

KGHM POLSKA MIEDŹ S.A.

**REPORT ON THE ACTIVITIES
OF THE GROUP
IN THE FIRST HALF OF 2007**

Lubin, October 2007

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1. The KGHM Polska Miedź S.A. Group Profile

1.1. Structure of the Group

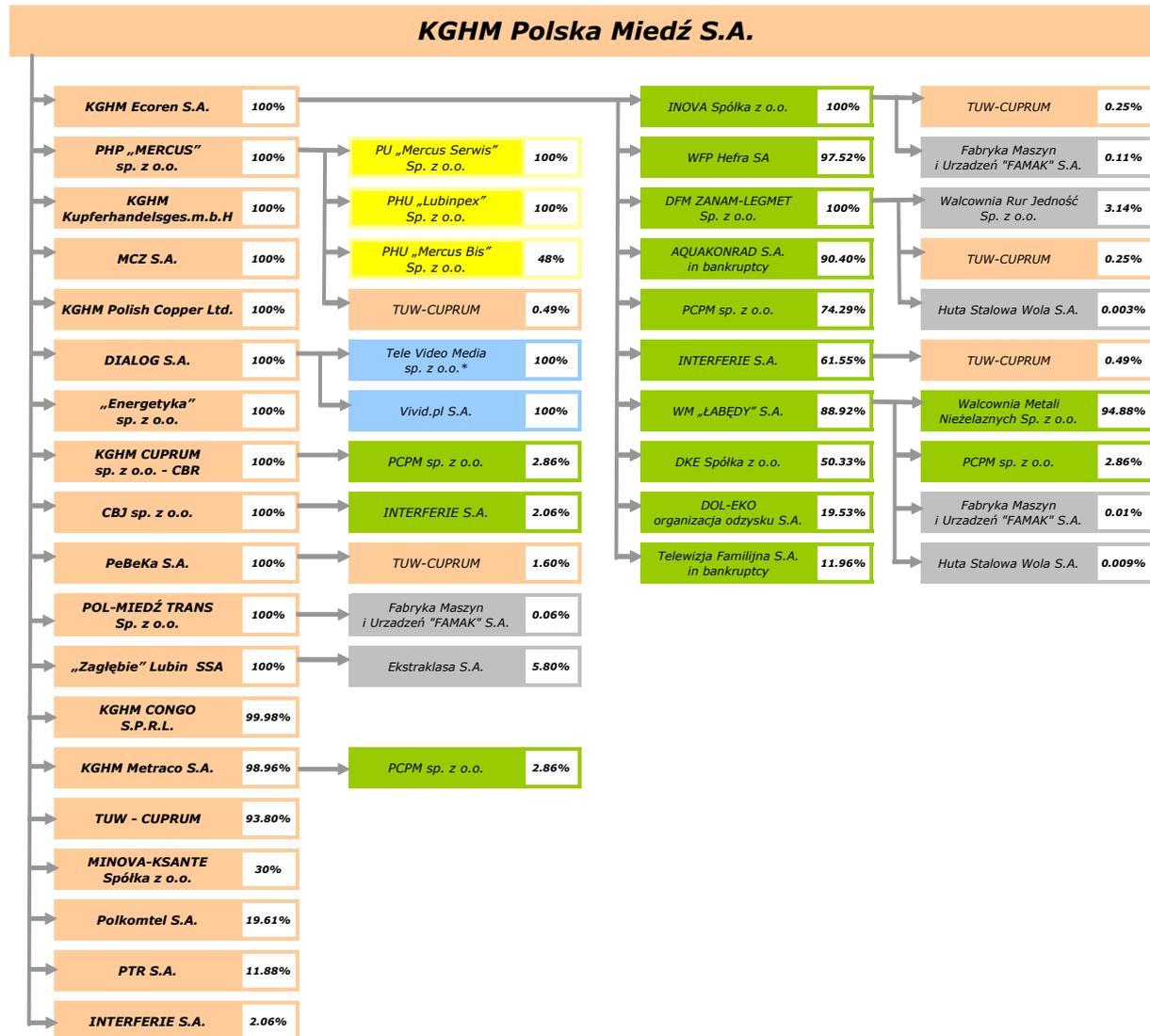
The Parent Entity of the Group is KGHM Polska Miedź S.A.

At 30 June 2007, KGHM Polska Miedź S.A. owned, directly or indirectly, shares in 38 commercial law companies, including:

- in 28 subsidiaries,
- in 3 associates,
- in 7 other companies.

The equity investments of KGHM Polska Miedź S.A. in individual entities are shown in the diagram below.

Diagram 1. Equity investments of KGHM Polska Miedź S.A. at 30 June 2007



* present name of the company AVISTA MEDIA sp. z o.o.

1.2. Parent Entity

KGHM Polska Miedź S.A. is registered in the Wrocław Fabryczna Regional Court, Section IX (Economic) of the National Court Register, under KRS no. 23302. The shares of KGHM Polska Miedź S.A. are listed on the Warsaw Stock Exchange and, in the form of GDRs (Global Depositary Receipts), on the London Stock Exchange. KGHM Polska Miedź S.A. has been in business since 12 September 1991. The legal antecedent of the Parent Entity was the State-owned enterprise, Kombinat Górniczo-Hutniczy Miedzi in Lubin, which was transformed into a State-owned, joint stock company pursuant to the provisions of the law dated 13 July 1990 on the privatisation of State-owned enterprises.

1.2.1. Share capital and ownership structure of the Parent Entity

During the first half of 2007, there were no changes in the share capital of KGHM Polska Miedź S.A. The share capital of the Parent Entity amounts to PLN 2 000 000 thousand and is divided into 200 million shares with a nominal value of PLN 10 each. Each share gives the right to one vote at the General Shareholders' Meeting of KGHM Polska Miedź S.A. There is no limitation to the transfer of ownership rights to the shares of the Parent Entity or with respect to the execution of voting rights attached to the shares of KGHM Polska Miedź S.A., other than those generally prescribed by the securities markets laws.

As at 30 June 2007, based on information provided to the Parent Entity by its shareholders, the only shareholder holding at least 5% of the total number of shares at the General Shareholders' Meeting of KGHM Polska Miedź S.A. was the Polish State Treasury, which owned 83 589 900 shares, representing 41.79% of the share capital of KGHM Polska Miedź S.A. and the same number of votes at the General Shareholders' Meeting. Compared to 31 December 2006, the share of the Polish State Treasury in the total number of votes at the General Shareholders' Meeting changed (decreased) by 2.5%, due to the transfer on 15 May 2007 of ownership to 5 000 000 shares of KGHM Polska Miedź S.A. to Kompania Węglowa S.A.

As at 30 June 2007, based on information held by KGHM Polska Miedź S.A., among management and supervisory personnel, only Ryszard Kurek – a member of the Supervisory Board – owned shares of KGHM Polska Miedź S.A. (10 shares with a total nominal value of PLN 100). The members of the Management Board and the remaining members of the Supervisory Board of KGHM Polska Miedź S.A. at 30 June 2007 did not own shares of the Parent Entity.

1.2.2. Bodies of the Parent Entity

Supervisory Board

During the period from 1 January 2007 to 11 April 2007, the 6th-term Supervisory Board of KGHM Polska Miedź S.A. was composed of the following persons:

- Adam Łaganowski Chairman,
- Stanisław Andrzej Potycz Deputy Chairman,
- Jan Sulmicki,
- Marcin Ślęzak,
- Jerzy Żyżyński

as well as the following employee-elected members:

- Józef Czyczerski Secretary,
- Leszek Hajdacki,
- Ryszard Kurek.

On 11 April 2007, the Extraordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. recalled Jan Sulmicki from the Supervisory Board and appointed Adam Glapiński and Anna Mańk to the Supervisory Board.

Following these changes, the Supervisory Board was composed of the following persons:

- Adam Łaganowski Chairman,
- Stanisław Andrzej Potycz Deputy Chairman,
- Adam Glapiński,
- Anna Mańk,
- Marcin Ślęzak,
- Jerzy Żyżyński

as well as the following employee-elected members:

- Józef Czyczerski Secretary,
- Leszek Hajdacki,
- Ryszard Kurek.

On 24 April 2007, Adam Łaganowski submitted his resignation from the position of Chairman. The Supervisory Board appointed Adam Glapiński to hold the function of Chairman.

On 10 July 2007, Adam Glapiński submitted his resignation from the position of member of the Supervisory Board.

Management Board

During the period from 1 January 2007 to 13 March 2007, the composition of the Management Board, and the respective division of duties, was as follows:

- Krzysztof Skóra President of the Management Board,
- Maksymilian Bylicki I Vice President of the Management Board for Development ,
- Marek Fusiński Vice President of the Management Board for Finance,
- Stanisław Kot Vice President of the Management Board for Smelting, who was also temporarily performing the rights and duties attributable to the Vice President of the Management Board for Mining,
- Ireneusz Reszczyński Vice President of the Management Board for Trade.

On 13 March 2007, the Management Board of KGHM Polska Miedź S.A. passed a resolution concerning a change in the organisational structure of the Head Office. As a result, the division of duties amongst the Members of the Management Board is as follows:

- Krzysztof Skóra President of the Management Board,
- Maksymilian Bylicki I Vice President of the Management Board for Development,
- Marek Fusiński Vice President of the Management Board for Finance,
- Stanisław Kot Vice President of the Management Board for Production,
- Ireneusz Reszczyński Vice President of the Management Board for Trade.

1.2.3. Remuneration in the Bodies of the Parent Entity

Information on the remuneration in the Bodies of the Parent Entity can be found in Note 38 of the financial statements for the first half of 2007.

1.2.4. Relations with the trade unions

On 3 January 2007, an agreement was signed with respect to wages along with Side Protocol No. 9 to the Collective Labour Agreement for the Employees of KGHM Polska Miedź S.A., which set out:

- new principles for payment of the additional annual bonus, making it conditional on the amount of net profit achieved by the Company,
- an additional annual bonus for 2006 of 14% of wages, and
- new principles for determining the wages increase index.

In addition, on 14 February 2007 a side protocol to the Collective Labour Agreement was entered into, which increased basic wages rates by 6%.

Negotiations on setting the 2007 wage increase index in KGHM Polska Miedź S.A. were not concluded by reaching an agreement with the trade unions. The wage increase indices were set by the Management Board as follows:

- 12.1% of average total wages
- 5.7% of average wages less the additional annual bonus

On 23 April 2007, the Copper Industry Trade Union (Związek Zawodowy Pracowników Przemysłu Miedziowego - ZZPPM) announced the existence of a collective dispute due to the Company's failure to satisfy the demands submitted by the trade union in March 2007. The trade union demanded, among others, changes in employee remuneration categories and an increase in the wages increase index to a minimum of 10%, an increase in contributions to the employee retirement plan to 7% and an additional transfer to the Social Fund of PLN 100 million.

Negotiations and mediation relating to this collective dispute, which were held in May and June 2007, concluded with the signing of a protocol of dispute. On 26 - 28 June 2007, the ZZPPM trade union held a strike referendum. The trade union announced that 50.48% of the workforce participated in the referendum (according to employer's observers, this figure was approx. 42%). On 9 July 2007, the trade union organised a picket in front of the Head Office to voice its protest. The trade union has not announced a strike.

1.3. Employment in the Group

The level and structure of employment in the KGHM Polska Miedź S.A. Group is presented below.

Table 1. Average employment in the period

	2006	I-VI 2006	I-VI 2007	Change*
Total workers:	26 929	26 772	27 430	102.5
1) white collar	8 385	8 201	8 383	102.2
2) blue collar	18 544	18 571	19 047	102.6

* I-VI 2006 = 100

The highest level of employment, at 17 869 persons, was in the Parent Entity. Among the remaining Group companies the highest average number of employees in the first half of 2007 was in:

- PeBeKa S.A. - 1 600 employees,
- POL – MIEDŹ TRANS Spółka z o.o. - 1 515 employees,
- DIALOG S.A. - 1 016 employees,
- DFM ZANAM – LEGMET Sp. z o.o. - 998 employees.

The largest increase in employment was in KGHM Ecoren S.A. (24.6%) and in PeBeKa S.A. (14.4%). This increase in employment was mainly in blue collar positions and was due to the need to meet increasing production tasks.

1.4. Activities of Group entities

The activities of the Group may be divided into three segments:

- Segment I - metals (copper, precious metals), other smelting products – extraction, processing, production, trade and promotion;
- Segment II - telecommunications,
- Segment III - other sectors which comprise the activities of subsidiaries of the Group which are not included in segments I and II;

The table below lists the activities of companies by segment.

Table 2. Activities of significant Group companies, by segment

Item	Entity	Type of activity
Segment I		
1.	KGHM Polska Miedź S.A.	copper ore mining; the production of non-ferrous and precious metals and salt; the casting of light and non-ferrous metals; the management of waste; activities related to financial holding associations; geological-exploratory activities, research and technical analysis; professional rescue services; telecommunications and IT services
2.	KGHM CONGO S.P.R.L	copper and cobalt extraction services
3.	WMN sp. z o.o.	non-ferrous metals processing
4.	KGHM Polish Copper Ltd	copper trading
5.	KGHM Kupferhandelsges.m.b.H.	copper trading
6.	WM „ŁABĘDY” S.A.	trading in coal, grinding mediums used in the production of copper concentrate
7.	KGHM Metraco S.A.	trading of metals, chemicals, copper scrap

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Segment II		
1.	DIALOG S.A.	telecommunications services
2.	Vivid.pl. SA	internet sales
3.	Tele Video Media Sp. z o.o. (since 13.07.2007 AVISTA MEDIA sp. z o.o.)	multimedia services
4.	Polkomtel S.A.	telecommunications services
Segment III		
1.	KGHM Ecoren S.A.	the production and sale of road-building materials and of rhenium compounds
2.	PeBeKa S.A.	construction of mines with infrastructure; building of roadway, railway and subway tunnels, underground construction
3.	DFM ZANAM-LEGMET Sp. z o.o.	production of mining machinery and equipment, construction machinery, machinery repairs
4.	„Energetyka” sp. z o.o.	generation, distribution and sale of electrical and heating energy, water-sewage management
5.	POL-MIEDŹ TRANS sp. z o.o.	railway cargo transport, passenger and cargo road transport, trade in fuels
6.	PHP „MERCUS” sp. z o.o.	trade in consumer goods, production of bundled electrical cables
7.	INTERFERIE S.A.	tourism services, including holiday resorts, health spas and hotels
8.	MCZ S.A.	medical services
9.	KGHM CUPRUM sp. z o.o. - CBR	R&D activities
10.	CBJ sp. z o.o.	research and chemical-physical analysis
11.	INOVA Spółka z o.o.	electrotechnics, attestation and expertise services, certification
12.	TUW-CUPRUM	mutual insurance services for its members
13.	DOL – EKO organizacja odzysku S.A.	management of non-metallic and metallic waste
14.	WFP Hefra SA	production and sale of rust-proof, silver-plated and semi-silver-plated table settings
15.	MINOVA-KSANTE Spółka z o.o.	production of resinous glues, xanthates, xanthenol
16.	PCPM sp. z o.o.	promotion of copper products
17.	„Zagłębie” Lubin SSA	management of a football club, organisation of professional sporting events
18.	PHU „Lubinpex” Sp. z o.o.	food industry and catering services

Presented below is information on the activities of significant entities of the Group.

SEGMENT I

KGHM Polska Miedź S.A.

The Parent Entity is one of the largest global producers of copper and silver. The resource base for KGHM Polska Miedź S.A. is a copper ore deposit of around 468 km², which is the largest in Europe and one of the largest in the world. The core business of the Company is the production of copper and silver. The copper is primarily acquired from copper ore, from which, following enrichment, copper concentrate is obtained, which is then processed in the smelters into anode copper. The electro-refining process produces refined copper of 99.99% purity. A by-product of the electro-refining process is anode slime, from which silver and gold are recovered.

KGHM Polish Copper Ltd.

This company conducts sales of the products of KGHM Polska Miedź S.A. through the London Metal Exchange, and is also involved in supplying smelting materials to KGHM Polska Miedź S.A. The activities of this company are strongly dependent on conditions on the metals market.

KGHM Kupferhandelsges.m.b.H.

This company trades in the products of KGHM Polska Miedź S.A. in southern Europe.

KGHM Metraco S.A.

KGHM Metraco S.A. is one of the strategic commercial companies of KGHM Polska Miedź S.A. It is involved in the supply of materials and minerals which guarantee the uninterrupted operation of KGHM Polska Miedź S.A. divisions and companies of the Group, as well as external sales of by-products of the core business of KGHM Polska Miedź S.A. In the first half of 2007, the company began sales of refined lead from KGHM Polska Miedź S.A. (previously crude lead was sold). Meeting the high quality demands for this product provides the opportunity to build a strong market position for this brand.

The activities of this company are closely linked to conditions on the metals market.

SEGMENT II

DIALOG S.A.

DIALOG S.A. operates in two telecom segments:

- the fixed-line voice segment (traditional voice services provided directly or indirectly, intelligent network services, additional VAS voice services); and
- the fixed-line network data transmission segment (data transmission, communications leases, and narrow and broadband Internet access using ground lines and radio).

DIALOG S.A. is one of the most important, apart from Netia and Exatel, alternative operators to TP S.A.

In terms of value, DIALOG S.A. holds approx. 3.9% of the fixed-line voice telephony market. The position of the company in the data transmission segment is somewhat weaker (approx. 1.5% of the market in terms of sales), although a rising trend may be seen in the volume of revenues generated by the company from its broadband Internet access and data transmission services. They also represent an increasingly-important place in the sales structure. This is in line with the directions of growth on the telecom market.

Conditions in the sector are varied, depending on the segment in question. The value of the fixed-line voice telephony segment in Poland is experiencing a downward trend, while the fixed-line data transmission segment is systematically increasing. DIALOG S.A. intends to compensate for the lost sales from voice services by increasing sales from the Internet access and data transmission segment. The development of services based on broadband Internet access (xDSL), VPN, communications leases and new multimedia offers (including internet television, video on demand) over the next several years will lead to a further dynamic increase in sales by DIALOG S.A. from the growing data transmission segment in fixed-line networks. Another significant source of revenues in 2007 and subsequent years should be voice telephony (WLR) and internet (BSA) services using infrastructure made available by TP S.A.

Diagram 2. Forecast increase and rate of growth of the fixed-line voice segment in Poland

Source: PMR Publications, 2006

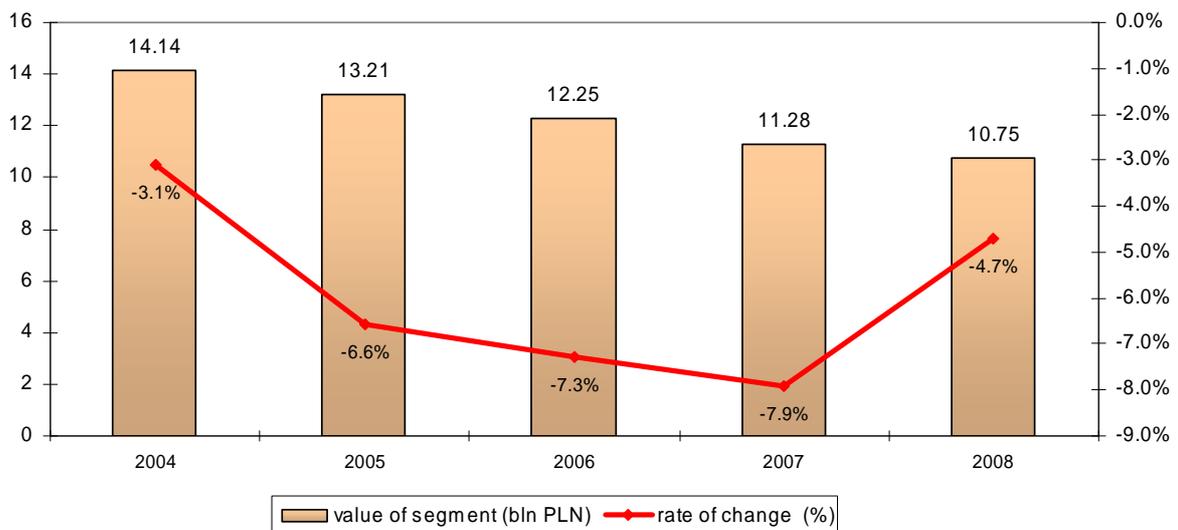
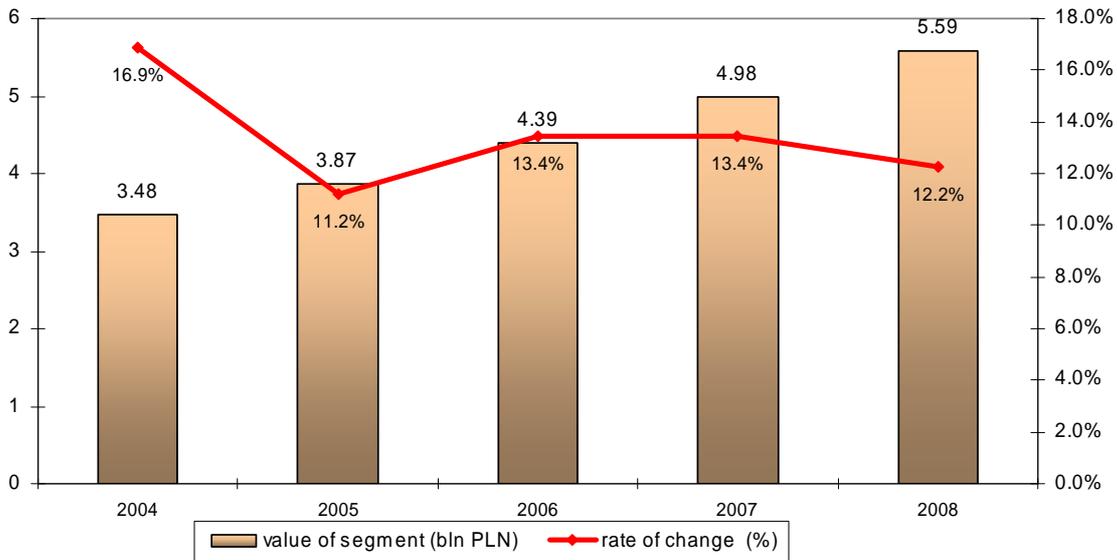


Diagram 3. Forecast increase and rate of growth of the fixed-line data transmission segment in Poland

Source: PMR Publications, 2006



Polkomtel S.A.

Polkomtel S.A. is a mobile telephone operator, offering its services under three brands: Plus, Simplus and Sami Swoi. Polkomtel is a pioneer in the introduction to the Polish market of innovative services utilising GSM technology: among others as the first to offer its customers multimedia messaging services (MMS), the possibility of audio short message services (SMS), and data transmission using GPRS and EDGE technology. In September 2004 Plus GSM, was the first operator in Poland to begin offering third-generation mobile telephone services, together with UMTS.

Polkomtel S.A. is the growth leader on the mobile telephone market, while the Plus and Simplus brands in 2006 were the fastest-growing brands on the market. In 2007 Polkomtel S.A. maintained its position as the leader of the corporate market and strengthened its position in the medium and small firm segment. In 2006 the Simplus brand became the leader of the pre-paid market. In terms of sales, in 2006 Polkomtel S.A. overtook Polska Telefonia Cyfrowa and nearly matched PTK Centertel (owner of the Orange brand).

In 2007 the company is continuing a strategy aimed at increasing its share of the mobile phone market. In 2007 demand for mobile phone services in Poland is continuing to show a rising trend, in both the voice services as well as the data transmission segment. The launch of a new operator under the Play brand as well as of virtual operators did not significantly affect the market share of the three dominant operators. The actions of the regulator (UKE) are aimed at increasing price competition on the market. This may lead to a certain fall, both in the margins achieved by operators, as well as in revenues from international calls, and consequently to a certain weakening of the rate of growth of the results of mobile phone network operators.

SEGMENT III

KGHM Ecoren S.A.

This company is primarily involved in the production and sale of road-building material, products recovered from limestone (powder, coarse stone, key aggregate, sorbates), ammonium perrhenate, metallic rhenium and slag granulate.

Road-building material

KGHM Ecoren S.A. sells its products in north-western Poland. Its share in the crushed material market (this group of products includes material produced by the company) is estimated at around 3%. The customers of the company include the largest road construction companies, such as Strabag and Skanska.

Forecasts of production and demand for road-building material indicate that a period of healthy demand should continue for around ten years. New motorway and expressway construction plans indicate that by the end of 2011, 700 km of new motorways and 1900 km of expressways will be built. In the near future construction will begin in terrain supplied by the company related to new sections of routes S3 and A18, and a new section connecting Zgorzelec with Bolesławiec and the A4 motorway.

Metals and their chemical compounds – rhenium

KGHM Ecoren S.A. is the only producer of ammonium perrhenate in Poland, and one of ten in the world. The company is experienced in the production and sale of ammonium perrhenate and is knowledgeable about further perspectives for metallic rhenium. In 2007 the company forecasts a significant increase in the production and sale of rhenium compounds.

Forecasts of demand and production of rhenium indicate that over the next several years demand for this metal should continue.

Slag granulate

Sales of slag granulate are aimed at producers of abrasives. Currently there are several entities on the Polish market who produce such materials, all of whom are customers of this company.

Due to the basic uses of this product, conditions in this sector primarily depend on the situation in the ship-building industry (this product is used to clean ship hulls and steel constructions).

Mineral recovery

On 1 March 2007, a Minerals Recovery Division was created within the structure of the company, involved in the recovery of copper and silver from the linings of the furnaces in the smelters. It primarily provides services to the entities of the KGHM Polska Miedź S.A. Group.

PeBeKa S.A.

This company is involved in:

- mining construction – this involves work on mine tunnels and shafts (including drifts; the building of shafts and foreshafts plus their outfitting);
- construction and engineering services – comprising general construction services, hydrotechnology, engineering and specialty services (including the construction of industrial facilities, tunnels and metro stations, and the construction and repair of pipelines).

PeBeKa S.A. specialises in mine construction. It is the main supplier to KGHM of tunnel and shaft construction services.

It also plays a significant role in work associated with accessing the new deposit (Głogów Głęboki). With respect to mine work it also provides services to the German company Deutsche Steinkohle AG.

The company has built some of the stations and tunnels for the Warsaw Metro.

Forecasts continue to indicate dynamic growth of the construction sector in Poland. At the end of 2007, a 23 percent increase is expected, with experts predicting over the next five years a 13 – 20 percent rate of growth. Positive trend will be however accompanied by the increase in prices of materials and labour. The rate of these changes will be lower than in the case of forecasts of sector growth.

In the first half of 2007, there was a several tens of percentage increase in the prices of buildings. This data is confirmed by the offers of subcontractors.

In the sector described, PeBeKa S.A. operates primarily on the local market (LGOM) and in Warsaw on construction of the metro. In both of these markets it is one of the chief contractors.

The company is one of the leading contractors in Poland in the construction of underground tunnels (tunnel boring method, blasting method).

ZANAM-LEGMET Spółka z o.o.

This company is one of the largest producers of mining equipment in Poland, for use in methane-free, underground non-ferrous metals and salt mining tunnels. Among the products produced by the company which determine its market position are mining machinery (loaders, haulage rigs, drilling-roof bolting rigs, auxiliary machinery) as well as conveyor belts. In addition, the company produces castings, construction elements built on the base of submitted documentation, and renovates boilers, crushers, etc.

The company fulfils a strategic role for the core business of KGHM Polska Miedź S.A., as a significant supplier and servicer of mining machinery and equipment. Around 15-20 % of sales are to the foreign market. There exist significant growth opportunities in the Commonwealth of Independent States, related to the large influx of foreign capital to companies involved in mineral extraction.

„Energetyka” sp. z o.o.

The basic activities of the company are:

- the generation, distribution and sale of electricity,
- the generation, distribution and sale of heating energy, steam and hot water,
- the intake, purification and distribution of water, and
- the collection and treating of waste.

„Energetyka” sp. z o.o. is the largest producer of electricity in the former Legnica voivodeship. It is produced in conjunction with heat, all of which is supplied to KGHM Polska Miedź S.A. The company is one the largest producers of heat in western Poland and the largest in the former Legnica voivodeship.

With respect to water-sewage management, the company primarily serves industrial customers in the former Legnica voivodeship, and is the main supplier for the Divisions of KGHM Polska Miedź S.A. and companies of the Group. It also has a small share in the local market for individual customers.

„Energetyka” sp. z o.o. operates in an attractive sector with significant growth potential. Its strong position on the local market and the resources and know-how it possesses provide great opportunities for growth by expanding into new fields. On the other hand, rationalisation of heat consumption by its customers requires the modernisation of its production assets, and strict environmental standards force it to commence research into renewable energy sources.

POL-MIEDŹ TRANS Spółka z o.o.

The company offers complex services in railway and road transport and carries out wholesale and retail sales of oil-based products.

The company is among a group of entities which fulfil a strategic role for the core business of KGHM Polska Miedź S.A. – it is the leading source of railway and road transport, and is a direct supplier of fuels to the divisions.

The company holds 8th place in Poland with respect to commodities railway transport (criteria: transport in '000 km).

Over the last several years there has been a clear improvement in the development of the transport and logistics market in Poland. Forecasts indicate that the growth trend in this regard will continue. The company, to meet the demands of the market, intends to develop its railway transport capabilities, including an increased share in sales to the external market.

PHP „MERCUS” sp. z o.o.

The activities of the company comprise three main sectors:

- material logistics – mainly on behalf of the divisions of KGHM Polska Miedź S.A. and companies of the Group,
- production – bundled electrical cables and high-pressure hydraulic lines,
- wholesale and retail sales – department stores, warehouses.

The company fulfils a strategic role for KGHM Polska Miedź S.A., as a major supplier to the core business of machines, equipment, spare parts and materials. It has a firm position as a solid producer and supplier of bundled electrical cables. The last few years have brought a variety of changes to the bundled electrical cables market. Despite sharp competition and very poor conditions on the minerals market, the company is experiencing a large increase in sales. PHP „MERCUS” sp. z o.o. is a supplier of bundled electrical cables to customers such as ELECTROLUX and GENERAL ELECTRIC. Due to continued investments by the main producers of home appliances in Poland, the market for bundled electrical cables should remain at a favourable level.

KGHM CUPRUM sp. z o.o. – CBR

KGHM CUPRUM sp. z o.o. - CBR is engaged in research and development work in the following sectors: geology, mining, machinery, electronics and environmental protection. Its work comprises every stage of R&D work, from basic research to design, the evaluation of environmental impact, and feasibility analysis, to supervision of its execution.

The company is a contractor for R&D for most of the investment projects realised by KGHM Polska Miedź S.A. which are involved with the core business. The company stores the technical (geological) and technological documentation of KGHM Polska Miedź S.A.

The company holds a renowned position amongst Polish R&D institutions. In 2006 it was named as a category 2 entity under the classification of R&D entities (after several years of being listed under category 3).

CBJ spółka z o.o.

CBJ sp. z o.o. operates in the analytical services sector, mainly to serve the needs of the mining and non-ferrous metals smelting industries, with respect to research and physical-chemical analysis.

The company is the main provider of industrial research and analysis for the core business of KGHM Polska Miedź S.A.

The company holds the leading position in the sector of research and physical-chemical analysis for the copper ore mining and smelting industry.

Conditions in the sector in which the company operates are connected to the copper ore mining and smelting market. As respects other types of research and measurement, the markets experiencing the greatest growth are those of food research and research related to environmental protection. These are markets dominated mainly by supervisory institutions and by economic entities possessing their own laboratories. In Poland approx. 1500 various types of research laboratories are in operation, of which over 800 are accredited.

2. Activities of the KGHM Polska Miedź S.A. Group in the first half of 2007

2.1. Equity investments of the Parent Entity

Investments within the Group

In the first half of 2007, KGHM Polska Miedź S.A. realised equity investments in the total amount of PLN 34 726 thousand. These were based on increasing equity commitment in related entities, by acquiring shares in the increased share capital of these companies, and cash payments.

– „Energetyka” sp. z o.o.

In March 2007 an increase in share capital was registered in the National Court Register for „Energetyka” sp. z o.o. in the amount of PLN 30 426 thousand. KGHM Polska Miedź S.A. acquired and paid for in cash all of the shares in the increased share capital. The purpose of this increase was to ensure that the company has sufficient funds for modernisation and preparatory works related to the expansion of power generation capacity, and for repayment of a loan to KGHM Polska Miedź S.A. in the amount of PLN 9 000 thousand.

Following this increase the share capital of the company amounts to PLN 221 475 thousand. KGHM Polska Miedź S.A. owns 100% of the shares of the company.

– **MCZ S.A.**

In May 2007 the Extraordinary General Shareholders' Meeting of „MIEDZIOWE CENTRUM ZDROWIA” S.A. resolved to increase the share capital of the company by PLN 4 300 thousand. KGHM Polska Miedź S.A. acquired all of the shares of the new issue. Cash payment for the shares was made in August 2007. The purpose of this increase was to provide the company with funds for an investment in medical equipment. The increase in share capital was registered in the National Court Register on 3 October 2007. Following this increase the share capital of the company amounts to PLN 51 118 thousand. KGHM Polska Miedź S.A. owns 100% of the shares of the company.

Other investments

In the first half of 2007, KGHM Polska Miedź S.A. continued to invest in the AIG Emerging Europe Infrastructure Fund. The fair value of the investment in this fund in the accounts of KGHM Polska Miedź S.A. at 30 June 2007 amounted to PLN 11 787 thousand.

In the first half of 2007, the Parent Entity received a total of PLN 10 640 thousand from the AIG fund, including due to:

- the redemption of shares PLN 3 065 thousand, and
- profit realised from the redemption of shares PLN 7 575 thousand.

The Parent Entity also paid a management fee of PLN 80 thousand.

2.2. Equity investments of other Group companies

Investments by DIALOG S.A. in subsidiaries

Tele Video Media Sp. z o.o. (since 13.07.2007 AVISTA MEDIA sp. z o.o.)

In June 2007 the Extraordinary General Shareholders' Meeting of Tele Video Media Sp. z o.o. resolved to increase the share capital of the company by PLN 4 000 thousand. All of the new shares in the increased share capital were acquired and paid for in cash by DIALOG S.A. The company designated the funds acquired from this increase for the purchase from DIALOG S.A. of an organised part of the company in the form of a Telecentre and for the purchase of additional, necessary equipment and tools related to the opening of a Telecentre within the company.

The share capital of Tele Video Media Sp. z o.o. after this increase amounts to PLN 10 000 thousand. Registration of this increase in share capital by the National Court Register took place on 13 July 2007. DIALOG S.A. owns 100% of the shares of the company.

Simultaneously with this increase in share capital and its registration, the company changed its name from Tele Video Media Sp. z o.o. to AVISTA MEDIA Sp. z o.o.

Vivid.pl S.A.

In January 2007 DIALOG S.A. acquired from Sovereign Capital S.A. 10% of the shares of Vivid.pl S.A. having a nominal value of PLN 530 thousand, for the amount of PLN 528 thousand, thereby increasing its share in the company to 100%.

Acquisition of full control over Vivid.pl S.A. by DIALOG S.A. took place in 2006, as the result of the appointment by the then-owner - Sovereign Capital S.A. - of three persons from DIALOG S.A. to the four-person Supervisory Board of Vivid.pl S.A. As a result, DIALOG S.A. in its balance sheet at 31 December 2006 presented 100 % of the shares of Vivid.pl S.A. at cost, i.e. PLN 3 279 thousand. The decision to acquire Vivid.pl S.A. is a result of the strategy implemented by DIALOG S.A. assuming an expansion of its product assortment on the dynamically-growing e-commerce market.

In March 2007 an increase in share capital was registered by the National Court Register by Vivid.pl S.A. of PLN 1 000 thousand. DIALOG S.A. acquired and paid for in cash all of the shares in the increased share capital. The company designated the funds acquired from this increase for reducing its debt and financing its current activities. The share capital of Vivid.pl S.A. after this increase amounts to PLN 6 300 thousand.

2.3. Other significant events in the Group

Decreases of share capital

- In January 2007 a decrease in share capital was registered in the National Court Register by Warszawska Fabryka Platerów Hefra Spółka Akcyjna of PLN 28 705 thousand, through a decrease in the face value of its shares, from PLN 6.40 to PLN 0.70 per share. The funds arising from this decrease were allocated for the coverage of prior year losses in the amount of PLN 24 962 thousand, while the remaining amount of PLN 3 743 thousand was transferred to the supplementary capital of the company. The share capital of the company after this decrease is PLN 3 525 thousand. The owner of 97.52% of the shares of Warszawska Fabryka Platerów Hefra Spółka Akcyjna is KGHM Ecoren S.A.
- In March 2007 a decrease in share capital was registered in the National Court Register by KGHM Ecoren S.A. of PLN 10 052 thousand, through a decrease in the then face value of its shares, from PLN 10.00 to PLN 9.55 per share. KGHM Ecoren S.A. will transfer the amount arising from this decrease in

share capital in October 2007 to KGHM Polska Miedź S.A. The share capital of the company after this decrease is PLN 213 322 thousand.

The owner of 100% of the shares of KGHM Ecoren S.A. is KGHM Polska Miedź S.A.

Other changes

- In June 2007 the court registered an increase in the share capital of WM „ŁABĘDY” S.A. of PLN 30 936 thousand (a subsidiary of KGHM Ecoren S.A.). All of the shares in the increased share capital were acquired by KGHM Ecoren S.A. and covered by a contribution in kind in the form of 32 430 shares of Walcownia Metali Nieżelaznych Sp. z o.o. with a nominal value of PLN 25 944 thousand, representing 60.11% of the share capital of this company.
The share capital of WM „ŁABĘDY” S.A. after this increase is PLN 54 704 thousand. As a result of this increase the interest of KGHM Ecoren in the company increased from 74.5% to 88.92%
The transfer of ownership of the shares of Walcownia Metali Nieżelaznych Sp. z o.o. to WM „ŁABĘDY” S.A. took place in January 2007, based on an agreement entered into between KGHM Ecoren S.A. and WM „ŁABĘDY” S.A.
Following the transfer of ownership of these shares, KGHM Ecoren S.A. owns no shares directly in Walcownia Metali Nieżelaznych Sp. z o.o., while the share of Walcownia Metali „Łabędy” S.A. in the share capital of this company increased from 34.77% to 94.88 %.
- In March 2007 KGHM Polska Miedź S.A. sold all of the shares it had owned of INFOMONITOR BIURO INFORAMCJI GOSPODARCZEJ S.A., i.e. 669 thousand shares with a total nominal value of PLN 669 thousand, representing 16.73% of the share capital of this company.
- In June 2007 the process of liquidating Energetyka Spółka Specjalnego Przeznaczenia in liquidation was completed. The company was removed from the National Court Register. The owner of 100% of the shares was „Energetyka” sp. z o.o.

2.4. Internal financing of Group companies by the Parent Entity

In the first half of 2007, KGHM Congo S.P.R.L. made use of financing in the form of loans granted by KGHM Polska Miedź S.A.

In April 2007 KGHM Congo S.P.R.L. repaid its final liabilities towards KGHM Polska Miedź S.A. in the amount of USD 200 thousand, due to a loan granted in 2005.

In June 2007 KGHM Congo S.P.R.L. entered into a new loan agreement with KGHM Polska Miedź S.A. in the amount of USD 800 thousand, for the coverage of investment expenditures related to the replacement of production capacity. This loan is to be repaid by May 2008.

In January 2007 „Energetyka” sp. z o.o. repaid a loan of PLN 9 000 thousand granted by KGHM Polska Miedź S.A. in the amount granted to the company in 2004. The loan was repaid from funds acquired through an increase in share capital.

2.5. Payment of dividends to the Parent Entity

In the first half of 2007, KGHM Polska Miedź S.A. received dividends from the following entities:

- | | |
|---------------------------------|-----------------------|
| - Polkomtel S.A. | PLN 202 316 thousand, |
| - CBJ sp. z o.o. | PLN 2 000 thousand, |
| - MINOVA – KSANTE Spółka z o.o. | PLN 851 thousand. |

2.6. Information on contracts of significance for the Group

In the first half of 2007, the following contracts of significance for the activities of the Group were entered into:

- a contract for the sale of 8 mm copper wire rod and oxygen-free copper rod Cu-OFE-8-Cl in 2007, signed on 8 January 2007 between KGHM Polska Miedź S.A. and Tele-Fonika Kable S.A. The value of the contract is estimated to fall in the range from USD 556 783 thousand (PLN 1 658 546 thousand) to around USD 656 028 thousand (PLN 1 954 175 thousand). This estimated value, depending on the degree to which options are used, is based on the forecast copper price (based on the forward curve from 5 January 2007) and on the NBP rate from 8 January 2007.
- a contract for the sale of copper cathodes in 2007 signed on 18 January 2007 between KGHM Polska Miedź S.A. and MKM Mansfelder Kupfer und Messing GmbH. The value of the contract is estimated at USD 317 395 thousand, i.e. PLN 955 772 thousand. This estimated value is based on the forecast copper price (based on the forward curve) and on the NBP rates from 17 January 2007.
- a contract for the sale of copper cathodes in 2007 signed on 12 March 2007 between KGHM Polska Miedź S.A. and KGHM Polish Copper Ltd. in London (a subsidiary of KGHM Polska Miedź S.A.). The value of the contract is estimated at USD 265 937 thousand (PLN 784 701 thousand). This estimated value is based on the

forecast copper price (based on the forward curve) and on the NBP rate from 9 March 2007. The contract provides for contractual penalties for failure to execute payments on time.

2.7. Activities of major Group entities

Among the most important entities of the Group are:

- KGHM Polska Miedź S.A. – the Parent Entity,
- Polkomtel S.A., in which KGHM Polska Miedź S.A. owns 19.61% of the share capital – consolidated using the equity method, and
- DIALOG S.A. – a subsidiary in which KGHM Polska Miedź S.A. owns 100% of the share capital. The results of this company have a direct impact on the consolidated financial statements of the KGHM Polska Miedź S.A. Group.

KGHM Polska Miedź S.A.

The financial results and description of activities of the Company for the first half of 2007 can be found in the KGHM Polska Miedź S.A. report published on 14 September 2007.

Polkomtel S.A.

At 30 June 2007, the carrying amount of the shares of Polkomtel S.A. in the financial statements of KGHM Polska Miedź S.A. is PLN 437 250 thousand.

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

Table 3. Financial results of Polkomtel S.A. ('000 PLN)

	2006	I-VI 2006	I-VI 2007	Change*
Sales	7 359 014	3 541 124	3 758 796	106.1
Operating profit	1 477 088	680 110	836 759	123.0
EBITDA	2 486 493	1 184 094	1 366 033	115.4
Profit for the period	1 123 121	508 290	632 924	124.5

* I-VI 2006 = 100

In July 2007 the company announced to the market that it had exceeded 13 million customers, which had put it in first place on the Polish mobile phone network operators.

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.

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 the 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 Węglokoks 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 against six entities, naming TDC Mobile International A/S as the Principal Respondent, Polkomtel S.A. as the First Auxiliary Respondent and KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglokoks 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. 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 outcome of these proceedings.

DIALOG S.A.

The carrying amount of the shares of DIALOG S.A. at 30 June 2007 in the financial statements of KGHM Polska Miedź S.A. is PLN 1 130 000 thousand.

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

Table 4. Financial results of DIALOG S.A. ('000 PLN)

	2006	I-VI 2006*	I-VI 2007	Change**
Sales	500 959	250 246	241 793	96.6
Operating profit	29 835	35 598	27 331	76.8
EBITDA	121 496	80 500	75 483	93.8
Profit for the period	71 271	31 585	24 303	76.9

* The financial data for 2006 and for the period January-June 2006 are presented based on the separate financial statements of the company prepared under the Polish Accounting Act dated 29 September 1994.

** I-VI 2006 = 100

The deterioration of the financial results of DIALOG S.A. was due to a decrease in sales caused by a lowering of prices for services and a reduction in the customer base, as well as an increase in costs related to gaining customers and implementing new services.

In accordance with the approved strategy and business plan of DIALOG S.A., apart from continuation of projects begun in 2006, the company expects to commence in the near future a variety of investment projects which together are aimed at increasing revenues and expanding the activities of the company, as well as improving its profitability. Thanks to an agreement entered into with TP S.A. the company commenced to sell its services beyond its own network by using the incumbent operator's network. The company will also expand its broadband Internet access services. At the end of June 2007 the company had 95.6 thousand subscribers using these services.

Strong competition from mobile phone operators means that DIALOG, like other fixed-line operators, is experiencing a fall in voice service subscribers. At the end of June 2007 the company had 406 thousand ringing lines, which was 9 thousand less than in the comparable period of 2006. In the first half of 2007 the company commenced sales of voice subscription services as an operator making use of the TP S.A. network (based on a so-called WLR (wholesale line rental) agreement), which will allow the company to increase its revenues from voice services.

On 22 February 2007, DIALOG S.A. finalised a transaction for the purchase 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 increases the ability of DIALOG S.A. to provide modern services (e.g. interactive television).

2.8. Research and development

The highest expenditures in the Group for research and development projects (R&D projects) in the first half of 2007 were incurred by the Parent Entity. They amounted to PLN 914 thousand and were financed primarily by the internal funds of the Company.

Table 5. R&D expenditures in the Parent Entity ('000 PLN)

	2006	I-VI 2006*	I-VI 2007	Change*
Mining	3 670	678	786	115.9
Smelting	2 384	32	128	400.0
Total	6 054	710	914	128.7

* I-VI 2006 = 100

The projects carried out by KGHM Polska Miedź S.A. are in line with the main directions of the Company's development as outlined in the Strategy of the Company, and involve the development and growth of the core business and diversification of activities.

In the first half of 2007 work carried out included:

- „Scenarios for the development of the copper ore and associated minerals extraction industry in Poland” – this subject is an element of the National Foresight Program,
- „Binding agent for the solidification of backfill mixes used in mines, containing tailings waste”,
- Development of new technology for the processing of sandstone-carbonate copper ore – a subject being pursued by the Canadian firm SGS Lakefield in cooperation with KGHM CUPRUM Sp. z o.o. CBR in Wrocław, aimed at finding technology to improve the technological results achieved to date in the processing of copper ore.
- „Ensuring the safety of underground personnel by using evacuation chambers in a situation wherein the air becomes unbreathable”.

KGHM CUPRUM sp. z o.o. – CBR is an entity of the Group whose basic activities involve research and development. The company is a contractor for most of the investment projects realised by KGHM Polska Miedź S.A. Among the most important tasks realised by the company in the first half of 2007 are:

- research into the development of a balanced method of exploiting black shales using biotechnology - within the 6th EU Framework Program BIOSHALE,
- “Foresight” program scenarios for the development of the brown coal processing industry within the Operating Program Sector financed by the Ministry of Science and Higher Education,
- scenarios for the development of the copper ore and associated minerals extraction industry in Poland - Foresight”,
- studies into the use of geothermal energy from mine water,
- determination of the impact of rock structures and mineralised mine water on the geomechanical qualities of ceiling and floor rock in the copper ore deposit,
- development of new methods for evaluating seismic threats in underground mines,
- determination of the resistance of the shaft linings in the mines of the Company to static and dynamic influences from current and future mining.

Following are the achievements of the remaining entities of the Group in R&D.

CBJ sp. z o.o.

In the first half of 2007, the company implemented 36 new research methods used in physio-chemical analysis and research.

ZANAM-LEGMET Sp. z o.o.

In the first half of 2007, the company brought several new products into use, i.e.: an LKP-0803 loader, an SWKN-1HS self-propelled roof bolting vehicle, and a self-propelled SWT-3AMW transport vehicle. In addition, modernisation was made on the LKP-0901 and LKP-1601A loaders, on the SWW-1HS and SWKN-1/1A drilling and bolting vehicles, and on the SWON, SWPS 4 service vehicles.

KGHM Ecoren S.A.

In the first half of 2007, the company commissioned an installation for the production of ammonium perrhenate, enabling the recovery of rhenium compounds from tailings. Project assumptions were developed for extraction technology for the purification of crude nickel sulphate.

INOVA Spółka z o.o.

Among the most important R&D work carried out by the company in the first half of 2007 is the following:

- development of a concept for the digital analysis of the foam zone to optimise the floatation process,
- commencement of research into a new generation of miners lamps,
- commencement of research into a new generation of markers,
- development of a concept for new system of transformer stations,
- commencement of work on the iDOTRA personnel and machinery identification system.

2.9. Significant changes in organisation and management in the Group

KGHM Polska Miedź S.A.

On 13 March 2007, the organisational structure of KGHM Polska Miedź S.A. was changed, combining the functional areas of the Vice President for Mining and the Vice President for Smelting under a single Vice President for Production.

The responsibility for coordination and direct supervision of the smelting divisions of KGHM Polska Miedź S.A. was assigned to the General Director for Smelting, while the General Director for Mining was assigned responsibility for the mining divisions, the Ore Enrichment Plants and the Tailings Plant.

DIALOG S.A.

In the first half of 2007, work continued on changing the means of managing this company. Actions were taken aimed at further gradual transformation of the structure (verticalisation). These structural changes were aimed at eliminating differences in the way in which the same types of units or positions located in various places perform their duties. Unification will not only enable the effects achieved to be compared, but will also enable – through the elimination of „island” management – optimisation of human resource employment. One of the critical tasks enabling realisation of the above-mentioned assumptions was to grant greater rights and obligations to those persons managing particular units. These changes should enable better supervision of progress on work carried out with respect to strategic projects, and more precise monitoring of results – which is critical in terms of the decision to list on the stock market.

KGHM Ecoren S.A.

In the first half of 2007, the company consistently pursued the strategy accepted in 2006, whose basic goal is to transform the company from that of an investment fund to that of a company with a production-service profile. Two processes are taking place in the company:

- reducing the scale and scope of activities respecting equity supervision – preparing to dispose of financial assets (companies), and
- increasing the scale of activities focused on production, commerce, marketing and development.

These actions required the adaptation of the organisational structure and management system to meet new demands.

The most important changes in the organisational structure are:

- eliminating excess supervisory services, and transferring authority to a Vice President, who until then had been responsible for this area, over management of the production divisions (together with a change in the name of this position to Vice President for Production);
- elimination of the Investment Department and delegation of duties and responsibilities for investments to the production divisions (the Hydrometallurgical and Road-Building Materials Divisions);
- the creation within the functional area of the Vice President for Production of auxiliary services aiding the management of production and investment,
- the creation within the structure of KGHM Ecoren S.A. of a new Minerals Recovery Division, based on the assets acquired from the subsidiary INOVA Sp. z o.o. (the production line of the Ore Enrichment Division, whose end products are copper and silver concentrates).

In the first half of 2007, the company entered into a contract for the purchase and implementation of modules of the Microsoft Dynamics AX Standard IT System, aiding the management of various areas of the company's operations.

KGHM Metraco S.A.

At the beginning of 2007 the representative office of the Company in Prague was closed.

3. Financial position

3.1. Scope and nature of the data presented

Periods covered by the consolidated financial statements

The consolidated financial statements presented cover:

- the current period from 1 January to 30 June 2007,
- the comparative period from 1 January to 30 June 2006.

Entities consolidated

KGHM Polska Miedź S.A. – as the Parent Entity of the Group, fully consolidated 24 subsidiaries, while 2 associates were accounted for using the equity method:

- Polkomtel S.A.,
- MINOVA-KSANTE Spółka z o.o.

Polkomtel S.A., in which KGHM Polska Miedź S.A. owns a 19.61% interest is an associated entity which is accounted for using the equity method. The determination of significant influence is based on the fact that, in accordance with the shareholders agreement and the statutes of Polkomtel S.A., KGHM Polska Miedz S.A., through its representative on the Supervisory Board, has influence on resolutions related to the operating strategy of Polkomtel S.A., which in turn affects its operating and financial policies.

Audit of the financial statements

The entity entitled to audit the consolidated financial statements of the Parent Entity is Ernst & Young Audit sp. z o.o. with its registered head office in Warsaw.

This contract for the audit and review of the financial statements of the Parent Entity was signed on 30 April 2007. The contract applies to the review of half-year, and to the audit of the annual, financial statements, both separate and consolidated, for the years 2007, 2008 and 2009. Remuneration for the services rendered for each financial year is PLN 950 thousand.

Ernst & Young Audit sp. z o.o. was also selected to audit the financial statements for 2007 of the following subsidiaries:

- 1) KGHM Ecoren S.A. (separate and consolidated),
- 2) DIALOG S.A. (separate and consolidated),
- 3) „Energetyka” sp. z o.o.,
- 4) KGHM Metraco S.A.,
- 5) PeBeKa S.A.,
- 6) POL-MIEDŹ TRANS Sp. z o.o.,
- 7) ZANAM-LEGMET Sp. z o.o.,
- 8) WMN Sp. z o.o.,
- 9) „Zagłębie” Lubin SSA.

3.2. Balance sheet: assets

The structure of the assets of the KGHM Polska Miedź S.A. Group is dominated by the assets of the Parent Entity.

Table 6. Consolidated balance sheet – Assets ('000 PLN)

ASSETS	31 December 2006	30 June 2007	Structure	Change *
1	2	3	4	5
Non-current assets	7 244 478	7 326 608	50.0%	101.1%
Property, plant and equipment	6 031 547	6 239 429	42.6%	103.4%
Intangible assets	125 615	124 058	0.8%	98.8%
Investment property	18 853	12 817	0.1%	68.0%
Investments in associates	690 074	609 354	4.2%	88.3%
Deferred income tax assets	222 518	98 197	0.7%	44.1%
Available-for-sale financial assets	81 826	27 807	0.2%	34.0%
Held-to-maturity investments	32 213	42 268	0.3%	131.2%
Other investments	11 106	11 106	0.1%	100.0%
Derivative financial instruments	16 411	123 413	0.8%	752.0%
Trade and other receivables	14 315	38 159	0.3%	266.6%
Current assets	5 799 573	7 332 983	50.0%	126.4%
Inventories	1 768 750	1 766 515	12.0%	99.9%
Trade and other receivables	1 403 112	1 382 005	9.4%	98.5%
Receivables due to current income tax	4 860	2 541	0.0%	52.3%
Available-for-sale financial assets	-	204 251	1.4%	x
Held-to-maturity investments	19 070	47 491	0.3%	249.0%
Derivative financial instruments	282 650	350 195	2.4%	123.9%
Cash and cash equivalents	2 321 131	3 579 985	24.4%	154.2%
Non-current assets held for sale	24 507	297	0.0%	1.2%
TOTAL ASSETS	13 068 558	14 659 888	100.0%	112.2%

* 31 December 2006 = 100

In the first half of 2007, total assets increased by PLN 1 591 330 thousand, i.e. by 12.2%. Non-current assets show relatively little change. During the analysed period their value increased by 1.1%. The largest item of assets is property, plant and equipment. This item also shows the largest increase, i.e. by PLN 207 882 thousand. This is mainly in respect of investments related to development in the Parent Entity, such as construction of the SW-4 shaft and mine drifts to access the „Głogów Głęboki Przemysłowy” deposit. The largest rate of increase is shown by derivative financial instruments hedging copper and silver prices. Their value increased by PLN 107 002 thousand (652%). In non-current assets there was a significant decrease in

investments in associated entities (accounted for using the equity method) i.e. by PLN 80 720 thousand. This was due to a change in equity due to dividend payments (mainly respecting Polkomtel S.A.).

The increase in assets was mainly due to changes in current assets. The largest increase was in the item cash and cash equivalents, i.e. by PLN 1 258 854 thousand, and mainly relates to the Parent Entity. This is related to the good conditions on the copper market, enabling the generation of significant operating profits. KGHM Polska Miedź S.A. invested the funds acquired in short-term bank accounts, among others, in order to secure funds for the payment of a shareholder dividend. Available-for-sale financial assets (current) mainly represented shares in the investment funds, DWS Płynna Lokata Plus and KBC Gamma SFIO, which were reclassified at the end of the first quarter of 2007 from non-current to current assets.

3.3. Balance sheet: Equity and Liabilities

Table 7. Consolidated balance sheet – Equity and liabilities ('000 PLN)

EQUITY	31 December 2006	30 June 2007	Structure	Change *
1	2	3	4	5
EQUITY	8 332 127	7 310 972	49.9%	87.7%
Share capital	2 000 000	2 000 000	13.6%	100.0%
Other reserves	(431 161)	128 128	0.9%	x
Retained earnings	6 718 563	5 136 281	35.0%	76.4%
Equity attributable to shareholders of the Parent Entity	8 287 402	7 264 409	49.6%	87.7%
Minority interest	44 725	46 563	0.3%	104.1%
Non-current liabilities	1 547 124	1 650 387	11.3%	106.7%
Trade and other payables	15 361	23 867	0.2%	155.4%
Borrowings	150 568	152 654	1.0%	101.4%
Derivative financial instruments	880	-	0.0%	x
Deferred income tax liabilities	26 538	37 755	0.3%	142.3%
Liabilities due to employee benefits	864 950	871 268	5.9%	100.7%
Provisions for other liabilities and charges	488 827	564 843	3.9%	115.6%
Current liabilities	3 186 005	5 698 529	38.9%	178.9%
Trade and other payables	1 532 723	4 917 171	33.5%	320.8%
Borrowings	54 756	78 466	0.5%	143.3%
Current income tax liabilities	402 842	228 601	1.6%	56.7%
Derivative financial instruments	1 047 124	341 806	2.3%	32.6%
Liabilities due to employee benefits	72 603	75 004	0.5%	103.3%
Provisions for other liabilities and charges	75 957	57 481	0.4%	75.7%
TOTAL LIABILITIES	4 733 129	7 348 916	50.1%	155.3%
Liabilities associated with non-current assets held for sale	3 302	-	0.0%	x
TOTAL EQUITY AND LIABILITIES	13 068 558	14 659 888	100.0%	112.2%

* 31 December 2006 = 100

In the first half of 2007, there occurred a decrease in equity, mainly due to changes in the item retained earnings. Their value decreased by PLN 1 582 282 thousand. This was affected by a decision passed by the General Shareholders' Meeting of KGHM Polska Miedź S.A. regarding the payment of a dividend for 2006 in the amount of PLN 3 394 000 thousand, and by the net profit earned by the Company for the first half in the amount of PLN 1 844 245 thousand. The increase in other reserves by PLN 559 289 thousand is mainly due to the settlement of hedging instruments by the Parent Entity.

The largest item of current liabilities is trade and other payables. This item mainly includes:

- liabilities due to a dividend for the Parent Entity shareholders of PLN 3 495 711 thousand,
- trade payables of PLN 603 431 thousand, and
- accruals of PLN 378 195 thousand
(including PLN 256 788 thousand representing an accrual for future wages due to an additional annual employee bonus pursuant to the Collective Labour Agreement for the Employees of KGHM Polska Miedź S.A.)

Current liabilities increased by PLN 2 512 524 thousand, mainly due to payables in respect of the shareholders of the Parent Entity due to the dividend for 2006.

As respects the item derivative financial instruments, there was a significant decrease in the amount of PLN 705 318 thousand (by 67%) due to settlement by the Parent Entity of hedging transactions and to a decrease in the volume of hedged production.

3.4. Income statement

Table 8. Consolidated income statement ('000 PLN)

INCOME STATEMENT	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2007 to 30.06.2007	Change *
1	2	3	4
Sales	6 176 057	6 467 338	104.7%
Costs of sales	(3 567 723)	(3 639 186)	102.0%
Gross profit	2 608 334	2 828 152	108.4%
Selling costs	(91 373)	(95 652)	104.7%
Administrative expenses	(335 395)	(344 775)	102.8%
Other operating income	115 813	105 841	91.4%
Other operating costs	(63 568)	(367 080)	577.5%
Operating profit	2 233 811	2 126 486	95.2%
Finance costs - net	(13 380)	(15 212)	113.7%
Share in profits of associates accounted for using the equity method	99 841	122 430	122.6%
Profit before income tax	2 320 272	2 233 704	96.3%
Income tax expense	(438 900)	(421 679)	96.1%
Profit for the period	1 881 372	1 812 025	96.3%
attributable to:			
shareholders of the Parent Entity	1 881 002	1 811 718	96.3%
minority interest	370	307	83.0%
Earnings per share attributable to shareholders of the Parent Entity during the year (PLN per share)			
- basic	9.41	9.06	96.3%
- diluted	9.41	9.06	96.3%

* H1 2006 = 100

During the analysed period the KGHM Polska Miedź S.A. Group increased its sales versus the comparable prior period by 4.7%. The increase in sales was mainly dictated by the increase in revenues achieved by the Parent Entity, where the following factors played a significant role (in '000 PLN):

– the increase in copper, silver and gold prices	825 296
– strengthening of the PLN from 3.16 to 2.90 PLN/USD	(507 149)
– a lower loss on hedging transactions	311 484
– a lower sales volume	(307 122)

Gross profit from sales increased by 8.4%.

The decrease in profit for the period by PLN 69 347 thousand is mainly in respect of other operating activities, which in relation to the first half of 2006 decreased by PLN 313 484 thousand. This was affected by the loss on the measurement and realisation of derivative instruments (PLN 252 396 thousand).

The consolidated profit for the first half of 2007 amounted to PLN 1 812 025 thousand, including profit attributable to the shareholders of the Parent Entity of PLN 1 811 718 thousand.

Table 9. Structure of the profit for the period of the KGHM Polska Miedź S.A. Group ('000 PLN)

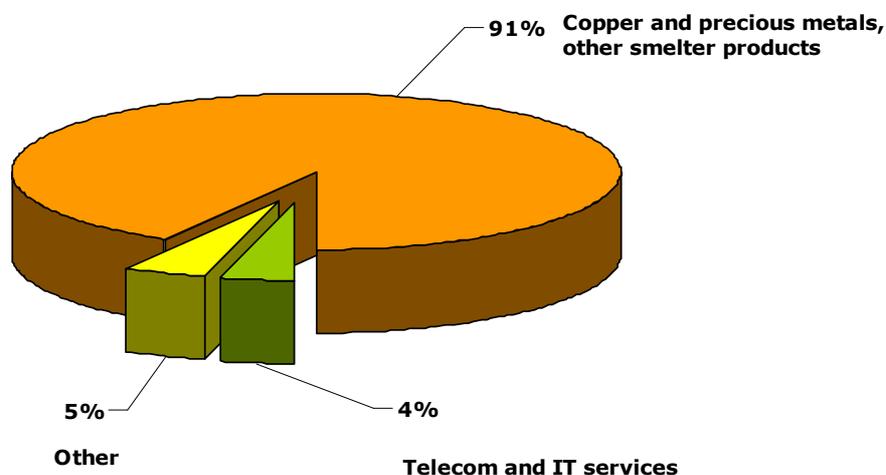
Name of entity	Profit for the first half of 2007
KGHM Polska Miedź S.A.	1 844 245
subsidiaries	70 323
<i>of which:</i>	
KGHM Ecoren S.A.	27 379
DIALOG S.A.	24 303
KGHM Metraco S.A.	5 361
"Energetyka" sp. z o.o.	3 202
WMN Sp. z o.o.	2 321
PHP "MERCUS" sp. z o.o.	2 228
DFM ZANAM-LEGMET Sp. z o.o.	2 133
associates - attributable to the Group	122 430
<i>of which:</i>	
Polkomtel S.A.	121 926
consolidation adjustment*	(225 280)
Profit for the period attributable to shareholders of the Parent Entity	1 811 718

* consolidation adjustments relate primarily to elimination of the valuation of shares of subsidiaries and associates accounted for using the equity method in the separate financial statements of Group entities (as respects KGHM Polska Miedź S.A., KGHM Ecoren S.A., DIALOG S.A., PHP „MERCUS” sp. z o.o., „Energetyka” sp. z o.o.)

3.5. Structure of Group sales

The largest share in Group sales is held by the segment of activities which involve the extraction and processing of copper and precious metals, the production of non-ferrous metals, trade and copper promotion. A significantly lower amount of sales is generated by the segment of telecom and IT services, which is nearly at the level of total remaining sales.

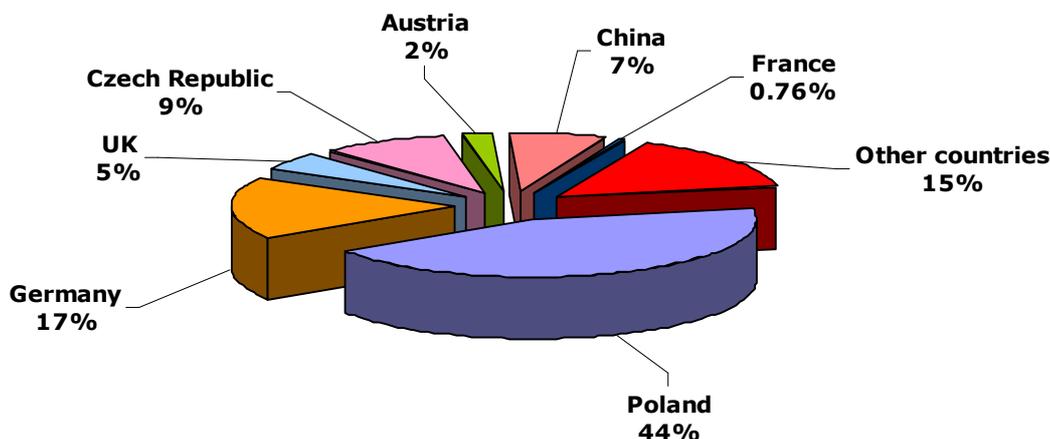
Diagram 4. Sales by segment



3.6. Sales markets – geographical structure

The largest portion, i.e. 44% of revenues from the sale of products, goods for resale and services achieved by the KGHM Polska Miedź S.A. Group, comes from the domestic market. The largest foreign recipient of the products, goods for resale and services offered by the Group is Germany - 17%. The other significant customers on the foreign market remain the Czech Republic and China (with respective shares of 9% and 7%).

Diagram 5. Sales by market



During the analysed period, in comparison to the sales structure in the first half of 2006, the following were clearly significant:

- an increase in sales on the Polish market from 38 % to 44 %,
- a decrease in sales on the German market from 27 % to 17 %

3.7. Transactions with related entities

The value of transactions – sales and purchases – with related entities is presented below. State Treasury companies, as a related entity, were recognised in the item other entities.

Table 10. Sales to related entities ('000 PLN)

Sales	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2007 to 30.06.2007
1. to associates	1 522	1 351
2. to members of key management, supervisory staff	20	18
3. to other related entities	39 280	33 864
Total	40 822	35 233

Among the State Treasury subsidiaries, the KGHM Polska Miedź S.A. Group in the first half of 2007 earned the largest revenues from sales from the entity Wojewódzkie Przedsiębiorstwo Energetyki Ciepłej in Legnica (value PLN 11 933 thousand, share - 34% of total sales). These revenues were from sales of heating energy by „Energetyka” sp. z o.o.

Table 11. Purchases from related entities ('000 PLN)

Purchases	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2007 to 30.06.2007
1. from associates	23 688	23 881
2. from other related entities	302 218	354 777
Total	325 906	378 658

Among the State Treasury subsidiaries, in the first half of 2007 the largest purchases by KGHM Polska Miedź S.A. Group were from the entity EnergiaPro Koncern Energetyczny S.A. (value PLN 253 335 thousand, share – 67% of total purchases).

3.8. Financial ratios of the KGHM Polska Miedź S.A. Group

Basic ratios describing the economic activities of the Group are presented below:

Table 12. *Economic ratios*

Ratios	31 December 2006	30 June 2006	30 June 2007
1. Liquidity ratios			
- quick liquidity (multiple)	1.3	0.7	1.0
- current liquidity (multiple)	1.8	1.0	1.3
2. Profitability ratios			
- Return on Assets (%)	27.0	14.2	12.4
- Return on Equity (%)	42.5	36.8	24.8
3. Equity and liabilities ratios			
- debt ratio (%)	36.4	61.5	50.1
- durability of financing structure ratio (%)	75.5	49.3	61.1

The continuation of bullish conditions on the metals market, and consequently the high level of cash resources at the end of June 2007, allocated for payment by the Parent Entity of a dividend totalling PLN 3 394 000 thousand, led to an increase in the liquidity ratios.

The deterioration of the profitability ratios (Return on Assets and Return on Equity) is mainly the result of the Group earning a lower profit for the first half of 2007 in relation to the comparable prior period, alongside a higher level of total assets and equity at the end of June 2007.

A change in the structure of equity and liabilities (an increase in equity and a decrease in current liabilities) due to the measurement and settlement of derivative financial instruments, resulted in the reduction of the debt ratio and in the durability of financing structure ratio.

3.9. Risk management

The KGHM Polska Miedź S.A. Group actively manages that risk to which it is exposed. The main goal of risk management is to minimise variability in cash flow. Realisation of this policy is dependent primarily upon the internal situation of the Parent Entity, as well as on market conditions. Actions undertaken are aimed at increasing the probability of achieving budget plans, keeping the companies in a good financial condition and supporting the process of undertaking strategic decisions as respects investments, with due regard to the sources for financing such investments.

The fundamental risk to which the Group is exposed is market risk. This is comprised of:

- the metals prices risk (copper, silver and gold),
- the currency risk, and
- the interest rates risk.

To mitigate market risk, derivative instruments are mainly used. Natural hedging is also used. Application of the following types of instrument is permitted:

- swap contracts,
- forward and futures contracts,
- options contracts, and
- structures derived from the above.

Risk management in the Parent Entity

In the first half of 2007, strategies hedging the copper price represented approx. 35% of sales of this metal realised by the Parent Entity (in the first half of 2006 - 30%). In the case of silver this figure was at the level of approx. 10% (in the first half of 2006: 39%). In the case of the currency market hedged revenues from sales represented approx. 5% (in the first half of 2006: 11%) of total revenues from sales realised by the Company.

Transactions hedging metals prices were settled with a negative result, while currency transactions were settled with a positive result. In the first half of 2007, the result on derivative instruments amounted to PLN (873 808) thousand [in the first half of 2006: PLN (915 859) thousand], of which:

- revenues from sales were adjusted by PLN (620 293) thousand (the amount transferred from equity to the income statement during the reporting period; in the first half of 2006 PLN (931 777) thousand),
- the result on other operating activities was changed with the following amounts: PLN (4 675) thousand (in the first half of 2006 by PLN (3 997) thousand) due to the loss from realisation of derivative instruments, and PLN (248 839) thousand (in the first half of 2006 PLN 19 915 thousand) due to the loss from the measurement of derivative instruments.

The adjustment of other operating costs and losses due to the measurement of derivative transactions is mainly due to the change in the time value of options which are to be settled in future periods. Due to the existing hedge accounting regulations, changes in the time value of options may not be recognised in the revaluation reserve.

In the first half of 2007, the Parent Entity implemented copper price hedging strategies of a total volume of 150 thousand tonnes and a time horizon falling in 2008. The Company made use of options. Additionally, during this period the Company implemented adjustment hedge transactions of a total volume of 3 890 tonnes and a time horizon falling in January, March, April, May, June and September 2007.

In the case of the silver market, during the analysed period strategies were implemented for hedging the price of this metal in a total volume of 19.2 million troz and a time horizon falling in 2008 and 2009. In the first half of 2007, there were no adjustment hedge transactions implemented on the silver market.

In the case of the forward currency market, in the first half of 2007 the Parent Entity implemented strategies hedging the USD/PLN rate for an amount of USD 300 million and a time horizon falling in the second half of 2007. The Company made use of forward contracts. During the analysed period there were no adjustment hedge transactions implemented on the currency market.

The Company remains hedged for a portion of copper sales planned for the second half of 2007 (36 thousand t) and for 2008 (150 thousand t), for a portion of silver sales planned for the second half of 2007 (0.3 million troz), for 2008 (12 million troz) and for 2009 (9.6 million troz), as well as for a portion of sales revenues (currency market) planned to be achieved in the second half of 2007 (USD 337.5 million).

The Company continuously monitors the commodity and currency markets, and these monitoring activities are the basis for taking decisions on implementing hedging strategies.

Risk management in the companies of the KGHM Polska Miedź S.A. Group

The remaining companies of the Group likewise possess internally-developed operating procedures for reducing exposure to certain types of market risk, in particular credit risk and liquidity risk. Adherence to these procedures in the process of selecting suppliers and clients, seeking external sources of financing and depositing free cash resources ensures these companies of minimalisation of risk in decision taking related to their business activities. The remaining companies of the Group do not enter into hedging transactions which meet the criteria for hedge accounting.

Details of the risk management policy together with an identification of the main types of risk can be found in Notes 3 and 13 of the financial statements.

3.10. Forecast financial results of Group companies

Financial forecasts of the results of the Group are not prepared. Forecasts are prepared and published of the projected results of the Parent Entity. In a current report dated 21 August 2007 information was published on the confirmation by the Management Board of KGHM Polska Miedź S.A. of an adjusted Budget for 2007. The Supervisory Board of the Company at its meeting on 30 August 2007 approved this document.

The adjusted Budget assumes the achievement of revenues from sales in the amount of PLN 11 854 million and net profit of PLN 3 682 million. This means an increase in the projected amounts by 11% and 24% respectively.

The decision to review the Budget is based on the economic and financial results achieved in the first half of 2007 and events affecting the financial position of the Company in the second half of 2007, including:

- updating of the macroeconomic forecast,
- the decision of the Ordinary General Shareholders' Meeting on payment of a dividend from 2006 profit,

- the change in the work system in the mines – discontinuance of mining on Sundays, and
- updating of the investment program.

The assumptions for subsequent years published in a current report dated 17 January 2007 and in the Annual Report of the Company for 2006 will be reviewed as part of the Technical-Economic Plan for the years 2008-2012 which is being prepared.

The remaining companies of the Group follow unified principles for budgeting and planning. The plans of subsidiaries are evaluated based on their conformance with the Strategy of the Parent Entity and Group, from which in turn arise basic questions associated with the directions of equity investment, the development of specific areas of activities and with the dividend policy. A significant role in Group planning is played by the effective management of cash flow, the optimal financing of current activities, risk management and controlling costs. Execution of these plans is continuously monitored by the supervisory boards of these entities as well as by the equity supervision unit of the Parent Entity. The KGHM Polska Miedź S.A. Group also applies unified reporting principles. The specific financial and economic condition of Group entities is evaluated on a quarterly basis, with monthly monitoring.

4. Subsequent events

Change in the distribution of profit for 2006

The Extraordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. by a resolution dated 9 July 2007 carried out an accounting correction of Resolution no. 39/2007 of the Ordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. with respect to the distribution of profit for the financial year 2006 and setting of the right to dividend date and dividend payment dates, deciding as follows:

1. The profit of KGHM Polska Miedź S.A. for financial year 2006 in the amount of PLN 3 395 130 thousand shall be distributed in the following manner:
 - as a shareholders dividend PLN 3 394 000 thousand, representing PLN 16.97 per share
 - to supplementary capital PLN 1 130 thousand
2. The right to dividend date and dividend payment dates remained unchanged.

Filing of a suit to invalidate a resolution of the Extraordinary General Meeting of Shareholders of KGHM Polska Miedź S.A.

On 7 August 2007, the Company was informed of a suit filed with the Regional Court in Legnica, Section VI (Economic) by the shareholder Ryszard Zbrzyzny, submitted to the Court on 25 July 2007, 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 respecting the correction of a resolution no. 39/2007 of the Ordinary General Shareholders' Meeting dated 30 May 2007 on the distribution of profit for financial year 2006 and setting of the right to dividend date and dividend payment dates, 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.

In connection with the above suit, 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. The Regional Court in Legnica set 18 September 2007 as the date for hearing this matter. The Parent Entity submitted an appeal against the decision issued by the Regional Court in Legnica.

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 prohibition of the payout of 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 decision of the Court of Appeal in Wrocław is final and binding.

On 18 September 2007, the Regional Court in Legnica, Section VI (Economic), in its proceedings concerning the matter with the identification number Sygn. akt VI GC 45/07, 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 respecting the correction of resolution no. 39/2007 of the Ordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. dated 30 May 2007 on the distribution of profit for financial year 2006 and setting of the right to dividend date and dividend payment dates.

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 Parent Entity 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 matter with the identification number Sygn. akt VI GC 45/07, 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.

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.

Adjusted budget for 2007

On 21 August 2007, the Management Board of KGHM Polska Miedź S.A. confirmed the adjusted Budget for 2007. The Supervisory Board of the Company at its meeting on 30 August 2007 approved the adjusted Budget of the Parent Entity for 2007 as presented by the Management Board.

Dividend from PTR S.A.

The Ordinary General Shareholders' Meeting of PTR S.A., convened on 29 June 2007, was resumed on 20 July 2007. At the Ordinary General Shareholders' Meeting the resolutions passed included the distribution of profit for 2006. In accordance with this resolution the amount of PLN 3 334 thousand was allocated as a dividend from the profit of the company, i.e. PLN 0.0317 per share. The amount of the dividend attributable to KGHM Polska Miedź S.A. was PLN 396 thousand (12.5 million shares*PLN 0.0317). The dividend was received on 16 August 2007.

Founding and registration of KGHM LETIA Legnicki Park Technologiczny spółka akcyjna

On 2 July 2007, KGHM Polska Miedź S.A. founded a company called KGHM LETIA Legnicki Park Technologiczny spółka akcyjna. The share capital of this newly-created entity amounts to PLN 20 000 thousand and is divided into 20 000 shares of series A of PLN 1 000 each. KGHM Polska Miedź S.A. acquired 18 990 shares in the newly-created 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.

On 29 August 2007, the Regional Court for Wrocław-Fabryczna in Wrocław, Section IX (Economic) of the National Court of Registration 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.

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 share capital was registered at 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 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. 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. DIALOG S.A. owns 100 % of the shares of this company.

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 „Zagłębie” Lubin SSA. KGHM Polska Miedź S.A. acquired 100 000 registered ordinary shares of the new issue, series „AE”, having an issue price equal to the face value of PLN 1 000 per share.

The shares will be paid for in cash in the following tranches:

- 1st tranche: PLN 25 000 thousand – by 30 September 2007,
- 2nd tranche: PLN 50 000 thousand – by 31 March 2008,
- 3rd tranche: PLN 25 000 thousand – by 30 June 2008.

The total increase in the share capital amounts to PLN 100 000 thousand. 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 amount of votes. The funds obtained from this increase are to be used for the construction of a stadium.

On 5 October 2007, 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.

Acquisition of shares in the company Polskie Centrum Promocji Miedzi spółka z o.o.

On 24 September 2007, KGHM Polska Miedź S.A. entered into four contracts, based on which it acquired shares of Polskie Centrum Promocji Miedzi spółka z o.o. („PCPM sp. z o.o.”) with its registered head office in Wrocław (an indirect subsidiary of KGHM Polska Miedź S.A.) from entities of the KGHM Polska Miedź S.A. Group:

- 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;
- 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. will take 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 the 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 the supplementary capital of the Company.

5. Annexes

5.1. Methodology for calculation of ratios used in this report

$$\text{ROE} = \frac{\text{profit for the period}}{\text{equity}} \times 100$$

$$\text{ROA} = \frac{\text{profit for the period}}{\text{total assets}} \times 100$$

$$\text{debt ratio} = \frac{\text{total liabilities}}{\text{equity and liabilities}} \times 100$$

$$\text{durability of financing structure} = \frac{\text{equity} + \text{non-current liabilities}}{\text{equity and liabilities}} \times 100$$

$$\text{Quick liquidity} = \frac{\text{current assets} - \text{inventories}}{\text{current liabilities}}$$

$$\text{Current liquidity} = \frac{\text{current assets}}{\text{current liabilities}}$$

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KGHM Polska Miedź S.A.
Report on the activities of the Group in the first half of 2007

Signatures of all Members of the Management Board			
Date	First name, surname	Position / function	Signature
<i>18 October 2007</i>	<i>Krzysztof Skóra</i>	President of the Management Board
<i>18 October 2007</i>	<i>Maksymilian Bylicki</i>	I Vice President of the Management Board
<i>18 October 2007</i>	<i>Marek Fusiński</i>	Vice President of the Management Board
<i>18 October 2007</i>	<i>Stanisław Kot</i>	Vice President of the Management Board
<i>18 October 2007</i>	<i>Ireneusz Reszczyński</i>	Vice President of the Management Board