

SUMMARY RESTATED FINANCIAL STATEMENTS

Introduction to the Summary Restated Financial Statements

The summary restated financial statements set forth in this section (the "Summary Restated Financial Statements") have been derived from the free translation of the Company's audited consolidated and unconsolidated financial statements prepared in accordance with Polish AP (the "Audited Financial Statements") appearing in Appendix A of this Offering Circular. The Summary Restated Financial Statements do not constitute an alternative to the Audited Financial Statements appearing in Appendix A and should be read in conjunction with the Audited Financial Statements in their entirety. The Summary Restated Financial Statements have not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than Poland, but certain terminology current in English-speaking countries has been adopted to the extent practicable.

The accounting regulations in force before 31st December, 1994 did not require the preparation of consolidated financial statements. Accordingly, the Company did not prepare consolidated financial statements for the twelve months to 31st December, 1994.

Changes in Polish government regulations regarding depreciation of certain assets subject to tax relief resulted in significant changes to the Company's depreciation charges and deferred tax provisions in each of the last three years. In addition, in accordance with best accounting practices in Poland, the Company has elected to establish provisions for certain future costs, principally future mine closure costs, resulting in a disproportionately large expense being recorded in 1996 (representing all provisioning costs that would have been recorded in prior years if similar accounting policies had been applied). The effect of these events was to make year-to-year comparisons of the Company's historical financial statements difficult. As a result, the Company has restated its financial statements to apply a consistent set of accounting principles (including depreciation and provisioning policy) over the period. The Company's Audited Financial Statements include both the Company's historical financial statements and its restated financial statements (referred to therein as being in "comparable form"). For a reconciliation of the restated financial statements to the historical financial statements, see the notes to Sections 5.5.8.1, 5.5.8.2 and 5.5.8.3 (relating to the unconsolidated financial statements, and the notes to Sections 9.5.8.1, 9.5.8.2 and 9.5.8.3 (relating to the consolidated financial statements) of the Audited Financial Statements. The financial information contained in this section has been extracted from the restated information set forth in the Audited Financial Statements.

Audit opinions relating to the unconsolidated and consolidated financial statements appear in Sections 1 and 2 and Sections 6 and 7 respectively of the Audited Financial Statements.

Notes 2, 3, 7 and 15 which appear in the Summary Restated Financial Statements have not been reproduced, but have been derived solely, from information set out in the Audited Financial Statements.

RESTATED BALANCE SHEET

		Unconsolidated As at 31st December,			Consolidated As at 31st December,	
	Note	1994	1995	1996	1995	1996
		PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
ASSETS						
Fixed assets						
Intangible fixed assets	2)	7,138.8	7,530.1	9,705.8	11,631.2	14,636.8
Goodwill arising on consolidation		—	—	—	980.2	2,395.3
Tangible fixed assets	3)	1,531,397.0	2,440,843.2	2,448,694.2	2,519,508.3	2,648,389.4
Long-term investments	4)	142,523.8	192,984.0	518,733.1	118,260.1	253,899.6
Long-term debtors	5)	6,107.9	19,577.6	15,705.8	10,604.6	17,892.4
Total fixed assets		1,687,167.5	2,660,934.9	2,992,838.9	2,660,984.4	2,937,213.5
Current assets						
Stocks	6)	357,828.9	556,995.5	731,251.9	594,782.1	763,070.1
Debtors	7)	320,710.5	405,274.4	340,500.1	393,457.0	388,609.9
Short-term investments	8)	840.2	273,714.7	186,601.7	294,486.9	235,926.2
Cash at bank and in hand	9)	286,078.4	154,389.3	86,898.3	267,142.7	182,559.7
Total current assets		965,458.0	1,390,373.9	1,345,252.0	1,549,868.7	1,570,165.9
Prepayments and deferred costs	10)	2,869.9	5,155.1	8,027.3	5,652.4	8,968.7
TOTAL ASSETS		2,655,495.4	4,056,463.9	4,346,118.2	4,216,505.5	4,516,348.1
EQUITY AND LIABILITIES						
Equity						
Share capital	11)	530,000.0	530,000.0	530,000.0	530,000.0	530,000.0
Reserve capital	12)	1,415,923.9	1,699,865.7	2,108,835.0	1,688,146.1	2,141,126.6
Reserve capital from revaluation		—	—	—	27,894.6	29,799.2
Reserve capital from revaluation of fixed assets	13)	—	827,992.3	789,947.5	853,164.4	814,137.2
Other reserve capital	14)	37,889.5	37,910.7	34,521.7	37,739.2	34,184.8
Foreign exchange differences on consolidation		—	—	—	343.9	5,389.8
Unappropriated profit		(94,349.9)	(72,940.8)	(58,424.6)	(72,940.8)	(57,400.0)
Profit for the current year		373,216.8	496,422.1	205,649.5	528,191.1	207,284.3
Total equity		2,262,680.3	3,519,250.0	3,610,529.1	3,592,538.5	3,704,521.9
Capital reserve arising on consolidation						
		—	—	—	40,625.3	31,188.7
Minority interest		—	—	—	405.4	2,298.3
Provisions	15)	141,401.4	228,278.4	273,947.2	229,276.6	277,441.0
Creditors						
Amounts falling due after one year	16)	10,467.2	11,000.0	6,700.0	11,420.3	12,355.9
Amounts falling due within one year	17)	225,166.4	287,240.7	424,121.7	316,444.6	455,768.1
Total creditors		235,633.6	298,240.7	430,821.7	327,864.9	468,124.0
Accruals and deferred income	18)	15,780.1	10,694.8	30,820.2	25,794.8	32,774.2
TOTAL EQUITY AND LIABILITIES		2,655,495.4	4,056,463.9	4,346,118.2	4,216,505.5	4,516,348.1

The accompanying notes are an integral part of these summary financial statements

RESTATED PROFIT AND LOSS ACCOUNT

	Note	Unconsolidated 12 months ended 31st December,			Consolidated 12 months ended 31st December	
		1994	1995	1996	1995	1996
		PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Revenue from sales of products		2,607,137.9	3,412,770.4	3,272,754.3	3,533,430.0	3,361,349.4
Revenue from sales of goods and materials		58,392.9	56,809.2	78,267.0	170,644.4	165,830.0
Revenue from sales of products, materials and goods	19)	2,665,530.8	3,469,579.6	3,351,021.3	3,704,074.4	3,527,179.4
Manufacturing cost of products sold		(1,590,585.6)	(2,187,817.0)	(2,523,291.1)	(2,201,967.8)	(2,519,228.3)
Cost of goods and materials sold		(54,677.9)	(50,350.1)	(69,823.6)	(140,293.0)	(142,144.5)
Cost of goods and products sold	20)	(1,645,263.5)	(2,238,167.1)	(2,593,114.7)	(2,342,260.8)	(2,661,373.2)
Gross profit		1,020,267.3	1,231,412.5	757,906.6	1,361,813.6	865,806.2
Selling costs	20)	(46,919.0)	(51,482.5)	(52,996.6)	(53,660.2)	(55,879.0)
General administration costs	20)	(266,708.8)	(271,250.4)	(266,166.6)	(334,588.9)	(363,894.0)
Other operating income	21)	4,833.5	5,758.9	16,544.9	10,215.1	20,766.1
Other operating costs	22)	(31,645.9)	(117,095.5)	(81,755.8)	(121,354.0)	(96,302.8)
Profit on operations		679,827.1	797,343.0	373,532.5	862,425.6	370,496.5
Financial income	23)	44,446.0	616,831.0	627,620.9	633,602.6	696,979.8
Financial costs	24)	(34,537.7)	(513,819.6)	(554,803.1)	(561,064.9)	(619,270.5)
Profit before extraordinary items and tax		689,735.4	900,354.4	446,350.3	934,963.3	448,205.8
Extraordinary gains		34.3	151.4	262.9	186.5	294.4
Extraordinary losses		(419.2)	(979.0)	(8,385.6)	(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
Profit before tax		689,350.5	899,526.8	438,227.6	940,102.3	448,228.5
Corporate income tax	25)	(286,901.6)	(386,838.7)	(195,346.6)	(405,118.3)	(216,469.9)
Other obligatory reductions of profit	26)	(29,233.0)	(16,266.9)	(37,231.5)	(16,331.4)	(37,238.0)
Profit on shares in associated entities		—	—	—	10,270.1	10,923.3
Minority interest share in profit/(loss)		—	—	—	(732.7)	1,840.4
Profit after tax		373,215.9	496,421.2	205,649.5	528,190.0	207,284.3
Redenomination of the zloty		0.9	0.9	—	1.1	—
Net profit	27)	373,216.8	496,422.1	205,649.5	528,191.1	207,284.3
Net profit per share (in PLN) adjusted for the share capital increase approved by a general shareholders' meeting resolution dated 30th April, 1997. (See Note 11)		1.87	2.48	1.03	2.64	1.04

The accompanying notes are an integral part of these summary financial statements.

RESTATED CASH FLOW STATEMENT

	Unconsolidated			Consolidated	
	12 months ended 31st December,			12 months ended 31st December,	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Cash flow from operations:					
Net profit.	373,216.8	496,422.1	205,649.5	528,191.1	207,284.3
Minority shareholders' profit/loss	—	—	—	732.8	(2,175.6)
Profit/loss from shares in associated entities	—	—	—	(10,270.1)	(10,947.6)
Depreciation	162,446.1	200,689.8	297,470.7	209,782.6	307,638.9
Unrealised foreign exchange gains/losses	—	—	7,927.5	335.2	7,862.0
Interest and dividends received and paid	(3,519.9)	(4,522.8)	(41,920.5)	(4,913.5)	(49,632.3)
Provision for doubtful debtors	—	6,877.3	14,524.9	7,520.8	22,868.9
Other provisions	23,394.9	43,140.9	37,982.7	43,948.7	39,523.6
Corporate income tax charge	286,901.6	386,838.7	195,346.6	405,100.5	214,518.0
Corporate income tax paid	(300,850.2)	(406,353.1)	(156,296.6)	(420,851.1)	(178,477.3)
Profits or losses on disposal of investments and capital items	3,064.9	44,785.4	2,539.3	44,412.7	(5,518.4)
Change in stocks	(1,823.2)	(199,166.6)	(174,256.4)	(223,575.6)	(160,082.7)
Change in debtors	(91,136.6)	(27,684.1)	22,757.4	(50,465.3)	(29,962.3)
Change in short-term creditors (except loans and credits) and special funds	38,672.8	50,190.1	(28,029.1)	125,188.0	(38,674.2)
Change in prepayments	(2,644.8)	(2,285.2)	(2,818.4)	(1,960.8)	(3,143.7)
Change in creditors and accruals	(4,252.1)	(5,085.4)	20,071.6	6,883.5	13,230.1
Social Fund transfer from profit	(14,491.0)	(17,353.2)	(19,224.3)	(17,913.3)	(19,224.3)
Adjustment of net profit for interest on capital	—	—	37,231.6	—	37,231.6
Conversion of debtors into shares in other entities	(14,838.1)	(19,022.7)	—	(19,022.7)	(11.7)
Write-downs to the value of securities	996.4	(8,407.5)	—	(8,419.7)	1,145.1
Other	461.7	(161.5)	6,227.2	12,946.6	15,789.9
Total adjustments	82,382.5	42,480.1	219,534.2	99,459.3	161,958.0
Net cash inflow from operations	455,599.3	538,902.2	425,183.7	627,650.4	369,242.3

The accompanying notes are an integral part of these summary financial statements.

	Unconsolidated 12 months ended 31st December,			Consolidated 12 months ended 31st December,	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Cash flow from investing activities:					
Purchase/sale of intangible fixed assets	(2,644.7)	(2,135.3)	(5,136.5)	(2,687.2)	(6,129.7)
Purchase/sale of tangible fixed assets	(154,090.3)	(306,139.8)	(425,325.8)	(321,599.0)	(455,648.1)
Purchase/sale of shares in subsidiaries and other short-term investments issued by these entities	(1,144.2)	(29,661.9)	(124,262.0)	(13,575.4)	(7,131.3)
Purchase/sale of shares in associates and other short-term investments issued by these entities	—	458.0	17,808.7	(945.1)	(5,710.9)
Purchase/sale of other long-term investments	(900.0)	—	(114,636.8)	768.2	(114,636.8)
Purchase/sale of other shares and securities, including short-term securities	(1,170.5)	(264,466.9)	89,283.1	(275,730.0)	60,455.8
Loans received/repaid	460.9	958.1	549.9	958.1	549.9
Dividends received/paid	6,704.5	3,558.2	124.5	798.0	169.4
Interest received/paid	2,655.4	1,624.1	46,173.1	1,277.3	49,571.5
Other items	(3,570.9)	(1,569.1)	(9,386.4)	(1,539.6)	(24,751.1)
Net cash outflow from investing activities	(153,699.8)	(597,374.6)	(524,820.8)	(612,274.7)	(503,261.3)
Cash flow from financing activities					
Proceeds/repayment of long-term bank loans	—	—	—	419.7	3,897.2
Proceeds/repayment of long-term loans	(4,000.0)	2,000.0	(4,300.0)	9,544.9	(5,694.0)
Proceeds/repayment of short-term bank loans	(58,275.9)	—	191,928.5	(1,499.4)	193,029.4
Proceeds/repayment of short-term loans	1,000.0	(6,000.0)	—	(14,825.6)	(3,035.2)
Dividends and other payments to shareholders	—	—	(37,231.6)	—	(37,231.6)
Interest paid	(5,840.0)	(659.4)	(4,377.1)	946.6	(108.7)
Foreign exchange differences on loans	—	—	(4,972.3)	—	(4,972.3)
Bonuses paid from net profit to the employees	(29,037.7)	(67,090.1)	(90,503.8)	(68,171.1)	(90,503.8)
Holiday benefits paid from net profit	—	—	(18,397.6)	—	(18,397.6)
Consolidation adjustment	—	—	—	—	16,185.2
Other	—	(1,467.2)	—	(645.5)	(3,732.6)
Net inflow/(outflow) from financing activities	(96,153.6)	(73,216.7)	32,146.1	(74,230.4)	49,436.0
Net cash inflow/(outflow)	205,745.9	(131,689.1)	(67,491.0)	(58,854.7)	(84,583.0)
Cash (and cash equivalents) beginning of the financial year	80,332.5	286,078.4	154,389.3	325,997.4	267,142.7
Cash (and cash equivalents) end of the financial year	286,078.4	154,389.3	86,898.3	267,142.7	182,559.7

The accompanying notes are an integral part of these summary financial statements.

Notes to the Summary Restated Financial Statements

1. Accounting principles

1.1. Intangible fixed assets

Intangible fixed assets are split into two categories:

- rights acquired over assets for business use,
- payments on account of intangible fixed assets.

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

The amortisation period for intangible assets does not exceed 5 years, and the amortisation periods for acquired rights over assets are defined in current regulations.

1.2. 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).

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 on their improvement.

Depreciation is charged in full to costs.

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 whose value does not exceed 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 1994 and 1995 the Company took advantage of investment incentives allowing the Company to write-off certain fixed assets upon purchase for tax purposes. In 1994 and 1995 the write-offs amounted to PLN 70 million and PLN 170 million, respectively. For financial reporting purposes standard depreciation rates have been applied to assets subject to investment incentives. Timing differences arising from differing taxation and accounting depreciation rates have been accounted for through a deferred tax provision.

1.3. Long-term investments

Long-term investments include:

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

At the balance sheet date shares and securities are valued and stated at cost less any diminution of value considered to be permanent. Long-term securities are valued at cost plus interest accrued, but not received, over the period.

Loans are stated net of provisions at the balance sheet date.

Notes to the Summary Restated Financial Statements (continued)

1.4. Debtors, creditors and loans

Debtors and creditors (including loans) denominated in zloty are shown at original transaction value.

Foreign currency debtors and creditors are valued during the year on the basis of average foreign exchange rates 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 are stated at amounts due for payment, net of provisions. Creditors at the balance sheet date are stated at amounts due. At the balance sheet date foreign currency debtors, disputed claims and creditors are translated using the average exchange rate of the NBP at that date.

1.5. Stocks

The Company uses an average costing system for stocks. Products, semi-finished products and work in progress are valued at the lower of actual production costs or net realisable value. Materials and traded goods are valued at the lower of cost or net realisable value.

In the balance sheet stocks are stated net of provisions.

1.6 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. Shares listed on the stock exchange are valued on the basis of the stock exchange quotations at the balance sheet date net of selling costs. 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.

1.7 Cash and cash equivalents

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

Foreign currency is converted into Polish zloty at the average exchange rate announced by the NBP at the balance sheet date.

Cash in bank accounts and deposits is stated inclusive of accrued interest at the balance sheet date.

1.8 Deferred income

Deferred income includes:

- transactions invoiced and paid for, but not yet realised;
- 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.

1.9 Provisions

In accordance with art. 37 of the Accounting Law dated 29th September 1994, provisions are created for the following:

- doubtful debts;
- quantifiable anticipated losses; and
- deferred tax.

Notes to the Summary Restated Financial Statements (continued)

1.10 Special funds

Special funds include:

- A Social Fund created in accordance with social fund regulations;
- An Employee Bonus Fund appropriated from 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.

1.11 Sales revenue – goods and products

Sales revenue is calculated as the amount due from customers net of value added tax.

The point of recognition of sales revenue is:

- for domestic sales; the date of delivery or making available products to the customer in accordance with the conditions of the sales agreement;
- for export sales; the date when products cross the border, as confirmed by the customs office.

1.12 Other operating income and costs

Other operating income and costs relate to activities not directly connected with the ordinary activities of the Company.

1.13 Corporate income tax and other obligatory reductions in profit

Apart from corporate income tax and deferred tax, this category includes the following items:

- in 1994; tax on pay increases over the legal limit for state-owned entities, and interest on capital for wholly state-owned entities,
- in 1995; interest on capital for fully state-owned companies,
- in 1996; payments of a proportion of profit to the state budget.

1.14 KGHM Polska Miedź Capital Group ("Capital Group") principles of consolidation

Entities acquired in 1996 have been included in the consolidated financial statements from the date of their purchase to 31st December, 1996.

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

Certain investments by the Capital Group are not consolidated, such as:

- shares bought for trading purposes,
- investments which do not exceed 20% of the entity's issued share capital; and,
- investments in entities whose nature of operations and legal status are materially different to that of KGHM Polska Miedź S.A.

The Capital Group holds shares in several entities which are not consolidated as they do not fulfil the requirements of article 3 point 4 passage 1 of the Accounting Law.

Subsidiaries

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.

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

Notes to the Summary Restated Financial Statements (continued)

After the aggregation of balance sheet and profit and loss account items, eliminations are performed to exclude all material items in the following categories in arriving at 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 divisions of the Capital Group which are included in consolidated assets, equity and liabilities and which result from transactions between fully consolidated entities,
- dividends paid by subsidiaries to the holding entity.

Associates

Associates have been accounted for using the equity method.

The investment of the holding entities in the equity of the associates shown in the consolidated balance sheets reflects increases or decreases of investments in the associates' equity during the financial year, and of dividends due.

The consolidated profit and loss accounts disclose as a separate item, the cumulative net profits or losses of associates attributable to holding entities.

Goodwill and capital reserve arising on consolidation, and revaluation reserve

In valuing shares in subsidiaries purchased before 1st January, 1995, holding entities have benefited from a simplification granted in the Directive of the Minister of Finance dated 14th June, 1995 which concerns 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 capital reserves arising on consolidation have been calculated as the difference between the cost of the shares and the relevant proportion of assets stated at their market value as at the date of purchase. Goodwill and the capital reserve arising on consolidation are fully amortised over a period not exceeding 5 years.

A complete listing of KGHM's investments in subsidiaries and associates and other entities is set out in Note 3.2 to Section 5.4 and Note 4.2 to Section 9.4 to the audited unconsolidated and consolidated financial statements, respectively, in Part I of Appendix A.

Notes to the Summary Restated Financial Statements (continued)

2. Intangible fixed assets

2.1. Summary of intangible fixed assets (before restatement)

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Organisation costs incurred when founding or expanding a joint stock company	—	—	—	34.1	276.4
Research and development costs	60.0	314.8	270.9	332.5	429.8
Goodwill	—	—	—	—	—
Concessions, patents, licences and similar	1,100.2	1,700.9	3,716.8	1,795.8	3,825.4
Software	3,015.9	2,523.0	3,717.7	2,890.9	4,261.9
Perpetual usufruct of land	—	105.2	121.6	3,646.9	3,928.4
Other intangible assets.	2,784.0	2,349.7	1,878.8	2,394.5	1,914.9
Payments on account of intangible assets.	—	—	—	—	—
	6,960.1	6,993.6	9,705.8	11,094.7	14,636.8
2.2. Restatement adjustments	178.7	536.5	—	536.5	—
2.3. Total intangible fixed assets (after restatement)	7,138.8	7,530.1	9,705.8	11,631.2	14,636.8

3. Tangible fixed assets

3.1. Summary of tangible fixed assets (before restatement)

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Tangible fixed assets					
Land	1,364.4	2,662.6	2,848.1	2,741.0	2,922.1
Buildings	964,820.7	1,559,284.2	1,568,216.5	1,614,637.5	1,687,873.5
Plant and machinery.	303,607.0	475,606.1	674,835.1	500,368.4	731,967.2
Vehicles	17,834.5	26,958.2	43,150.6	28,767.1	46,534.2
Other tangible assets	10,393.8	11,668.3	20,398.3	13,417.2	31,918.4
	1,298,020.4	2,076,179.4	2,309,448.6	2,159,931.2	2,501,215.4
Assets in course of construction and payments on account					
Assets in course of construction	163,290.3	187,360.6	135,161.4	180,758.9	142,976.0
Payments on account	1,838.5	2,600.6	4,084.2	4,115.6	4,198.0
	165,128.8	189,961.2	139,245.6	184,874.5	147,174.0
Total tangible fixed assets (before restatement)	1,463,149.2	2,266,140.6	2,448,694.2	2,344,805.7	2,648,389.4
3.2 Restatement adjustments	68,247.8	174,702.6	—	174,702.6	—
3.3 Total tangible fixed assets (after restatement)	1,531,397.0	2,440,843.2	2,448,694.2	2,519,508.3	2,648,389.4

Notes to the Summary Restated Financial Statements (continued)

3.4 Movements in tangible fixed assets (before restatement)

	Unconsolidated As at 31st December		Consolidated As at 31st December		
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Cost					
Beginning of period.	2,834,164.9	2,978,625.3	2,559,505.3	2,415,022.1	2,685,490.0
Additions:					
Capital expenditure	192,352.6	303,364.1	517,241.0	312,906.7	540,204.5
Revaluation	—	2,460,514.7	—	—	—
"Regrossing"	—	—	3,095,908.1	—	3,108,517.7
Purchases	—	—	—	5,188.9	14,288.7
Gifts received	—	—	—	4,354.8	373.8
Received as contributions in kind	—	—	—	3,965.0	95,285.3
Other	8,985.1	25,271.3	629.8	4,926.1	8,944.8
Total	201,337.7	2,789,150.1	3,613,778.9	331,341.5	3,767,614.8
Disposals:					
Sale	2,002.2	491.4	12,914.6	1,629.8	24,814.5
Liquidation	19,454.6	7,067.4	80,853.4	8,186.2	82,596.6
Giving contributions in kind	104.3	5,846.3	154,658.8	6,203.3	154,658.7
"Netting down"	—	3,154,249.9	—	—	—
Gifts donated	—	—	—	39,319.9	1,704.1
Other	35,316.2	40,615.1	2,264.8	5,534.4	5,059.8
Total	56,877.3	3,208,270.1	250,691.6	60,873.6	268,833.7
End of period	2,978,625.3	2,559,505.3	5,922,592.6	2,685,490.0	6,184,271.1
Accumulated depreciation					
Beginning of period.	1,503,831.0	1,680,604.9	483,325.9	189,650.2	525,558.8
Additions:					
Ongoing depreciation in year	—	204,164.1	259,377.2	219,140.7	280,299.7
Depreciation re prior years	—	—	—	15,145.9	71,944.6
Depreciation re investment relief	—	105,434.6	—	105,757.0	(193.1)
Revaluation	—	1,614,092.8	—	—	—
"Regrossing"	—	—	3,148,442.5	—	3,161,052.2
Change of classification	—	—	—	1,650.8	—
Transferred between groups	—	—	—	2,570.3	—
Other	—	39,826.0	72,243.2	12.6	1,513.7
Total	1,505,831.0	1,963,517.5	3,480,062.9	344,277.3	3,514,617.1
Disposals:					
Sale	—	32.4	8,257.9	722.5	9,096.3
Liquidation	—	2,799.2	78,306.5	3,759.3	79,808.1
Adjustment of depreciation re investment relief	—	—	188,353.1	—	188,353.0
Adjustment of depreciation re the loss of investment relief	—	—	193.2	—	—
Giving as contribution for share capital	—	2,570.3	—	—	—
"Netting down"	—	3,154,249.9	—	—	—
Given out	—	—	—	1,059.5	495.2
Transferred between groups	—	—	—	2,570.3	74,962.4
Adjustment re change of classification	—	—	—	24.7	—
Other	—	1,144.7	75,134.1	232.4	4,405.2
Total	—	3,160,796.5	350,244.8	8,368.7	357,120.2
Net change in Depreciation during the period	176,773.9	(1,197,279.0)	3,129,818.1	335,908.6	3,157,496.9
Accumulated depreciation – end of the period.	1,680,604.9	483,325.9	3,613,144.0	525,558.8	3,683,055.7
Net book value – beginning of period.	1,330,333.9	1,898,020.4	2,076,179.4	2,225,371.9	2,159,931.2
Net book value – end of the period	1,298,020.4	2,076,179.4	2,309,448.6	2,159,931.2	2,501,215.4

Notes to the Summary Restated Financial Statements (continued)

4. Long-term investments

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Shares					
Subsidiaries	113,512.7	145,371.4	373,792.6	—	—
Associates	23,474.7	39,302.0	22,517.4	109,440.8	124,506.7
Shares in other entities	20.0	3,757.3	118,419.7	4,070.0	120,438.6
Total	137,007.4	188,430.7	514,729.7	113,510.8	244,945.3
Long-term loans					
Subsidiaries or associates	—	—	—	—	—
Loans to other entities	5,516.4	4,553.3	4,003.4	4,553.3	4,003.4
	5,516.4	4,553.3	4,003.4	4,553.3	4,003.4
Other long-term investments	—	—	—	196.0	4,950.9
Total	142,523.8	192,984.0	518,733.1	118,260.1	253,899.6

A complete listing of KGHM's investments in subsidiaries and associates and other entities is set out in Note 3.2 to Section 5.4 and Note 4.2 to Section 9.4 to the audited unconsolidated and the consolidated financial statements respectively in Part I of Appendix A.

5. Long-term debtors

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Subsidiaries	9,479.8	14,054.3	13,046.7	—	—
Associate	—	—	988.0	—	988.1
Other	—	9,302.6	2,129.0	14,514.0	24,654.2
	9,479.8	23,356.9	16,163.7	14,514.0	25,642.3
Long-term debtors provision	(3,371.9)	(3,779.3)	(457.9)	(3,909.4)	(7,749.9)
Net long-term debtors	6,107.9	19,577.6	15,705.8	10,604.6	17,892.4

6. Stocks

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Materials	66,799.3	78,777.3	79,179.5	90,604.7	94,877.2
Semi-products and work in progress	261,807.0	441,140.4	603,152.9	451,571.6	612,593.3
Finished products	26,143.0	34,207.9	45,733.5	38,705.0	50,527.1
Goods for resale	2,014.9	2,103.4	5,136.4	12,726.0	4,549.8
Payments on account	1,064.7	766.5	49.6	1,174.8	522.7
	357,828.9	556,995.5	731,251.9	594,782.1	763,070.1

Notes to the Summary Restated Financial Statements (continued)

7. Debtors

7.1 By type

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Third party trade debtors	180,948.1	114,445.9	146,211.4	214,993.4	205,033.4
Subsidiary trade debtors	—	115,127.2	26,281.2	—	—
Associate trade debtors	—	223.2	56,222.2	—	—
Other subsidiary debtors	—	—	3,621.6	—	—
Other associate debtors	—	—	2,769.6	5,200.5	59,402.4
Due from the budget	73,577.8	152,448.6	86,784.4	156,457.7	95,408.8
Amounts owed by group undertakings	—	—	—	—	—
Disputed claims	3,508.4	1,312.4	918.8	1,975.1	1,172.5
Other debtors	65,051.0	52,887.8	44,623.2	48,305.0	57,768.1
	<u>323,085.3</u>	<u>436,445.1</u>	<u>367,432.4</u>	<u>426,931.7</u>	<u>418,785.2</u>
Provision for doubtful debts	(2,374.8)	31,170.7	(26,932.3)	33,474.7	(30,175.3)
Net debtors	<u>320,710.5</u>	<u>405,274.4</u>	<u>340,500.1</u>	<u>393,457.0</u>	<u>388,609.9</u>

7.2 Ageing of trade debtors⁽¹⁾

	Consolidated As at 31st December	
	1995	1996
	PLN'000	PLN'000
Less than 1 month	212,949.0	185,698.1
1 to 3 months	11,425.2	13,140.2
3 to 6 months	416.8	1,191.5
6 months to 1 year	332.1	1,038.2
More than 1 year	3,591.7	3,965.4
	<u>228,714.8</u>	<u>205,033.4</u>

(1) Includes subsidiary and associate trade debtors.

Deadlines for payment by customers do not usually exceed one month.

Notes to the Summary Restated Financial Statements (continued)

8. Short-term investments

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Unrestricted trading; quoted on the Stock Exchange.	840.2	225,737.9	123,614.4	226,083.3	130,443.8
Unrestricted trading; not quoted on the Stock Exchange.	—	47,976.8	62,987.3	68,403.6	105,482.4
	<u>840.2</u>	<u>273,714.7</u>	<u>186,601.7</u>	<u>294,486.9</u>	<u>235,926.2</u>

9. Cash at bank and in hand

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Cash in hand	233.4	250.1	288.1	478.9	507.1
Cash at bank	285,845.0	152,244.4	86,410.5	261,347.1	180,958.8
Cash equivalents	—	1,894.8	199.7	5,316.7	1,093.8
	<u>286,078.4</u>	<u>154,389.3</u>	<u>86,898.3</u>	<u>267,142.7</u>	<u>182,559.7</u>

10. Prepayments and deferred costs

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Prepaid expenses	2,869.9	5,155.1	8,027.3	5,642.8	8,968.7
Other	—	—	—	9.6	—
	<u>2,869.9</u>	<u>5,155.1</u>	<u>8,027.3</u>	<u>5,652.4</u>	<u>8,968.7</u>

11. Share Capital

The issued share capital of the company as at 31st December, 1996 comprises 5,300,000 bearer shares of PLN 100 nominal value each. All the shares of the Company are owned by the State Treasury.

On 30th April 1997, the shareholder passed a resolution increasing the issued share capital to PLN 2,000,000,000 through the creation of 14,700,000 new shares out of reserve capital. At the same date the shareholder passed another resolution reducing the nominal value of each share from PLN 100 to PLN 10. The number of shares outstanding is currently 200,000,000.

Notes to the Summary Restated Financial Statements (continued)

12. Reserve capital

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Statutory reserve capital	1,328,825.0	1,573,105.1	1,924,202.6	1,573,155.0	1,924,376.2
Excess reserve capital created in accordance with statutory requirements	87,098.9	126,760.6	184,632.4	114,504.1	216,081.6
Other	—	—	—	487.0	668.8
	<u>1,415,923.9</u>	<u>1,699,865.7</u>	<u>2,108,835.0</u>	<u>1,688,146.1</u>	<u>2,141,126.6</u>

Movements

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Balance – beginning of period	1,272,268.3	1,415,923.9	1,699,865.7	1,436,160.3	1,717,430.3
Increases:					
Profit distribution	64,768.1	244,280.1	351,097.5	251,451.0	380,361.1
Transfer from other reserve capital	18,399.3	21,230.4	19,821.1	—	—
Transfer from revaluation capital	58,193.2	18,429.6	38,044.9	18,453.2	38,251.1
Additional payments to reserve capital	—	—	—	4,757.3	2,729.4
Increase of capital, contribution in kind	1,224.3	—	—	—	—
Other	770.7	1.7	5.8	21,480.4	21,896.0
	<u>143,655.6</u>	<u>283,941.8</u>	<u>408,969.3</u>	<u>296,141.9</u>	<u>443,337.6</u>
Decreases:					
To cover losses	—	—	—	2,887.5	1,148.5
Return of additional payments to reserve capital	—	—	—	11,984.4	—
Capital of a subsidiary sold outside the group	—	—	—	—	327.5
Consolidation adjustment	—	—	—	29,284.2	18,065.3
	<u>—</u>	<u>—</u>	<u>—</u>	<u>44,156.1</u>	<u>19,541.3</u>
Balance – end of period	<u>1,415,923.9</u>	<u>1,699,865.7</u>	<u>2,108,835.0</u>	<u>1,688,146.1</u>	<u>2,141,126.6</u>

Notes to the Summary Restated Financial Statements (continued)

13. Reserve capital from revaluation of fixed assets

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Balance – beginning of period	—	846,421.9	827,992.3	859,777.5	841,324.3
Increase:					
Capital of entities purchased in 1996	—	—	—	—	3,203.9
Total	—	846,421.9	827,992.3	859,777.5	3,203.9
Decreases:					
Transfer to reserve capital in respect of fixed assets written off	—	18,429.6	38,044.8	18,453.2	38,251.1
Capital of a subsidiary sold outside of the Group	—	—	—	—	766.5
Adjustment after tax audit	—	—	—	—	51.5
Consolidation adjustment	—	—	—	(11,840.1)	(8,678.1)
Total	—	18,429.6	38,044.8	6,613.1	30,391.0
Balance – end of period	—	827,992.3	789,947.5	853,164.4	814,137.2

Notes to the Summary Restated Financial Statements (continued)

14. Other reserve capital

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Contingent tax liabilities	17,497.4	14,827.2	11,539.1	14,827.2	11,539.1
Guarantees	17,119.8	15,083.5	982.6	15,083.5	982.6
Environmental penalties	3,272.3	8,000.0	22,000.0	8,000.0	22,000.0
Other	—	—	—	393.8	56.9
Consolidation adjustment	—	—	—	(565.3)	(393.8)
	<u>37,889.5</u>	<u>37,910.7</u>	<u>34,521.7</u>	<u>37,739.2</u>	<u>34,184.8</u>

Movements

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Balance – beginning of period	49,717.8	37,889.5	37,910.7	37,956.1	37,739.2
Increases:					
Profit distribution	6,605.2	23,083.5	19,090.9	23,420.4	20,463.7
Total	<u>6,605.2</u>	<u>23,085.5</u>	<u>19,090.9</u>	<u>23,420.4</u>	<u>20,463.7</u>
Decreases:					
Transfer to reserve capital	18,399.3	21,230.5	19,821.1	21,240.2	19,821.1
Used up during the year	34.2	1,831.8	2,658.8	1,833.8	2,658.8
Capital of entity sold outside the Capital Group	—	—	—	—	1,709.7
Consolidation adjustment	—	—	—	565.3	393.8
Total	<u>18,433.5</u>	<u>23,062.3</u>	<u>22,479.9</u>	<u>23,637.3</u>	<u>24,139.6</u>
Balance – end of period	<u>37,889.5</u>	<u>37,910.7</u>	<u>34,521.7</u>	<u>37,739.2</u>	<u>34,184.8</u>

Notes to the Summary Restated Financial Statements (continued)

15. Provisions

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Deferred taxation	26,002.0	92,064.1	77,424.2	92,346.4	78,719.4
Mine abandonment	76,054.0	96,796.4	120,000.0	96,796.4	120,000.0
Taxation	7,379.2	7,379.2	44,439.7	7,379.2	44,439.7
Environmental penalties	30,949.5	30,949.5	30,949.5	30,949.5	30,949.5
Other	1,016.7	1,089.2	1,133.8	1,805.1	3,332.4
	<u>141,401.4</u>	<u>228,278.4</u>	<u>273,947.2</u>	<u>229,276.6</u>	<u>277,441.0</u>

Movements

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Balance – beginning of period	96,768.5	141,401.4	228,278.4	141,409.3	229,276.6
Increases:					
Mine abandonment	20,032.3	20,742.4	23,203.6	20,742.4	23,203.6
Deferred taxation	26,002.0	66,170.5	—	66,452.8	—
Guarantees	982.6	—	—	—	—
Taxation	303.3	—	37,060.5	—	37,060.5
Other	—	—	151.3	715.9	5,953.6
Total	<u>47,320.2</u>	<u>86,912.9</u>	<u>60,415.4</u>	<u>87,911.1</u>	<u>66,217.7</u>
Decreases:					
Reduction in provision for doubtful debts	2,687.3	—	96.6	—	96.6
Other reductions	—	35.9	10.1	43.8	4,329.7
Deferred tax	—	—	14,639.9	—	13,627.0
Total	<u>2,687.3</u>	<u>35.9</u>	<u>14,746.6</u>	<u>43.8</u>	<u>18,053.3</u>
Balance – end of period	<u>141,401.4</u>	<u>228,278.4</u>	<u>273,947.2</u>	<u>229,276.6</u>	<u>277,441.0</u>

Notes to the Summary Restated Financial Statements (continued)

16. Creditors – amounts falling due after one year

	Unconsolidated As at 31st December		Consolidated As at 31st December	
	1994	1995	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000
Bank loans	—	—	420.3	4,322.9
Other loans	9,000.0	11,000.0	11,000.0	6,700.0
Long-term debt notes	—	—	—	—
Long-term financial leases	—	—	—	—
State Treasury creditor – perpetual usufruct of land	—	—	—	—
Other creditors	1,467.2	—	—	1,333.0
	<u>10,467.2</u>	<u>11,000.0</u>	<u>11,420.3</u>	<u>12,355.9</u>

By maturity

	Unconsolidated As at 31st December		Consolidated As at 31st December	
	1994	1995	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000
1 to 3 years	9,000.0	11,000.0	11,420.3	8,256.8
3 to 5 years	1,467.2	—	—	4,085.1
More than 5 years	—	—	—	14.0
	<u>10,467.2</u>	<u>11,000.0</u>	<u>11,420.3</u>	<u>12,355.9</u>

17. Creditors – amounts falling due within one year

	Unconsolidated As at 31st December		Consolidated As at 31st December	
	1994	1995	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000
Bank loans	—	—	193,931.0	196,685.9
Other loans	7,000.0	1,000.0	1,000.0	23.8
Short-term bonds	—	—	—	—
Trade creditors	95,097.7	145,482.1	139,376.6	93,642.2
Advance payments received	—	1.6	439.8	286.1
Bills of exchange payable	—	—	—	—
Tax, customs and social insurance creditors	42,426.6	45,784.8	71,092.1	54,983.7
Payroll creditors	18,978.4	20,675.7	24,898.6	7,041.3
Social Funds	34,141.4	36,174.2	36,876.0	41,191.4
Bonus Fund	742.5	807.0	816.0	800.6
Industry related fund	2,968.1	2,185.0	2,189.2	2,030.5
Other creditors	23,811.7	35,130.3	38,141.2	59,082.6
	<u>225,166.4</u>	<u>287,240.7</u>	<u>316,444.6</u>	<u>455,768.1</u>

Notes to the Summary Restated Financial Statements (continued)

18. Accruals and deferred income

	Unconsolidated As at 31st December			Consolidated As at 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Accruals	—	—	53.8	6.7	152.9
Deferred income	15,780.1	10,694.8	30,766.4	25,788.1	32,621.3
	15,780.1	10,694.8	30,820.2	25,794.8	32,744.2

19. Revenue from sales of products, materials and goods

	Unconsolidated 12 months ended 31st December			Consolidated 12 months ended 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Revenue from sales of products					
Revenue from sales of products . .	2,590,310.5	3,389,589.6	3,236,010.8	3,475,025.0	3,267,223.6
Revenue from sales of services . .	16,827.4	23,180.8	36,743.5	58,405.0	94,125.8
	2,607,137.9	3,412,770.4	3,272,754.3	3,533,430.0	3,361,349.4
Revenue from sales of goods and materials					
Revenue from sales of goods . . .	43,337.5	33,696.6	33,434.5	17,674.7	32,584.0
Revenue from sales of materials . .	15,055.4	23,112.6	44,832.5	152,969.7	133,246.0
	58,392.9	56,809.2	78,267.0	170,644.4	165,830.0
Total sales revenue	2,665,530.8	3,469,579.6	3,351,021.3	3,704,074.4	3,527,179.4

Revenue by destination

	Unconsolidated 12 months ended 31st December			Consolidated 12 months ended 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Domestic sales					
Revenue from sales of products . .	740,986.4	1,096,469.5	1,185,085.0	1,075,057.4	1,235,204.5
Revenue from sales of goods and materials	39,584.4	42,183.9	78,267.0	142,453.7	147,540.9
	780,570.8	1,138,653.4	1,263,352.0	1,217,511.1	1,382,745.4
Export sales					
Revenue from sales of products . .	1,866,151.5	2,316,300.9	2,087,669.3	2,458,372.6	2,126,144.9
Revenue from sales of goods and materials	18,808.5	14,625.3	—	28,190.7	18,289.1
	1,884,960.0	2,330,926.2	2,087,669.3	2,486,563.3	2,144,434.0
Total sales revenue	2,665,530.8	3,469,579.6	3,351,021.3	3,704,074.4	3,527,179.4

Notes to the Summary Restated Financial Statements (continued)

20. Operating costs

20.1 Operating costs by function

	Unconsolidated 12 months ended 31st December			Consolidated 12 months ended 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Cost of sales of goods and products	1,645,263.5	2,238,167.1	2,593,114.7	2,342,260.8	2,661,373.2
Selling costs	46,919.0	51,482.5	52,996.6	53,660.2	55,879.0
General administration costs	266,708.8	271,250.4	266,166.6	334,588.9	363,894.0
Total operating costs	1,958,891.3	2,560,900.0	2,912,277.9	2,730,509.9	3,081,146.2

20.2 Operating costs by type

	Unconsolidated 12 months ended 31st December			Consolidated 12 months ended 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Material and energy usage	763,413.7	1,151,518.6	1,226,033.7	1,240,438.4	1,270,695.8
External services	302,699.4	406,354.4	483,704.7	271,682.8	355,317.7
Payroll	361,430.8	489,434.5	562,580.0	564,528.7	703,292.8
Social security	175,752.9	243,985.8	278,481.5	276,459.8	350,813.9
Depreciation	157,606.2	268,769.1	289,629.3	283,935.1	311,039.6
Taxes and other charges	127,616.9	165,445.5	207,040.7	172,066.6	216,101.0
Other	36,894.5	31,768.8	37,463.8	43,327.1	56,612.5
Cost of goods and materials sold.	54,677.9	50,350.1	69,823.6	140,293.0	142,144.9
Total costs by type	1,980,092.3	2,807,626.8	3,154,757.3	2,992,731.5	3,406,018.2
Less:					
Change in stock levels during the year	(17,302.0)	(195,382.0)	(185,014.6)	(208,575.5)	(174,323.8)
Own work capitalised	(3,899.0)	(51,344.8)	(57,464.8)	(53,646.1)	(150,548.2)
Total operating costs	1,958,891.3	2,560,900.0	2,912,277.9	2,730,509.9	3,081,146.2

21. Other operating income

	Unconsolidated 12 months ended 31st December			Consolidated 12 months ended 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Proceeds of fixed assets sold.	1,403.4	835.2	5,504.1	1,371.9	5,295.6
Grants	—	8.2	102.0	8.2	289.5
Other	3,430.1	4,915.5	10,938.8	8,835.0	15,181.0
Total	4,833.5	5,758.9	16,544.9	10,215.1	20,766.1

Notes to the Summary Restated Financial Statements (continued)

22. Other operating costs

	Unconsolidated 12 months ended 31st December			Consolidated 12 months ended 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Cost of fixed assets sold	1,072.6	355.5	5,956.4	632.0	4,731.0
Stock write offs	1,637.9	590.7	901.2	655.2	1,395.7
Provision for mine abandonment costs	20,032.3	20,742.4	23,203.6	20,742.4	23,203.6
Provision for potential tax liabilities			37,060.5	—	37,060.5
Debtors provisions	4,486.1	29,922.9	2,394.0	22,326.0	1,780.7
Other provisions			151.2	9,211.9	12,183.7
Fines paid	1,513.4	9,072.7	3,555.3	9,329.2	4,273.4
Gifts	3,552.5	48,758.1	4,236.6	48,958.7	4,593.8
Other	2,377.9	7,653.2	4,297.0	9,498.6	7,080.4
	31,645.9	117,095.5	81,755.8	121,364.0	96,302.8

23. Financial income

	Unconsolidated 12 months ended 31st December			Consolidated 12 months ended 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Interest income	25,225.5	84,769.3	64,308.0	90,014.1	75,865.3
Proceeds from sale of securities	1,894.9	504,178.9	516,833.3	510,049.5	568,208.5
Foreign exchange gains	6,284.0	12,693.7	42,100.0	13,557.3	42,739.8
Other	11,041.6	15,189.1	4,379.6	19,981.7	10,166.2
	44,446.0	616,831.0	627,620.9	633,602.6	696,979.8

24. Financial costs

	Unconsolidated 12 months ended 31st December			Consolidated 12 months ended 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Adjustments to the value of long-term investments and short-term securities	991.6	45.8	2,338.3	46.7	2,341.7
Interest	5,979.0	2,862.4	6,062.6	5,779.6	9,769.5
Cost of securities sold	1,677.7	486,343.6	496,424.3	490,480.7	544,355.3
Realised foreign exchange losses	5,823.1	16,041.4	38,742.3	17,132.9	39,462.8
Unrealised foreign exchange losses	115.5	1,013.0	3,177.3	1,213.0	3,357.4
Foreign exchange loss on consolidation adjustments	—	—	—	38,362.5	10,089.3
Other	19,950.8	7,513.4	8,058.3	8,049.5	9,894.5
	34,537.7	513,819.6	554,803.1	561,064.9	619,270.5

Notes to the Summary Restated Financial Statements (continued)

25. Corporate income tax

	Unconsolidated 12 months ended 31st December			Consolidated 12 months ended 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Corporate income tax	260,899.6	320,776.6	206,333.0	338,773.9	224,214.4
Deferred corporate income tax charge/(credit)	26,002.0	66,062.1	(10,986.4)	66,344.4	(7,744.5)
	<u>286,901.6</u>	<u>386,838.7</u>	<u>195,346.6</u>	<u>405,118.3</u>	<u>216,469.9</u>

Corporate income tax is levied on individual members of the Capital Group. As a consequence, the Capital Group does not file tax returns for corporate income tax purposes.

26. Other obligatory reductions of profit

	Unconsolidated 12 months ended 31st December			Consolidated 12 months ended 31st December	
	1994	1995	1996	1995	1996
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Interest on capital for wholly-stated owned companies	15,900.0	15,900.0	—	15,900.0	—
Dividend to the State Treasury	—	—	37,122.3	—	37,122.9
Tax on pay rises over the statutory limit	13,333.0	366.9	109.2	431.4	115.6
Adjustment to corporate income tax	—	—	—	—	0.1
	<u>29,233.0</u>	<u>16,266.9</u>	<u>37,231.5</u>	<u>16,331.4</u>	<u>37,238.0</u>

27. Appropriation of statutory net profit

	Unconsolidated 12 months ended 31st December		
	1994	1995	1996
	PLN'000	PLN'000	PLN'000
To reserve capital	23,083.5	19,090.9	—
To other reserves	244,280.1	351,097.5	55,803.3
To the Social Fund	17,353.2	19,224.3	20,673.0
To the employee bonus fund	67,090.1	90,492.4	70,748.6
Other	—	2,000.0	2,000.0
	<u>351,806.9</u>	<u>481,905.1</u>	<u>147,224.9</u>

Profits are appropriated on the basis of statutory net profit, which differs from restated net profit.

Notes to the Summary Restated Financial Statements (continued)

28. Post-balance sheet events

28.1 KGHM Polska Miedź S.A.

The main post-balance sheet events are stated below.

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

- establishing a self-governing division – Jednostka Ratownictwa Górniczo-Hutniczego mining emergency and rescue unit.
- liquidation of the transport division (see contribution in kind to POL MIEDŹ TRANS Sp. z o.o. below).
- leasing of the assets of the ZG Konrad division, relating to anhydrite with a value of PLN17,374,900.

Contributions in kind to members of the Capital Group:

Company	Contribution in kind
	PLN'000
POL - MIEDŹ TRANS spółka z o.o.	121,447.1
"SUWIR" Spółka z o.o.	293.4
"REMY" Spółka z o.o.	649.3
"HUTMECH" Spółka z o.o.	750.9
"Energetyka" Spółka z o.o.	6,487.8
INTERFERIE Spółka z ograniczoną odpowiedzialnością	1,711.8
CBPM "CUPRUM" Spółka z o.o.	670.0
CBJ Sp. z o.o.	497.9
Polkomtel S.A.	38,500.0
	<u>131,340.5</u>

Guarantee of a syndicate bank loan to Polkomtel S.A. until 31 December 1997 (U.S.\$42,542,500).

28.2 DSI S.A.

	PLN'000
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	5,885.1
Contribution in kind from PHM KGHM "METRACO" Sp. z o.o. to KGHM Metale S.A.	8,814.2
Covering of 1995 loss in Zanam Spółka z o.o.	1,650.4
Increase in capital in Kopalnia Gipsu i Anhydrytu "NOWY ŁĄD" Sp. z o.o.	4,000.0
Additional payments to capital in "PeBeka" Spółka z o.o.	3,200.0

28.3 KGHM Metale Sp. z o.o

	PLN'000
Increase of share capital in KGHM Metale S.A.	8,814.2
Take-over of 758,830 value of shares in Walcownia Metali tabedy	7,588.3

Notes to the Summary Restated Financial Statements (continued)

29. Contingent liabilities

Contingent liabilities as at 31st December, 1996.

29.1 KGHM Polska Miedź S.A.

Type of liability	Amount in PLN'000	Date of payment
Corporate income tax and interest	7,291.0	
Bills of exchange as guarantee for credit cards	72.0	
Customs liabilities.	3,688.2	
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 1998
Total	62,405.2	

29.2 DSI S.A.

Type of liability	Amount in PLN'000	Date of payment
Return of the additional payment to the reserve capital to cover the loss.	41.4	—
Compensation	37.0	—
Compensation for damage and interest	80.0	—
Agreement WUP/9115/94, bill of change.	12.0	1 January 1999
Credit lease	189.9	1 December 1997
Loan	320.0	1 February 1998
Bill of exchange	1,200.0	1 November 1997
Guarantee.	4.0	1 October 1997
Bill of Exchange	168.8	1 January 1999
Guarantee of loan	3,401.6	31 December 2000
Guarantee of loan	3,366.0	31 January 1997
Guarantee of loan	2,500.0	30 April 2002
Guarantee of loan	1,100.0	30 September 1997
Guarantee of loan	1,207.6	31 December 2001
In blanco, bill.	2,500.0	24 June 1997
Guarantee of payment	765.5	30 June 1997
	16,893.8	

Other liabilities:

- coal allowances for pensioners (cash equivalents) estimated at approx. PLN 10,000,000 per year
- annual liability in relation to retirement allowance and long term service awards which amount to PLN 12,584,000 in 1997.

For the periods presented in the offering circular these expenses were charged to the profit and loss account in the periods that payments were made.

Notes to the Summary Restated Financial Statements (continued)

30. Legally required charges on assets relating to guarantees

30.1 KGHM Polska Miedź S.A.

Type of security	Amount in PLN'000	Date of expiry
Mortgage on real estate	20,420.8	30.06.1998
Charge on deposits	3,300.0	25.09.1998
Total	23,720.8	

30.2 DSI Holding

Type of security	Amount in PLN'000	Date
Mortgage	920.0	—
Charge on assets, membership shares.	50.0	—
Charge on fixed assets.	1,939.9	31 January 1997
Secured on debtors No. 4/8/02/96	to the value of the loan	31 December 1997
Secured on bank transaction	to the value of the loan	31 December 1997
Charge on assets	559.6	30 April 1999
Charge on fixed assets.	1,127.5	27 March 1997
Charge on fixed assets.	1,201.8	19 December 1997
Secured on debtors	708.4	26 January 1997
Total	6,507.2	

31. Planned investment expenditure

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

	Unconsolidated unaudited PLN'000	Consolidated unaudited PLN'000
Tangible fixed asset investments	582,314.0	582,314.0
Investments in other entities of which:	251,036.0	297,496.0
— cash contributions	175,039.8	175,040.0
— contribution in kind (non-cash)	426,075.8	472,536.0
Total	1,008,389.8	1,054,850.0