

Notes to the condensed consolidated financial statements of KGHM Polska Miedź S.A. prepared for the third quarter of 2007

I. Principles applied in preparing financial statements

1. Introduction

The Parent Entity of the KGHM Polska Miedź S.A. Group is KGHM Polska Miedź S.A. with its head office in Lubin, whose shares are traded on a regulated market. The core business of the Company is the production of copper and silver.

In the current quarter KGHM Polska Miedź S.A. consolidated 25 subsidiary entities, while 2 associated entities were accounted for using the equity method.

Beginning from 1 January 2005 (*based on IAS 8 par. 8, which allows exemption from the application of principles described in IFRS if the results of such an exemption are immaterial*), the following subsidiaries were not consolidated - Polskie Centrum Promocji Miedzi sp. z o.o., PEW Aquakonrad S.A. in bankruptcy and TUW Cuprum. Altogether, in the presented consolidated financial statements 4 subsidiaries were not consolidated, and the shares in one associated entity were measured at cost less an impairment loss. Exclusion of these entities from consolidation does not effect the honest presentation of the assets, financial result and cash flow of the Group.

The following quarterly report includes condensed consolidated financial statements for the following periods:

- the current period from 1 July to 30 September 2007
- the comparable period from 1 July to 30 September 2006

2. Exchange rates applied

The following currency rates were applied in the calculation of selected financial data in EUR:

- for the calculation of turnover, financial results and cash flow for the current period, the rate of **3.8314 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 30 September 2007, the rate of **3.7775 PLN/EUR**,
- for the calculation of turnover, financial results and cash flow for the comparative period, the rate of **3.9171 PLN/EUR**,
- the calculation of assets, equity and liabilities at 31 December 2006, the rate of **3.8312 PLN/EUR**

3. Accounting principles

These financial statements were prepared under International Financial Reporting Standards approved by the European Union. These principles were published on 23 October 2007 in the consolidated half-year report PS 2007.

Presentation of these statements is based on IAS 34 „Interim financial reporting”, applying the same principles for the current and comparable periods, with appropriate adjustment to the data of the comparable period to the changes introduced in 2007.

The following changes were made:

- in the manner of presentation in profit and loss of the ineffective portion of instruments hedging cash flow. The effect of these changes, in the amount of PLN 69 190 thousand, decreased net financial costs as well as other operating income.
- principles for the recognition of deferred income tax liabilities arising from temporary differences related to investments in associates and from other changes. The effect of this change is an increase in equity at 1 January 2006 in the amount of PLN 110 823 thousand (at 31 December 2006 in the amount of PLN 69 725 thousand) and a decrease in the financial result for the first nine months of 2006 of PLN 53 382 thousand.

II. Information on seasonal or cyclical activities

The entities of the KGHM Polska Miedź S.A. Group are not affected by seasonal or cyclical activities.

III. Items affecting assets, liabilities, equity, profit for the period or cash flow, which are unusual as respects their type, amount or degree of influence

1. Condition and financial results of significant companies

The largest impact on the Group is from the Parent Entity and from:

- DIALOG S.A., a subsidiary in which KGHM Polska Miedź S.A. owns 100% of the shares, and
- Polkomtel S.A., in which KGHM Polska Miedź S.A. owns 19.61% of the shares.

DIALOG S.A.

The basic items of the company's income statement are presented in the table below:

Table 1. Financial results of DIALOG S.A.

	VII-IX 2006	VII-IX 2007	I-IX 2006	I-IX 2007	Change**
Sales	125 197	121 740	375 443	363 533	97%
Operating profit/(loss)	9 432	(1 070)	45 030	26 261	58%
EBITDA	32 531	27 456	113 031	102 939	91%
Profit/(loss) for the period	7 782	(2 938)	39 367	21 365	54%

* Financial data for 2006 is presented based on the company's separate financial statements prepared under the Accounting Law of 29 September 1994.

** I-IX 2006 = 100/I-IX 2007

Telefonia Dialog S.A. is perceived as one of the most modern telecom operators in Poland. Thanks to the introduction of new services the company is diverging ever more from the traditional view of a fixed-line operator, although this requires additional investments and expenditures.

During the first three quarters of 2007 the company generated revenues from sales of PLN 363 533 thousand, i.e. 3% less than in the comparable period of 2006. The general decrease in prices on the market and the strong competition from mobile phone operators caused the company to generate EBITDA which were 9% less than in the first three quarters of 2006. Net profit amounted to PLN 21 365 thousand.

The intensive growth of new services (including mobile services and IPTV) over the next several years is necessary as, due to the strong competition from mobile phone operators, DIALOG, like other fixed-line operators, is experiencing a fall in voice service subscribers. At the end of September 2007 the company had 416.8 thousand traditional ringing lines.

In accordance with the approved strategy and business plan of DIALOG S.A., in the near future the company expects, apart from continuing projects begun in 2006, to implement in the near future a variety of investment projects and products, which together are aimed at increasing revenues from sales and expanding the activities of the company, as well as permanently improving its profitability. Thanks to an agreement entered into with TP S.A., in March 2007 the company commenced sales of its services beyond its own network, i.e. through the use of the incumbent operator's network (WLR, or wholesale line rental, services). Within 6 months from the commencement of WRL services, the number of contracts entered into increased by 99.4 thousand, and was 40% higher than planned. At the end of September 2007, 56.5 thousand active contracts generated revenues. The Management Board expects that over the next several years the share of WLR services will be a significant item in the structure of company revenues. The company is also expanding its broadband Internet access services. At the end of September 2007 the number of broadband Internet users was 101.4 thousand and was 36.5% higher than in the comparable period of 2006.

In order to realise its strategic goals, i.e. the increase of its client base and of its revenues and EBITDA, DIALOG is in the process of finalising the acquisition of further telecom operators. These transactions will enable an increase in the client base of DIALOG S.A. and, thanks to the acquisition of infrastructure, will enable it to provide additional services, leading to an increase in the revenues and profitability of the company.

On 22 February 2007, DIALOG S.A. finalised the acquisition of an organised part of an enterprise called E-wro. As part of this transaction the company purchased an Ethernet technology network together with a base of 6.5 thousand subscribers with Internet access, along with other tangible and intangible assets. The purchase of this network increased the ability of DIALOG S.A. to provide modern services (e.g. interactive television).

In addition, the Management Board of Telefonia Dialog S.A. resolved to begin preparations for the eventual listing of the company on the Warsaw Stock Exchange.

Polkomtel S.A.

At 30 September 2007, the carrying amount of the shares of Polkomtel S.A. accounted for using the equity method in the consolidated financial statements of the KGHM Polska Miedź S.A. Group amounted to PLN 682 889 thousand.

The basic items of the company's income statement (in accordance with IFRS) are presented in the table below:

Table 2. Financial results of Polkomtel S.A.

	VII-IX 2006	VII-IX 2007	I-IX 2006	I-IX 2007	Change*
Sales	1 931 812	2 003 446	5 472 936	5 762 242	105%
Operating result	431 027	506 782	1 111 137	1 343 541	121%
EBITDA	682 735	769 594	1 866 829	2 135 627	114%
Profit for the period	329 957	385 380	838 247	1 018 304	121%

* I-IX 2006 = 100/I-IX 2007

During the first three quarters of 2007 the company, versus the comparable prior period of 2006, increased revenues from sales by 5%. This increase in revenues from sales by the company was mainly due to a larger customer base, which increased during the first nine months of 2007 by 1.3 million persons, exceeding altogether 13 million. The level of EBITDA generated during the first three quarters amounted to PLN 2 135 627 thousand, with a profit for the period of PLN 1 018 304 thousand.

On 29 March 2007, the Ordinary General Shareholders' Meeting of Polkomtel S.A. resolved to pay a total shareholders dividend of PLN 1 031 765 thousand. Of this amount, the company paid an interim dividend of PLN 253 380 thousand in March 2007 based on a resolution of the Supervisory Board of the company. The remaining amount of PLN 778 385 thousand was paid on 8 June 2007. KGHM Polska Miedź S.A. received a total amount proportional to its shares in the company, i.e. PLN 202 316 thousand.

On 26 October 2007, the Supervisory Board of Polkomtel S.A. resolved to pay an interim dividend for 2007. The total amount of PLN 315 700 thousand will be paid to shareholders, of which KGHM Polska Miedź S.A. will receive, in proportion to its shares in the company, PLN 61 905 thousand. The payment date for this interim dividend was set at 18 December 2007.

As at the date of this report, the dispute between the shareholders of Polkomtel S.A. being heard before the Court of Arbitration in Vienna has not been resolved.

In December 2005 a group of financial institutions announced a bid for the purchase of the shares in TDC. As a result of the settlement of this bid there was a change of control over this entity. Consequently, based on the statutes of Polkomtel S.A., TDC Mobile International A/S offered to sell the shares it holds to the remaining shareholders.

As a result of a so-called Change of Ownership in relation to TDC Mobile International A/S, the other shareholders of Polkomtel S.A. obtained the right to acquire a total of 4 019 780 shares of Polkomtel S.A. held by TDC Mobile International A/S. On 10 March 2006, KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglkokoks S.A. as the purchasers, and TDC Mobile International A/S as the seller, executed an "Agreement on the Acceptance of the Offer and Conditional Transfer of Shares in Polkomtel S.A." This agreement was described in detail in a current report dated 10 March 2006 and in the annual report for 2005.

On 10 March 2006, Vodafone Americas Inc. filed a claim with the International Court of Arbitration of the Federal Chamber of Commerce in Vienna, in which claims were made against six entities, naming TDC Mobile International A/S as the Principle Respondent, Polkomtel S.A. as the First Auxiliary Respondent and KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglkokoks S.A. as further Auxiliary Respondents. In the statement of its claims, Vodafone Americas Inc. has challenged, among others, the method of setting the price by TDC International A/S in the offer addressed to the other shareholders of Polkomtel S.A. As at the date of this report this dispute has not yet reached a conclusion. It is expected that the court will announce its judgment in the fourth quarter of 2007. It is not possible to determine the precise date when these proceedings will be concluded, nor the outcome of these proceedings.

2. Measurement of financial assets and property, plant and equipment

Financial assets

Due to the measurement and settlement in the Parent Entity of future cash flow hedging transactions in an amount reflecting the effective portion of the hedge, after reflecting the results in deferred tax, other reserves were decreased in the current quarter by PLN 37 146 thousand
 (an accrued increase in other reserves by PLN 523 707 thousand since the beginning of the year)

Due to the settlement and measurement of available-for-sale financial assets at fair value, after reflecting the results in deferred tax, other reserves were decreased in the current quarter by PLN 3 560 thousand. *(an accrued decrease in other reserves by PLN 5 124 thousand since the beginning of the year)*

Due to the re-measurement of derivative instruments there was a decrease in profit for the current quarter of PLN 61 697 thousand, of which PLN 61 316 thousand relates to the measurement of derivative instruments to fair value, PLN 250 thousand relates to impairment loss on a loan, while PLN 131 thousand is due to the impairment loss on available-for-sale financial assets. *(an accrued decrease in profit by PLN 310 342 thousand since the beginning of the year)*

Property, plant and equipment and receivables

Due to the depreciation of property, plant and equipment and amortisation of intangible assets, the consolidated financial result was decreased in the current quarter by PLN 154 344 thousand. *(an accrued decrease in profit by PLN 443 230 thousand since the beginning of the year)*

The re-measurement of property, plant and equipment decreased the financial result by PLN 6 557 thousand *(a decrease in the result by PLN 6 825 thousand since the beginning of the year)*, of which PLN 5 654 thousand relates to the measurement of property, plant and equipment to market value, while PLN 903 thousand relates to the measurement of inventories to the level of net selling price.

Assets and the financial result in the current quarter were also affected by the effects of provisions for receivables together with interest (an excess of provisions created over released), decreasing the result of the current quarter by PLN 5 942 thousand, of which PLN 5 613 thousand was in respect of provisions for receivables claimed from local authorities due to the payment of taxes on mining works due to an on-going appeals process respecting the property tax on underground mining works. *(an accrued decrease in profit by PLN 9 011 thousand since the beginning of the year)*

3. Borrowings

	30 September 2007	31 December 2006
Non-current	163 432	150 568
Bank loans	128 405	111 691
Loans	17 481	21 481
Liabilities due to finance leases	17 546	17 396
Current	84 369	54 756
Bank loans	73 079	41 713
Loans	7 700	7 707
Liabilities due to finance leases	3 590	5 336
Total	247 801	205 324

IV. Type and amount of changes in estimates

1. Provisions

The effects of revaluation or recognition of estimates of future liabilities (provisions) were settled in the financial result of the current quarter, and in particular:

- 1.1 provision for future costs of decommissioning (restoration) of Parent Entity's mines. This provision also includes the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of prevailing law or standard practice. The result of this change in estimates is an increase in the provision and a decrease in profit in the amount of PLN 3 777 thousand (after reflecting the effects in deferred tax, profit was decreased in the amount of PLN 3 856 thousand)

(an accrued decrease in profit for the period by PLN 27 103 thousand since the beginning of the year)

- 1.2 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards and post-employment coal equivalent payments paid after the period of employment. The result of this change in estimates is an increase in the provision and a decrease in profit in the amount of PLN 10 320 thousand (after reflecting the effects in deferred tax, profit was increased in the amount of PLN 9 314 thousand)

(an accrued decrease in profit for the period by PLN 16 082 thousand since the beginning of the year)

1.3 provisions for future costs of wages together with charges, paid once in the fourth quarter or after approval of the annual financial statements. As a result, the profit for the current quarter was decreased by the amount of PLN 192 165 thousand.

(The state of provision for wages at 30 September 2007 amounts to PLN 363 564 thousand)

2. Deferred income tax

The result of changes of differences between the carrying amount and tax base of balance sheet items is a change in the estimated value of the deferred income tax asset and the deferred income tax liabilities.

There was a decrease in the deferred income tax asset in the current quarter in the amount of PLN 3 469 thousand, which was settled as a decrease of profit.

(An accrued decrease in the deferred income tax asset by PLN 141 622 thousand since the beginning of the year, of which the following was settled:

- as a decrease of profit, PLN 24 003 thousand,
- as a decrease of the revaluation reserve on financial hedging instruments, PLN 117 619 thousand)

There was a decrease in the deferred tax liability in the current quarter in the amount of PLN 8 620 thousand, of which the following was settled:

- as an increase of profit, PLN 1 965 thousand
- as an increase of the revaluation reserve on hedging instruments and on available-for-sale financial assets, PLN 6 655 thousand

(An accrued decrease in the deferred tax liability since the beginning of the year in the amount of PLN 11 234 thousand, of which the following was settled:

- as an increase of profit, PLN 24 412 thousand,
- as a decrease of the revaluation reserve on hedging instruments and on available-for-sale financial assets, PLN 13 178 thousand)

After offsetting the deferred income tax asset and deferred income tax liability, the deferred tax asset at the end of the reporting period was set at PLN 101 258 thousand, while the deferred tax liability was set at PLN 35 667 thousand.

V. Information on the issuance, redemption and repayment of debt and equity securities

There was no issuance, redemption or repayment of debt and equity securities in the entities of the Group during the period presented.

VI. Information related to a paid (or declared) dividend

Pursuant to resolution no. 39/2007 of the Ordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. dated 30 May 2007 respecting the distribution of profit for financial year 2006 and setting of the right to dividend date and dividend payment dates, corrected by resolution no. 3/2007 of the Extraordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. dated 9 July 2007 respecting the correction of resolution no. 39/2007 of the Ordinary General Shareholders' Meeting dated 30 May 2007, the amount of PLN 3 394 000 thousand, representing PLN 16.97 per share, was allocated as a shareholders' dividend from profit for financial year 2006.

The right to dividend date was set at 25 June 2007. The dividend payment dates were set as follows: on 10 July 2007 - the amount of PLN 1 698 000 thousand, i.e. PLN 8.49 per share, and on 10 September 2007 - the amount of PLN 1 696 000 thousand, i.e. PLN 8.48 per share.

All of the Company's shares are ordinary shares.

The amount of PLN 1 698 000 thousand, i.e. PLN 8.49 per share, was paid on 10 July 2007.

In connection with a suit filed by a shareholder requesting the Court either to invalidate or to annul resolution no. 3/2007 of the Extraordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. dated 9 July 2007, along with a request to safeguard the suit by issuing a court injunction prohibiting the Company from paying the second tranche of the dividend in the amount of PLN 1 696 000 thousand, the Regional Court in Legnica, Section VI (Economic), by a ruling dated 1 August 2007, agreed to safeguard the suit by prohibiting the defendant from paying the second tranche of the dividend in the amount of PLN 1 696 000 thousand, which was to be paid on 10 September 2007. The Company submitted an appeal against the abovesaid ruling. On 6 September 2007, the Court of Appeal in Wrocław dismissed the appeal of the Company against a decision issued by the Regional Court in Legnica dated 1 August 2007 regarding prohibiting payment of the second tranche of the dividend.

On 18 September 2007, the Regional Court in Legnica, Section VI (Economic) issued a decision in which the Court ascertained the invalidity of resolution no. 3/2007 of the Extraordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. dated 9 July 2007. This decision is not final and binding.

On 10 October 2007, the law office of Sołtysiński & Szlęzak Kancelaria Radców Prawnych i Adwokatów Spółka Komandytowa in Warsaw acting as counsel to the Company submitted to the Court of Appeal in Wrocław an appeal against the decision issued by the Regional Court in Legnica, Section VI (Economic) dated 18 September 2007 concerning the invalidity of resolution no. 3/2007 of the Extraordinary General Shareholders' Meeting dated 9 July 2007. The appeal trial was set at 28 November 2007.

Therefore, remaining in force is the decision of the Court dated 1 August 2007 on safeguarding the suit by prohibiting payment of the second tranche of the dividend in the amount of PLN 1 696 000 thousand.

VII. Business segments

Information on business segments for the period from 1 January 2007 to 30 September 2007

	Copper and precious metals, other smelter products	Telecom and IT services	Other	Eliminations	Consolidated amount
REVENUE					
External sales	9 377 901	361 984	480 337	-	10 220 222
Inter-segment sales	86 156	2 982	1 070 138	(1 159 276)	-
Total revenue	9 464 057	364 966	1 550 475	(1 159 276)	10 220 222
RESULT					
Segment result	4 202 904	54 587	149 074	(299 164)	4 107 401
Unallocated expenses of Group as a whole	-	-	-	-	(520 313)
Operating profit	-	-	-	-	3 587 088
Finance costs - net	-	-	-	-	(24 467)
Share of profit of associates	-	197 494	694	-	198 188
Profit before income tax	-	-	-	-	3 760 809
Income tax expense	-	-	-	-	(684 799)
Profit for the period	-	-	-	-	3 076 010
OTHER INFORMATION					
Segment assets	10 476 634	1 197 115	1 336 036	(365 406)	12 644 379
Investments in segment - in entities accounted for using the equity method	-	682 889	2 224	-	685 113
Unallocated assets of Group as a whole	-	-	-	-	568 051
Total consolidated assets	-	-	-	-	13 897 543
Segment liabilities	2 396 316	57 977	353 594	(193 346)	2 614 541
Unallocated liabilities of Group as a whole	-	-	-	-	2 748 379
Total consolidated liabilities	-	-	-	-	5 362 920
Capital expenditures	503 709	85 704	146 445	(9 717)	726 141
Depreciation of property, plant and equipment	305 120	73 538	57 562	(8 935)	427 285
Amortisation of intangible assets	7 292	4 349	3 753	551	15 945
Impairment of property, plant and equipment recognised in income statement	2 885	2 701	-	-	5 586
Impairment of intangible assets recognised in income statement	68	-	-	-	68
Other non-cash expenses	37 527	104	2 027	3 498	43 156

VIII. Subsequent events

Acquisition of shares of Polskie Centrum Promocji Miedzi spółka z o.o.

On 1 October 2007, transfer of ownership rights to the shares of PCPM sp. z o.o. to KGHM Polska Miedź S.A. took place based on four contracts dated 24 September 2007, i.e.:

1. The Company acquired 26 shares of PCPM sp. z o.o. from KGHM Ecoren S.A., representing 74.286% of the share capital of PCPM sp. z o.o., for the total amount of PLN 239 thousand. The carrying amount of the shares of PCPM sp. z o.o. in the accounts of the selling entity is PLN 263 thousand;

2. The Company acquired 1 share of PCPM sp. z o.o. from each of the three companies: Walcownia Metali „Łabędy” S.A., KGHM Metraco S.A. and KGHM Cuprum sp. z o.o. – CBR, representing 2.857% of the share capital of PCPM sp. z o.o., for the total amount of PLN 9 thousand. The carrying amount of the shares of PCPM sp. z o.o. in the accounts of each of the selling entities is PLN 3 thousand (in total - 3 shares representing 8.571% of the share capital of PCPM sp. z o.o., for the amount of PLN 27 thousand, with a carrying amount in the accounts of the selling entities of PLN 9 thousand).

All of the shares acquired by KGHM Polska Miedź S.A. will be paid for in cash. The total nominal value of the 29 shares acquired is PLN 87 thousand, i.e. PLN 3 thousand each. The shares acquired represent 82.857% of the share capital of PCPM sp. z o.o. as well as the same number of votes. The transfer of ownership rights to the shares of PCPM sp. z o.o. to KGHM Polska Miedź S.A. took place 7 days after the signing of these contracts, i.e. on 1 October 2007. This transaction simplifies the structure of the KGHM Polska Miedź S.A. Group.

Registration of an increase in the share capital of MCZ S.A.

On 3 October 2007, a change in share capital was registered at the Regional Court for Wrocław-Fabryczna in Wrocław, Section IX (Economic) of the National Court Register for MIEDZIOWE CENTRUM ZDROWIA Spółka Akcyjna with its registered head office in Lubin (a subsidiary of KGHM Polska Miedź S.A.).

The share capital of MIEDZIOWE CENTRUM ZDROWIA Spółka Akcyjna was increased by PLN 4 300 thousand through the issuance of 60 560 shares with a face value of PLN 71 each and after the increase amounts to PLN 51 118 thousand. All of the new shares were acquired by KGHM Polska Miedź S.A. and paid for in cash.

Changes in the composition of the Supervisory Board

On 18 October 2007, the Extraordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. recalled Adam Łaganowski from the Supervisory Board, and simultaneously appointed Remigiusz Nowakowski and Leszek Jakubów to the Supervisory Board.

Annulment of a resolution regarding settlement of the effects of a hyperinflationary revaluation of share capital to be presented in the consolidated financial statements of the KGHM Polska Miedź S.A. Group

On 18 October 2007, the Extraordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. annulled Resolution no. 31/2005 dated 15 June 2005 regarding settlement of the effects of a hyperinflationary revaluation of share capital to be presented in the consolidated financial statements of the KGHM Polska Miedź S.A. Group, prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

Decrease in the share capital of KGHM Polska Miedź S.A.

On 18 October 2007, the Extraordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. decreased the share capital of KGHM Polska Miedź S.A. presented in the separate financial statements of the Company and transferred the funds accumulated in share capital to supplementary capital.

The General Shareholders' Meeting of KGHM Polska Miedź S.A. decreased the share capital of the Company - presented in the separate financial statements at the date of application of International Financial Reporting Standards and at the date of preparation of the first half-year financial statements in accordance with IFRS, i.e. at 30 June 2007, in the amount of PLN 7 413 573 thousand after hyperinflationary revaluation - by the amount of PLN 5 413 573 thousand. Following this decrease, the amount of share capital remains at PLN 2 000 000 thousand. The General Shareholders' Meeting transferred the amount of PLN 5 413 573 thousand, being the amount by which the share capital was decreased, to supplementary capital.

Changes in the composition of the Management Board of the Parent Entity

On 6 November 2007, the Supervisory Board of KGHM Polska Miedź S.A. recalled Maksymilian Bylicki from the function of Member of the Management Board - I Vice President of the Management Board of KGHM Polska Miedź S.A. Simultaneously, the Supervisory Board appointed Dariusz Kaśków to the function of Member of the Management Board - Vice President of the Management Board. The Supervisory Board granted the function of I Vice President of the Management Board of KGHM Polska Miedź S.A. to Ireneusz Reszczyński - until now a Vice President of the Management Board of KGHM Polska Miedź S.A.

IX. Effects of changes in the structure of the economic entity including due to the combination of economic entities, to the takeover or sale of entities of the Group, to long-term investments, or to the separation, restructurisation or discontinuation of activities

Registration of a change in the share capital of Avista Media Sp. z o.o. (formerly Tele Video Media Sp. z o.o.)

On 13 July 2007, a change in the share capital was registered by the Regional Court for Wrocław-Fabryczna in Wrocław, Section VI (Economic) of the National Court Register for an indirect subsidiary of KGHM Polska Miedź S.A. - Avista Media Sp. z o.o. with its registered head office in Wrocław (formerly Tele Video Media Sp. z o.o. with its registered head office in Bielany Wrocławskie - the change in the name and registered head office were registered by the same ruling of the court). The share capital of Avista Media Sp. z o.o. was increased by PLN 4 000 thousand through the creation of 8 000 shares with a face value of PLN 500 each. All of the new shares were acquired by Telefonía DIALOG S.A. (a subsidiary of KGHM Polska Miedź S.A.) at their face value, i.e. PLN 500 per share. The new shares were paid for in cash on 28 June 2007. The carrying amount of the shares acquired is PLN 4 000 thousand. The shares acquired represent 40.00 % of the share capital of Avista Media Sp. z o.o. and grant the right to the same number of votes. Currently the share capital of Avista Media Sp. z o.o. amounts to PLN 10 000 thousand and is divided into 20 000 shares with a value of PLN 500 each. The total number of votes arising from all issued shares after registration of this change in share capital is 20 000. After registration of this change in the share capital of Avista Media Sp. z o.o., 100% of the share capital of this company is owned by Telefonía DIALOG S.A.

Increase in the share capital of „Zagłębie” Lubin SSA

On 30 July 2007, KGHM Polska Miedź S.A. and „Zagłębie” Lubin SSA (a subsidiary of KGHM Polska Miedź S.A.) signed an Agreement for the Acquisition of Shares of the company „Zagłębie” Lubin SSA. KGHM Polska Miedź S.A. acquired 100 thousand registered ordinary shares of the new issue, series „AE”, having an issue price equal to the nominal value of PLN 1 000 per share. The total increase in the share capital amounts to PLN 100 000 thousand. The carrying amount of the assets acquired is equal to their nominal value. The first tranche in the amount of 25 000 thousand was paid for in cash on 30 September 2007. The remaining shares will be paid for in cash in the following tranches:
1st tranche: PLN 50 000 thousand - by 31 March 2008,
2nd tranche: PLN 25 000 thousand - by 30 June 2008.
The shares acquired by KGHM Polska Miedź S.A. represent 87.96% of the increased share capital of the company „Zagłębie” Lubin SSA. After this increase, the share capital of „Zagłębie” Lubin SSA amounts to PLN 113 689 thousand and is divided into 113 689 ordinary shares with a nominal value of PLN 1 000 each. KGHM Polska Miedź S.A. owns 100% of shares, which is equal to the number of votes. The change in the share capital of „Zagłębie” Lubin SSA was registered at the Regional Court for Wrocław-Fabryczna in Wrocław, Section IX (Economic) of the National Court Register on 5 October 2007. The funds obtained from this increase are to be used for the construction of a stadium.

Registration of KGHM LETIA Legnicki Park Technologiczny spółka akcyjna

On 29 August 2007, the Regional Court for Wrocław-Fabryczna in Wrocław, Section IX (Economic) of the National Court Register issued a decision on entering the following company into the Register of Entrepreneurs: KGHM LETIA Legnicki Park Technologiczny spółka akcyjna with its registered head office in Legnica. The share capital of this newly-created entity amounts to PLN 20 000 thousand and is divided into 20 000 registered shares, series A, of PLN 1 000 each, and granting the same number of votes. KGHM Polska Miedź S.A. acquired 18 990 shares in this company with the total nominal amount of PLN 18 990 thousand, representing 94.95% of the share capital of this company and granting the same number of votes at the General Shareholders' Meeting. KGHM LETIA Legnicki Park Technologiczny spółka akcyjna was established on 2 July 2007.

Acquisition of shares of KGHM Metraco S.A.

On 26 September 2007, KGHM Polska Miedź S.A. acquired 53 shares of KGHM Metraco S.A. from minority shareholders having a nominal value of PLN 500 each. The nominal value of the shares acquired amounts to PLN 26.5 thousand and represents 1.04 % of the share capital of this company. Following this acquisition KGHM Polska Miedź S.A. owns 100 % of the share capital of KGHM Metraco S.A. The cost of these shares is PLN 610 thousand. The net value of acquired shares amounts to PLN 638 thousand. The excess of acquirer's interest over the cost in the amount of PLN 28 thousand was transferred to the financial result.

X. Contingent and other off-balance sheet items

At the end of the reporting period estimation was made of contingent assets and liabilities, which were recognised in off-balance sheet items.

		At 30.09.2007	Increase/(decrease) since the end of the last financial year
1.	Contingent receivables due to	174 970	7 178
-	disputed State budget issues	161 629	3 996
-	guarantees received	13 341	3 187
-	issues under litigation	-	(5)
2.	Contingent liabilities due to	743 696	(37 245)
-	guarantees granted	38 660	11 021
-	promissory note liabilities	9 635	(3 246)
-	issues under litigation	8 603	(9 006)
-	contingent penalties	2 894	(1 349)
-	agreement on the acceptance of the offer and conditional transfer of the shares in Polkomtel S.A.	683 904	(34 665)
3.	Off-balance sheet liabilities due to implementation rights, invention projects	10 564	(19 973)