.

On 30th April, 1997 the general meeting of shareholders passed resolution no. 2 deciding to raise the share capital of the Company to PLN 2,000,000,000 through a transfer of PLN 1,470,000,000 from reserve capital to share capital. 147,000,000 new bearer shares taken over by the State Treasury represented by the Treasury Minister were thus created. Resolution no. 3 passed at the same general meeting changed the nominal value of each share to PLN 10, thus one previous share of nominal value PLN 100 equals 10 shares with a nominal value of PLN 10 each.

## Note 11 – Reserve capital

### 11.1. Reserve capital by type

	<i>As at 31st March 1997</i>
	<i>PLN'000</i>
Share premium account . . . . .	—
Statutory reserves . . . . .	1,980,006.0
Reserve created in accordance with statutory requirements in an amount higher than obligatory	240,102.6
Additional payments to reserve capital . . . . .	—
Other . . . . .	—
	<b>2,220,108.6</b>

### 11.2. Movements in reserve capital

	<i>For the 3 months ended 31st March 1997</i>
	<i>PLN'000</i>
Opening balance . . . . .	2,108,835.2
Increases: . . . . .	111,273.4
profit distribution . . . . .	55,803.3
transfer from other reserve capital . . . . .	34,521.7
transfer from revaluation capital . . . . .	20,948.4
Closing balance . . . . .	<b>2,220,108.6</b>

## Note 12 – Fixed asset revaluation reserve capital movements

	<i>For the 3 months ended 31st March 1997</i>
	<i>PLN'000</i>
Opening balance . . . . .	789,947.4
Decrease: . . . . .	(20,948.4)
transfer to reserve capital when related to fixed assets written off . . . . .	(20,948.4)
Closing balance . . . . .	<b>768,999.0</b>

## Note 13 – Other reserve capital

### 13.1. Other reserve capital by type

	<i>As at 31st March 1997</i>
	<i>PLN'000</i>
Other reserve capital . . . . .	—

### 13.2. Movements in other reserve capital

	For the 3 months ended 31st March 1997
	PLN'000
Opening balance . . . . .	34,521.7
Decrease: . . . . .	(34,521.7)
transfer to reserve capital . . . . .	(34,521.7)
Closing balance . . . . .	—

### Note 14 – Provisions

#### 14.1. Provisions by type

	As at 31st March 1997
	PLN'000
Provisions for corporate income tax . . . . .	71,084.9
Other provisions. . . . .	202,382.1
	273,467.0
	(4,135.8)
Provision for debtors . . . . .	269,331.2

#### 14.2. Movements in provisions

	For the 3 months ended 31st March 1997
	PLN'000
Opening balance . . . . .	301,096.3
Increases: . . . . .	7,536.0
provision for anticipated losses . . . . .	7,164.0
debtors provision . . . . .	372.0
Decreases: . . . . .	(35,165.3)
repayments of debts. . . . .	(169.5)
debts waived . . . . .	(175.9)
bad debts written off . . . . .	(10.6)
release of deferred corporate income tax provision . . . . .	(10,796.2)
release of real estate tax provision . . . . .	(23,027.0)
other . . . . .	(986.1)
	273,467.0
	(4,135.8)
Provision for debtors . . . . .	269,331.2
Closing balance . . . . .	269,331.2

**Note 15 – Creditors – amounts falling due after more than one year**

**15.1. Creditors – amounts falling due after more than one year by group**

	<i>As at 31st March 1997</i>
	<i>PLN'000</i>
Long-term bank loans . . . . .	—
Other long-term loans, of which . . . . .	2,400.0
from subsidiaries . . . . .	—
from associates . . . . .	—
Long-term securities. . . . .	—
Long-term financial leases . . . . .	—
State Treasury creditor – perpetual usufruct of land. . . . .	—
Other . . . . .	—
	<b>2,400.0</b>

**15.2. Creditors – amounts falling due after more than one year by currency**

	<i>As at 31st March 1997</i>
	<i>PLN'000</i>
Creditors – amounts falling due after more than one year in PLN . . . . .	2,400.0
Creditors – amounts falling due after more than one year in foreign currency . . . . .	—
	<b>2,400.0</b>

**15.3. Creditors – amounts falling due after more than one year by maturity**

	<i>As at 31st March 1997</i>
	<i>PLN'000</i>
1 to 3 years . . . . .	2,400.0
3 to 5 years . . . . .	—
More than 5 years . . . . .	—
	<b>2,400.0</b>

**15.4. Creditors – amounts falling due after more than one year as at 31st March, 1997**

<i>Entity</i>	<i>Seat</i>	<i>Amount of loan</i>	<i>Interest</i>	<i>Repayment period</i>	<i>Security</i>
Narodowy Fundusz Ochrony Środowiska (National Environment Protection Fund)	Warszawa	1,000.0 TPLN	50% of the refinancing loan interest rate	25.09.98	mortgage on real estate of HM Cedynia
Wojewódzki Fundusz Ochrony Środowiska i Gospodarki 'Wodnej' (Regional Environment Protection and Water Resources Administration Fund)	Legnica	1,400.0 TPLN	60% of the refinancing loan interest rate	30.12.97	Transfer of rights to a deposit at Cuprum- Bank SA II O/Lubin



**Note 16 – Creditors – amounts falling due within one year**

**16.1. Creditors – amounts falling due within one year by group**

	As at 31st March 1997
	PLN'000
Bank loans . . . . .	233,264.6
Loans, of which: . . . . .	—
from subsidiaries . . . . .	—
from associates . . . . .	—
Short-term debt notes . . . . .	110,895.7
Trade creditors . . . . .	61,943.2
Tax, customs and social insurance creditors . . . . .	4,025.6
Payroll creditor . . . . .	111,960.0
Long-term creditors due for payment within one year . . . . .	68,924.8
Social Fund . . . . .	1,056.1
Bonus Fund created from a proportion of net profit . . . . .	2,013.7
Industry related fund created from net of profit . . . . .	59,428.7
Other creditors – amounts falling due within one year . . . . .	653,512.4

**16.2. Amounts falling due within one year – by currency**

	As at 31st March 1997
	PLN'000
Creditors – amounts falling due within one year in PLN . . . . .	307,642.8
Creditors – amounts falling due within one year in foreign currency . . . . .	345,869.6
	653,512.4

**16.3. Creditors – short-term bank loans as at 31st March, 1997**

Creditor	Seat	Currency	Amount in TPLN	Interest	Date of repayment	Security
1. Bank Rozwoju Eksportu	Wrocław	USD	30,760.0	LIBOR USD 3MO +0.5%	12.06.97	Bill of exchange in blanco
2. Citibank Poland S.A.	Warszawa	USD	56,906.0	LIBOR USD 1MO +0.25%	15.05.97	None
3. Societe Generale	Warszawa	JPY	55,338.4	fixed 0.8025%	21.05.97	Treasury bonds
4. Bank Rozwoju Eksportu	Wrocław	USD	30,760.0	6.09375%	14.07.97	None
5. ING Bank	Warszawa	CHF	29,054.9	AIBOR +0.25%	30.04.97	None
6. ING Bank	Warszawa	NLG	28,882.9	AIBOR +0.25%	30.04.97	None

## Note 17 – Accruals and deferred income

	As at 31st March 1997
	PLN'000
Accruals . . . . .	9,338.1
Deferred income, of which: . . . . .	108,421.3
unrealised exchange gains . . . . .	—
	<u>117,759.4</u>

## Notes to the profit and loss account

### Note 18 – Revenue from sales of goods and products

#### 18.1. Revenue from sales of goods and products by group

	For the 3 months ended 31st March 1997
	PLN'000
Revenue from sales of goods and materials . . . . .	18,958.7
Revenue from sales of goods . . . . .	7,068.9
Revenue from sales of materials . . . . .	11,889.8
Revenue from net sales of products . . . . .	952,024.9
Revenue from sales of products . . . . .	945,695.7
Revenue from sales of services . . . . .	6,329.2
	<u>970,983.6</u>

#### 18.2. Revenue from sales of goods and products by destination

	For the 3 months ended 31st March 1997
	PLN'000
Domestic revenue from sales of goods and products . . . . .	335,473.2
Revenue from sales of goods and materials . . . . .	12,075.8
Revenue from sales of products . . . . .	323,397.4
Export revenue from sales of goods and products . . . . .	635,510.4
Revenue from sales of goods and materials . . . . .	6,882.9
Revenue from sales of products . . . . .	628,627.5
	<u>970,983.6</u>

## Note 19 – Cost of sales

### 19.1. Cost of sales

	As at 31st March 1997
	PLN'000
Cost of sales of goods and products . . . . .	643,358.5
Selling costs . . . . .	14,043.0
General administration costs . . . . .	62,831.8
	<u>720,233.3</u>

## 19.2. Main items of cost by group

	<i>As at 31st March 1997</i>
	<i>PLN'000</i>
Materials and energy . . . . .	277,592.9
External services . . . . .	125,453.0
Wages and salaries . . . . .	139,510.6
Social insurance and similar items . . . . .	84,669.8
Depreciation . . . . .	74,403.2
Taxes and charges . . . . .	61,312.4
Other . . . . .	7,868.7
Change in stock level . . . . .	(53,232.2)
Cost of materials and goods sold . . . . .	(17,792.9)
Own work capitalised . . . . .	(15,138.0)
	<b>720,233.3</b>
Cost of sales . . . . .	

Part of the cost of privatisation of KGHM Polska Miedź S.A. is directly incurred by the Company itself. This cost is estimated at PLN22,000 thousand. In the first quarter of 1997, services connected with the privatization, in particular relating to the economic and financial analysis, legal due diligence and preparation of the domestic and international prospectuses, was at an advanced stage. The cost of this work has not been included in the Company's books of account. In accordance with the adopted accounting principles, the Company will account for these costs on a cash basis.

The planned costs of renovation for 1997 at Głogów Smelter amounted to PLN131.2 million. In the first quarter of 1997, this division incurred cost of PLN16.7 million representing 12.7% of the planned annual costs. The remaining costs will be charged against the Company's profit when payment is made in cash later in the financial period.

## 19.3. Additional depreciation

	<i>As at 31st March 1997</i>
	<i>PLN'000</i>
Adjustment of depreciation of fixed assets subject to investment relief in 1994 and 1995 . . . . .	(99.4)
Depreciation of fixed assets scrapped . . . . .	840.7
Depreciation of fixed assets sold . . . . .	1.1
Depreciation of fixed assets given out . . . . .	37.5
Other . . . . .	79.4
	<b>859.3</b>

## Note 20 – Other operating income

	<i>For the 3 months ended 31st March 1997</i>
	<i>PLN'000</i>
Sales of fixed assets . . . . .	38.8
Subsidies . . . . .	24.5
Other . . . . .	25,488.1
	<b>25,551.4</b>

**Note 21 – Other operating costs**

	<i>For the 3 months ended 31st March 1997</i>
	<i>PLN'000</i>
Cost of fixed assets sold . . . . .	8.8
Adjustments of stock . . . . .	87.6
Other . . . . .	36,347.8
	<u>36,444.2</u>

**Note 22 – Financial income**

	<i>For the 3 months ended 31st March 1997</i>
	<i>PLN'000</i>
Interest, of which: . . . . .	17,638.0
from subsidiaries . . . . .	350.6
from associates . . . . .	1,057.6
Income from sales of securities . . . . .	139,320.9
Foreign exchange gains . . . . .	7,343.8
Other . . . . .	(76.4)
	<u>164,226.3</u>

**Note 23 – Financial expense**

	<i>For the 3 months ended 31st March 1997</i>
	<i>PLN'000</i>
Adjustments to the value of long-term investments and short-term investments. . . . .	608.2
Interest, of which: . . . . .	5,673.0
to subsidiaries . . . . .	197.2
to associates . . . . .	—
Cost of securities sold. . . . .	137,001.4
Foreign exchange losses, of which: . . . . .	17,863.4
realised. . . . .	3,285.9
unrealised . . . . .	14,577.4
Other . . . . .	721.0
	<u>161,867.0</u>

## Note 24 – Extraordinary gains

	For the 3 months ended 31st March 1997
	PLN'000
Force majeure . . . . .	9.9
Other . . . . .	0.4
	<u>10.3</u>

## Note 25 – Extraordinary losses

	For the 3 months ended 31st March 1997
	PLN'000
Force majeure . . . . .	133.9
Other . . . . .	79.4
	<u>213.3</u>

## Note 26 – Corporate income tax

	For the 3 months ended 31st March 1997
	PLN'000
Corporate income tax . . . . .	106,465.6
Deferred corporate income tax provision . . . . .	—
	<u>106,465.6</u>

## 26.1. Corporate income tax

For the  
3 months  
ended  
31st March  
1997

PLN'000

Profit before tax . . . . .	242,013.8
Taxable profit . . . . .	288,311.9
Profit before tax minus taxable profit . . . . .	46,298.1
of which:	
Add back:	
Income:	
— services received free of charge . . . . .	—
— income from real estate used gratuitously . . . . .	0.2
— interest incurred in previous year received in current year . . . . .	3,569.9
— other . . . . .	4.5
	<u>3,574.6</u>
Add back unallowable costs and losses:	
— depreciation of fixed assets subject to investment relief . . . . .	9,362.5
— benefits for employees, housing and social expenses, scholarships . . . . .	354.5
— reserves . . . . .	17,110.7
— gifts . . . . .	778.2
— payments to State Rehabilitation Fund (PFRON) . . . . .	16.1
— penalties, compensations . . . . .	2,320.9
— VAT . . . . .	639.2
— balance sheet valuation of securities . . . . .	608.2
— interest on late payments to the tax office . . . . .	2,428.4
— payments to and financing other entities . . . . .	46.2
— one-off compensations re accidents at work . . . . .	289.5
— social expenditure and excessive payments to Social Fund ("ZFSS") . . . . .	—
— write-off of bad debts . . . . .	2.1
— depreciation of fixed assets . . . . .	13,397.0
— interest on loans . . . . .	1,562.4
— depreciation and scrapping of fixed assets . . . . .	—
— losses, scrapping and write-offs of fixed assets . . . . .	138.1
— insurance of passenger cars re the proportion of their value over 10,000 ECU . . . . .	83.9
— exchange losses calculated as at balance sheet date . . . . .	15,921.9
— interest on creditors due but not paid . . . . .	7.0
— membership fees . . . . .	1,214.8
— shortage of value of in-kind contribution . . . . .	—
— other . . . . .	(650.4)
	<u>65,631.2</u>
Less income which is not considered for tax purposes:	
— tax returned . . . . .	25.3
— interest due but not paid . . . . .	2,859.2
— dividends received . . . . .	—
— income from sources exempt from taxes . . . . .	—
— securities valued as at balance sheet date . . . . .	—
— other . . . . .	24,546.8
	<u>27,431.3</u>
Less income exempt from tax:	
— contributions in kind of fixed assets classified as technical infrastructure . . . . .	—
— sales of securities . . . . .	—
— reimbursement of fixed assets purchased from the National Environment Protection Fund (NFOŚ) . . . . .	—
— grants, subsidies . . . . .	24.5
	<u>24.5</u>



## 26.1. Corporate income tax (continued)

	For the 3 months ended 31st March 1997
	PLN'000
Less cost which increase tax allowable costs:	(6,425.9)
— investment relief . . . . .	(4,336.2)
— investment relief premium . . . . .	1,795.1
— amounts by which in accordance with mining law the basic exploitation royalty for extraction of minerals is reduced . . . . .	3,681.6
— adjustments re prior years . . . . .	737.3
— donations . . . . .	(4,548.1)

## 26.2. Deferred corporate income tax

	For the 3 months ended 31st March 1997
	PLN'000
Transitory timing differences	2,859.2
Income . . . . .	(35,210.2)
Cost . . . . .	(32,351.0)
Transitory timing differences net. . . . .	—
Deferred corporate income tax provision at 38% . . . . .	—

## Note 27 – Other charges on profit

	For the 3 months ended 31st March 1997
	PLN'000
Payment from net profit to the state budget. . . . .	19,868.3
	<u>19,868.3</u>

## Note 28 – Financial statement – additional information

### 28.1. Contingent liabilities

List of contingent liabilities as at 31st March, 1997.			
Entity	Type of liability	Amount in PLN'000	Date of payment
1. EuroSHELL	Bills of exchange as guarantee for credit cards	72.0	September 1997
2. Local authorities in Legnica	Environmental penalties	49,267.4	December 1998
	Environmental penalties	13.4	December 1999
	Environmental penalties	463.5	
3. DSI S.A.	Credit guarantee	4,545.5	
<b>Total</b>		<u>54,361.8</u>	
4. Polkomtel S.A.	Credit guarantee	42,542.0	31 December 1997
		USD thousand	