

KGHM POLSKA MIEDŹ S.A.

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR 2008**

Lubin, March 2009

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KGHM Polska Miedź S.A. Group
Annual consolidated financial statements prepared in accordance with IFRS
as adopted by the European Union
for the financial year from 1 January 2008 to 31 December 2008
(amounts in tables in thousand PLN, unless otherwise stated)

Consolidated balance sheet

Consolidated balance sheet		At	
	Note	31 December 2008	31 December 2007
Assets			
Non-current assets			
Property, plant and equipment	6	7 136 307	6 614 352
Intangible assets	7	151 581	119 231
Investment property	8	18 083	16 517
Investments in associates	9	1 498 116	690 096
Deferred tax assets	22	188 992	320 506
Available-for-sale financial assets	10	31 213	47 155
Held-to-maturity investments	11	59 592	43 934
Derivative financial instruments	12	6 501	33 395
Trade and other receivables	13	22 774	47 071
		9 113 159	7 932 257
Current assets			
Inventories	14	1 608 369	1 744 495
Trade and other receivables	13	1 469 959	925 367
Current corporate tax receivables		1 741	7 377
Derivative financial instruments	12	711 127	81 622
Cash and cash equivalents	15	2 065 763	2 812 096
		5 856 959	5 570 957
Non-current assets held for sale	25	29 987	184
TOTAL ASSETS		15 000 105	13 503 398
Equity and liabilities			
EQUITY			
Equity attributable to shareholders of the Parent Entity			
Share capital	16	2 000 000	2 000 000
Other reserves	17	517 456	13 118
Retained earnings		8 407 049	7 440 870
		10 924 505	9 453 988
Minority interest		58 360	47 621
TOTAL EQUITY		10 982 865	9 501 609
LIABILITIES			
Non-current liabilities			
Trade and other payables	19	44 289	24 762
Borrowings and finance lease liabilities	20	98 055	162 909
Derivative financial instruments	12	-	3 087
Deferred tax liabilities	22	68 182	29 804
Liabilities due to employee benefits	23	1 039 423	919 923
Provisions for other liabilities and charges	24	599 315	570 327
		1 849 264	1 710 812
Current liabilities			
Trade and other payables	19	1 756 752	1 646 406
Borrowings and finance lease liabilities	20	192 923	113 201
Current corporate tax liabilities		65 952	343 377
Derivative financial instruments	12	4 930	14 335
Liabilities due to employee benefits	23	83 531	77 402
Provisions for other liabilities and charges	24	63 888	96 256
		2 167 976	2 290 977
TOTAL LIABILITIES		4 017 240	4 001 789
TOTAL EQUITY AND LIABILITIES		15 000 105	13 503 398

The notes presented on pages 7 to 89 represent an integral part of these financial statements

KGHM Polska Miedź S.A. Group
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Consolidated income statement

		For the period	
	Note	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Sales	27	12 654 885	13 494 128
Cost of sales	28	(8 489 581)	(7 578 224)
Gross profit		4 165 304	5 915 904
Selling costs	28	(225 540)	(210 044)
Administrative expenses	28	(778 127)	(737 874)
Other operating income	30	1 043 759	1 305 377
Other operating costs	31	(1 019 034)	(1 746 410)
Operating profit		3 186 362	4 526 953
Finance costs - net	32	(57 494)	(35 159)
Share of profits of associates accounted for using the equity method	35	267 579	265 093
Profit before income tax		3 396 447	4 756 887
Income tax expense	36	(630 581)	(821 371)
Profit for the period		2 765 866	3 935 516
attributable to:			
shareholders of the Parent Entity		2 766 179	3 934 559
minority interest		(313)	957
		2 765 866	3 935 516
Earnings per share attributable to the shareholders of the Parent Entity during the year (PLN per share)	37		
- basic		13.83	19.67
- diluted		13.83	19.67

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Consolidated statement of changes in equity

	Note	Attributable to shareholders of the Parent Entity			Attributable to minority interest	Total equity
		Share capital	Other reserves	Retained earnings		
At 1 January 2007 as previously stated		2 000 000	(431 161)	6 648 838	44 725	8 262 402
Prior period error		-	-	251 473	37	251 510
At 1 January 2007		2 000 000	(431 161)	6 900 311	44 762	8 513 912
Impact of cash flow hedging valuation	34.1.9	-	567 423	-	-	567 423
Fair value losses on available-for-sale financial assets		-	(6 727)	-	-	(6 727)
Deferred tax	22	-	(116 417)	-	-	(116 417)
Total income/(expenses) recognised directly in equity		-	444 279	-	-	444 279
Profit for the period		-	-	3 934 559	957	3 935 516
Total recognised income/(expenses)		-	444 279	3 934 559	957	4 379 795
Dividend for 2006		-	-	(3 394 000)	-	(3 394 000)
Transactions with minority interest		-	-	-	1 902	1 902
At 31 December 2007		2 000 000	13 118	7 440 870	47 621	9 501 609
At 1 January 2008		2 000 000	13 118	7 440 870	47 621	9 501 609
Impact of cash flow hedging valuation	34.1.9	-	617 862	-	-	617 862
Fair value gains on available-for-sale financial assets		-	7 169	-	-	7 169
Deferred tax	22	-	(120 693)	-	-	(120 693)
Total income/(expenses) recognised directly in equity		-	504 338	-	-	504 338
Profit for the period		-	-	2 766 179	(313)	2 765 866
Total recognised income/(expenses)		-	504 338	2 766 179	(313)	3 270 204
Dividend for 2007	38			(1 800 000)	(74)	(1 800 074)
Transactions with minority interest		-	-	-	11 126	11 126
At 31 December 2008		2 000 000	517 456	8 407 049	58 360	10 982 865

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KGHM Polska Miedź S.A. Group
Annual consolidated financial statements prepared in accordance with IFRS
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Consolidated cash flow statement

For the period

	Note	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Cash flow from operating activities			
Profit for the period		2 765 866	3 935 516
Adjustments to profit for the period	39	1 046 072	1 673 423
Income tax paid		(852 213)	(928 810)
Net cash generated from operating activities		2 959 725	4 680 129
Cash flow from investing activities			
Purchase of shares in subsidiaries, less acquired cash and cash equivalents		(28 969)	(724)
Purchase of shares in associates		(737 686)	-
Proceeds from sale of shares in associates		8 542	-
Purchase of property, plant and equipment and intangible assets		(1 331 545)	(1 182 361)
Proceeds from sale of property, plant and equipment and intangible assets	39	17 580	20 001
Proceeds from sale of investment property		-	35 924
Purchase of held-to-maturity investments		(77 796)	(278 024)
Proceeds from sale of held-to-maturity investments		77 796	297 875
Purchase of available-for-sale financial assets		(201 862)	(210 123)
Proceeds from sale of available-for-sale financial assets		208 440	267 412
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(25 481)	(43 876)
Proceeds from sale of held-to-maturity investments financed from the resources of Mine Closure Fund		9 829	32 152
Expenses connected with loans granted		(100)	-
Proceeds from repayments of loans		-	305
Interest received		1 004	867
Dividends received		183 162	265 468
Expenses connected with advances granted for purchase of property, plant and equipment and intangible assets		(14 629)	(9 732)
Other investment expenses		(7 409)	(6 272)
Net cash used in investing activities		(1 919 124)	(811 108)
Cash flow from financing activities			
Proceeds connected with transactions with minority interest		-	546
Proceeds from loans and borrowings		77 702	89 733
Repayments of loans and borrowings		(85 190)	(17 166)
Payments of liabilities due to finance leases		(4 484)	(5 501)
Interest paid		(15 317)	(9 059)
Dividends paid to the shareholders of the Parent Entity		(1 800 000)	(3 394 000)
Dividends paid to the minority interest		(74)	-
Net cash used in financing activities		(1 827 363)	(3 335 447)
Total net cash flow		(786 762)	533 574
Exchange losses on cash and cash equivalents		40 429	(42 609)
Movements in cash and cash equivalents		(746 333)	490 965
Cash and cash equivalents at beginning of the period	15	2 812 096	2 321 131
Cash and cash equivalents at end of the period	15	2 065 763	2 812 096
including restricted cash and cash equivalents		2 648	3 308

The notes presented on pages 7 to 89 represent an integral part of these financial statements

**Accounting policies and other explanatory information to the consolidated financial statements
prepared for 2008**

1. General information

Name, registered office, business activities

KGHM Polska Miedź S.A. (the "Parent Entity") with its registered office in Lubin at ul. M.Skłodowskiej-Curie 48 is a stock company registered at the Wrocław Fabryczna Regional Court, Section IX (Economic) in the National Court Register, entry no. KRS 23302, operating on the territory of the Republic of Poland. The Parent Entity was issued with tax identification number (NIP) 692-000-00-13 and statistical REGON number 390021764.

KGHM Polska Miedź S.A. has a multi-divisional organisational structure, which comprises its Head Office and 10 Divisions: 3 mines (Lubin Mine, Polkowice-Sieroszowice Mine, Rudna Mine), 3 smelters (Głogów Smelter, Legnica Smelter, the Cedynia Wire Rod Plant), Ore Enrichment Plant, Tailings Plant, Mine-Smelter Emergency Rescue Unit and Data Center. The composition of the Group was presented in Note 5.

The shares of KGHM Polska Miedź S.A. are listed on the Stock Exchange in Warsaw and - in the form of GDRs (global depository receipts) - on the London Stock Exchange (LSE). According to the classification of the Stock Exchange in Warsaw, KGHM Polska Miedź S.A. is classified under the "metals industry" sector.

The principal activities of the Group comprise:

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

Activities involving the exploitation of copper ore, salt deposits and common minerals are carried out based on licenses held by KGHM Polska Miedź S.A., which were issued by the Minister of Environmental Protection, Natural Resources and Forestry in the years 1993-2004.

The business activities of the Group also include:

- production of goods from copper and precious metals,
- underground construction services,
- production of machinery and mining equipment,
- energy production,
- telecommunication services,
- transport services, and
- activities in the areas of research, analysis and design.

Period of operation of the Group

KGHM Polska Miedź S.A. has been conducting its business since 12 September 1991. The Parent Entity and subsidiaries have an unlimited period of operation.

The legal antecedent of KGHM Polska Miedź S.A. was the State-owned enterprise Kombinat Górniczo-Hutniczy Miedzi in Lubin transformed into a State-owned joint stock company in accordance with principles set forth in the law dated 13 July 1990 on the privatisation of State-owned enterprises.

Composition of the Management Board of the Parent Entity

During the period from 1 January 2008 to 17 January 2008, the composition of the Management Board of the Parent Entity and segregation of duties were as follows:

- | | |
|------------------------|---|
| - Krzysztof Skóra | President of the Management Board |
| - Ireneusz Reszczyński | I Vice President of the Management Board (Sales) |
| - Marek Fusiński | Vice President of the Management Board (Finance) |
| - Stanisław Kot | Vice President of the Management Board (Production) |
| - Dariusz Kaśków | Vice President of the Management Board (Development). |

On 17 January 2008, the Supervisory Board recalled Krzysztof Skóra from the function of President of the Management Board and Dariusz Kaśków from the function of Vice President of the Management Board and decided that the Management Board of KGHM Polska Miedź S.A. shall be comprised of three Members. The Supervisory Board has appointed Ireneusz Reszczyński, I Vice President of the Management Board as the acting President of the Management Board until the President of the Management Board is appointed.

On 17 April 2008 the Supervisory Board of the Parent Entity appointed Mirosław Krutin to the position of President of the Management Board as of 23 April 2008.

1. General information (continuation)

On 23 April 2008 the Supervisory Board recalled from the position of Member of the Management Board - Vice President of the Management Board: Marek Fusiński, Stanisław Kot and Ireneusz Reszczyński.

Simultaneously, the Supervisory Board has appointed Herbert Wirth to the position of Member of the Management Board – I Vice President of the Management Board (Development) and Maciej Tybura to the position of Member of the Management Board - Vice President of the Management Board (Finance).

As at the date of authorisation of these financial statements for issue, the composition of the Management Board and segregation of duties were as follows:

- Mirosław Krutin	President of the Management Board
- Herbert Wirth	I Vice President of the Management Board (Development)
- Maciej Tybura	Vice President of the Management Board (Finance)

Authorisation of the financial statements

These financial statements were authorised for issue and signed by the Management Board of the Parent Entity on 27 March 2009.

Going concern assumption

These consolidated financial statements were prepared under the assumption that Group companies will continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements, there are no circumstances that would indicate a threat to the going concern assumption by the Group companies. However, in the company DIALOG S.A. current liabilities at 31 December 2008 exceed current assets, which could be an indication of a threat to the continuation of the activities of DIALOG S.A. This high level of liabilities in DIALOG S.A. is due to the drawing of short term bank loans, which are to be repaid at the end of April 2009. DIALOG S.A. is negotiating to refinance these loans. As a result of these discussions, the bank presented a preliminary offer to refinance this debt. In the opinion of the management board of DIALOG S.A., the company will receive long term refinancing, permitting the uninterrupted continuation of its activities.

In order to fully understand the financial position and the results of the activities of the Group, these consolidated financial statements should be read jointly with the separate annual financial statements of KGHM Polska Miedź S.A. for the period ended 31 December 2008. These financial statements will be available on the website of the Parent Entity www.kghm.pl on dates consistent with the current report concerning dates of publication of the annual report and the consolidated annual report for the 2008.

2. Main accounting policies

2.1 Basis of preparing financial statements

These financial statements have been prepared in accordance with the International Financial Reporting Standards approved by the European Union using the same principles for the current and comparative periods.

These financial statements have been prepared on the historical cost basis (adjusted for the effects of hyperinflation in respect of property, plant and equipment and equity), except for available-for-sale financial assets, derivative instruments and investment property, which have been measured at fair value.

The carrying amount of recognised hedged assets and liabilities is adjusted for the changes in fair value attributable to the hedged risk.

Standards and interpretations in force applied in the Group as of 1 January 2008

IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions"

Application of this interpretation has no effect on the financial statements of the Group.

IFRIC 12 "Service Concession Arrangements"

Application of this interpretation has no effect on the financial statements of the Group.

IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

Application of this interpretation has no effect on the financial statements of the Group.

Changes to IAS 39 „Financial instruments: recognition and measurement” and to IFRS 7 „Financial instruments: disclosures”

On 13 October 2008 the International Accounting Standards Board issued amendments to IAS 39 and to IFRS 7. These amendments permit reclassification of some financial instruments out of the fair-value-through-profit-or-loss category, if they meet certain criteria. The amendments are a reaction to the exceptional state of the global economy as a result of the crisis on the financial and capital markets, and were immediately approved for use in the European Union. These amendments were published on 31 October 2008 with a retroactive date of 1 July 2008. They are only applicable prospectively and are in effect for the preparation of financial statements for 2008, but they will not affect the financial statements of the Group for 2008.

2. Main accounting policies (continuation)

2.1 Basis of preparing financial statements (continuation)

Application of a Standard or Interpretation prior to its coming into force.

IFRIC 13 "Customer Loyalty Programmes"

On 28 June 2007, the International Accounting Standards Board published interpretation 13 Customer Loyalty Programmes. This interpretation addresses the method of accounting for payments related to the sale of goods or services included in customer loyalty programmes. This interpretation becomes effective for periods beginning on or after 1 July 2008, although earlier application is recommended. The only company in the Group which has a customer loyalty programme is DIALOG S.A. Due to the fact that IFRIC 13 was approved for use in the European Union on 16 December 2008, the Group has decided on the earlier application of this Interpretation to the financial statements for financial year 2008. The impact of this Interpretation on the consolidated financial statements of the Group is immaterial.

Standards and Interpretations published which did not come into force by the publication date of these financial statements:

IFRS 3 "Business Combinations"

The amended IFRS 3 was issued by the International Accounting Standards Board on 10 January 2008 and replaces the currently binding IFRS 3. The amended Standard is connected with the completion of the second phase of the process of converging international and American approaches to business combinations, carried out by the IASB together with the American Financial Accounting Standards Board. The amended Standard gives more detailed guidance for application of the purchase method for business combinations. The Standard becomes effective for annual periods beginning on or after 1 July 2009 and will be applied to the accounting for business combinations effected after this date.

IAS 27 "Consolidated and Separate Financial Statements"

The amended IAS 27 was published by the International Accounting Standards Board on 10 January 2008 and replaces the currently binding IAS 27. Implementation of this standard relates to the completion of the second phase of the process of converging international and American approaches to business combinations, carried out by the IASB together with the American Financial Accounting Standards Board. IAS 27 requires the recognition of changes in the share held in a subsidiary as an equity transaction. For this reason such a change does not affect goodwill, and there is no recognition of gains or losses. The amended standard also changes the manner of recognising losses incurred by a subsidiary, exceeding the value of the investment, as well as the manner of recognising loss of control over the subsidiary. The amended Standard becomes effective for annual periods beginning on or after 1 July 2009. As these changes are to be applied prospectively, they will affect future acquisitions and transactions with minority interest.

IFRIC 15 "Agreements for the Construction of Real Estate"

On 3 July 2008 the International Accounting Standards Board issued interpretation 15 "Agreements for the Construction of Real Estate". This interpretation addresses the issue of units constructed by real estate developers (both directly and through sub-contractors) and standardises the accounting of revenues from the sale of real estate units (such as apartments or houses) prior to transfer of the risk and benefits associated with the construction of the given property. This interpretation becomes effective for periods beginning on or after 1 January 2009, and will not affect the financial statements of the Group; This interpretation had not been approved by the European Union by the publication date of these financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

On 3 July 2008 the International Accounting Standards Board issued interpretation 16 "Hedges of a Net Investment in a Foreign Operation". This interpretation addresses the issue of entities which hedge their net investment in a foreign operation, and provides guidance and clarification on when, and in what manner, such hedges may be made. The main decision eliminates the possibility of applying hedge accounting to exchange differences between the functional currency of the foreign operation and the presentation currency of the parent entity's consolidated financial statements. This interpretation is in effect for periods beginning on or after 1 October 2008, and will not affect the financial statements of the Group; This interpretation had not been approved by the European Union by the publication date of these financial statements.

"Eligible Hedged Items". An amendment to IAS 39 "Financial Instruments: Recognition and Measurement"

On 31 July 2008 the International Accounting Standards Board issued an amendment to IAS 39, "Eligible Hedged Items". This amendment clarifies the principles for qualification as well as the conditions which a financial position must meet to be qualified as hedged. The changes introduced clarify how the existing principles underlying hedge accounting should be applied in two particular situations, and in particular in a situation of (1) a one-sided risk in a hedged item (i.e. changes in the cash flows or fair value of a hedged item above or below a specified price or other variable), and (2) changes in inflation representing a portion of the cash flow of a financial hedged item. The introduction of Application Guidance was necessary due to the diversity of solutions being practiced in this regard. This amendment, which requires retrospective application, will be in effect for periods beginning on or after 1 July 2009, and will not affect the financial statements of the Group.

IFRIC 17 "Distributions of Non-cash Assets to Owners"

On 27 November 2008 the International Accounting Standards Board issued interpretation IFRIC 17 "Distributions of Non-cash Assets to Owners". This interpretation is aimed at standardising practice in the accounting treatment of distribution of non-cash assets to owners. Until now existing standards did not address how an entity should measure and account for distributions of assets other than cash when it pays dividends to its owners. The interpretation provides guidance as to when a liability should be recognised, how it and any related assets should be measured and when to cease recognition of such assets and liabilities. It also explains the resulting consequences. The interpretation is effective for annual periods beginning on or after 1 July 2009 and will not affect the financial statements of the Group.

2. Main accounting policies (continuation)

2.1 Basis of preparing financial statements (continuation)

IFRIC 18 „Transfers of Assets from Customers”

On 29 January 2009 the International Accounting Standards Board issued interpretation IFRIC 18 „Transfers of Assets from Customers”. This interpretation is aimed primarily at public utilities, as it clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services. This interpretation is applicable for assets received after 1 July 2009 for annual periods beginning on or after 1 January 2009. The interpretation will not affect the financial statements of the Group, as Group companies are not involved in activities which would involve them receiving property, plant, and equipment or cash for the construction of such assets from their customers.

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

On 27 November 2008 the International Accounting Standards Board issued a revised version of IFRS 1 First-time Adoption of International Financial Reporting Standards. No essential changes have been introduced by this revision. The revision only updates the structure of the standard, and is aimed at improving its transparency. The revised standard is applicable for annual periods beginning on or after 1 July 2009.

IFRS 7 Financial Instruments: Disclosures

Amendments to IFRS 7 Financial Instruments: Disclosures were issued by the International Accounting Standards Board on 5 March 2009 and are in effect from 1 January 2009. The amendments establish a three-level hierarchy for making fair value measurements and their disclosure, and the requirement for additional disclosures concerning the relative reliability of such fair value measurements. In addition the amendments clarify and expand existing previous requirements with respect to disclosures concerning liquidity risk. The Group will apply the amendments to IFRS 7 from 1 January 2009 and will provide disclosures in its consolidated financial statements in accordance with requirements. At the date of preparation of these consolidated financial statements the amendments to IFRS 7 had not yet been approved by the European Union.

Standards and Interpretations published by 31 December 2008 which had been adopted by the European Union by the publication date of these financial statements:

IFRS 8 “Operating segments”

IFRS 8, Operating segments, was published by the International Accounting Standards Board on 30 November 2006, and replaces IAS 14, Segment Reporting and becomes effective for annual periods beginning on or after 1 January 2009. This standard introduces a management approach to segment reporting, and underlines the necessity to disclose indicators and other measures used to monitor and evaluate activities to enable the users of the financial statements to evaluate the nature and financial results of various forms of activity carried out by the Group. The Group will apply IFRS 8 beginning with the financial statements published from 1 January 2009, and will include in them informational disclosures in accordance with the management approach. As a result of an analysis of the management approach taken, it has been determined that each Group company represents a separate operating segment. However, the recognition of individual operating segments as reportable is possible upon fulfilment of a variety of formal requirements as well as upon the achievement of certain value thresholds. It is estimated that these requirements are only met by the Parent Entity, based on which the reportable segment „Production of copper, precious metals and other smelter products” has been separated, while the remaining companies of the Group will be combined into a single segment called „All other segments”.

IAS 1 “Presentation of Financial Statements”

The amended IAS 1 was issued by the International Accounting Standards Board in September 2007. The standard relates to presentation of financial statements. The amended standard implements a new element of the financial statements called the statement of comprehensive income, where all items of income and expenses should be presented, including those, which so far have been recognised in equity. In addition, changes apply also to presentation of the statement of changes in equity, presentation of dividends and comparative information, if changes in accounting policies are applied retrospectively. The revisions include changes in the titles of some of the key items of the financial statements. However, companies will be entitled to retain their current terminology. The amended standard becomes effective for annual periods beginning on or after 1 January 2009.

IAS 23 “Borrowing costs”

The amended IAS 23 was published by the International Accounting Standards Board on 29 March 2007. This standard relates to the accounting treatment of borrowing costs incurred in connection with a qualifying asset. The amended IAS 23 removes the benchmark treatment that requires that borrowing costs are recognised in the profit or loss and requires them to be capitalised. The amendment introduced will affect the Group, and its impact on the financial statements will depend on the financial strategy approved by the companies of the Group for the future financing of tangible investments. The amended standard becomes operative for annual periods beginning on or after 1 January 2009.

Amended IFRS 2 “Share-based Payment”

The amended IFRS 2 was published by the International Accounting Standards Board on 17 January 2008. Amendments to IFRS 2 relates to vesting conditions to cash, other assets or equity instruments of the entity as part of the share based payment transaction. Changes in this Standard become effective for annual periods beginning on or after 1 July 2009 and will not have any effect on the financial statements of the Group.

2. Main accounting policies (continuation)

2.1 Basis of preparing financial statements (continuation)

Amended IAS 32 „Financial Instruments: Disclosure and Presentation” and amended IAS 1 “Presentation of Financial Statements”

Financial instruments with put options and obligations arising on liquidation

The amended IAS 32 was published by the International Accounting Standards Board on 14 February 2008. The amendments related to the specific type of financial instruments, which are similar to ordinary equity instruments, but allow their holder to present them for redemption by the issuer if certain circumstances, as indicated in the Standard, had materialised. To date, in accordance with IAS 32, these types of instruments were classified as financial liabilities. The amended IAS 32 requires that such instruments not be classified as liabilities but as equity. The amended Standard becomes effective for annual periods beginning on or after 1 January 2009, and will not have any effect on the financial statements of the Group.

Amended IFRS 1 “First-time Adoption of International Financial Reporting Standards” and IAS 27, “Consolidated and Separate Financial Statements”

On 22 May 2008 the International Accounting Standards Board issued amendments to IFRS 1 and IAS 27 as the conclusion of an exposure draft titled „Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”. The amendments address the recognition of investments in a subsidiaries, jointly controlled entities or associates in the separate financial statements, and are applicable to specific (as described in the standard) types of group reorganisation, and change the definition of initial cost. As a result of this change the entity will always recognise, in the separate financial statements, dividends from subsidiary, co-controlled and associated entities in the income statement when it acquires the right to receive dividends and the acquisition cost is not adjusted. The amendments to IFRS 1 and IAS 27 will be in effect for periods beginning on or after 1 January 2009. The amendments will be applicable for future equity investments.

“Improvements to International Financial Reporting Standards”

On 22 May 2008 the International Accounting Standards Board issued the first Standard published under the IASB’s annual improvements process, Improvements to IFRS. This is a collection of amendments and minor corrections which are needed, but which are not so urgent or important as to require a separate draft. Altogether they include 35 amendments, of which 15 may cause changes in presentation, recognition or measurement, while the remaining 20 are terminological or editorial changes which have no or minimal affect on accounting. Each change has an individual effective date, although most will come into effect for periods beginning on or after 1 January 2009. Adoption of the amended and improved Standards will not significantly affect the financial statements of the Group.

IFRIC 9 „Embedded Derivatives” – improvement to IFRIC 9 „Reassessment of Embedded Derivatives” and IAS 39 „Financial Instruments: Recognition and Measurement”

On 12 March 2009, the International Accounting Standards Board published amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement under the name Embedded Derivatives. The amendments introduced explain that entities who reclassify particular financial instruments in accordance with the guidelines published in October 2008 (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and to IFRS 7 Financial Instruments: Disclosures) should, on the date when a financial asset is reclassified out of the ‘fair value through profit or loss’ category, assess the derivative instrument embedded in this asset, and account for it separately as a derivative instrument measured at fair value through profit or loss. If an entity is not able in such a situation to separately measure an embedded derivative instrument, then such reclassification cannot be performed, and the entire asset remains classified as a financial instrument measured at fair value through profit or loss. The amendments introduced to the Interpretation and Standard are to be applied retrospectively and are in force for annual periods ending on or after 30 June 2009. The Group has not reclassified any financial instruments on the basis of the amendments introduced to IAS 39 Financial Instruments: Recognition and Measurement and to IFRS 7 Financial Instruments: Disclosures in October 2008, and therefore these amendments will not affect the financial statements of the Group.

2.2 Accounting policies

2.2.1 Property, plant and equipment

The following are considered to be items of property, plant and equipment:

- assets held by the entity for use in production, supply of goods and services or for administrative purposes,
- assets which are expected to be used during more than one year,
- assets which are expected to generate future economic benefits that will flow to the entity, and
- assets, the value of which can be measured reliably.

Upon initial recognition, items of property, plant and equipment are measured at cost.

Borrowing costs incurred for the purchase or construction of an item of property, plant and equipment are not recognised in the cost. Foreign exchange differences arising from foreign currency liabilities, related to the purchase or construction of an item of property, plant and equipment, are recognised in profit or loss in the period in which they are incurred.

Upon initial recognition, in the costs of property, plant and equipment, the anticipated costs of future assets’ dismantling and removal and the cost of restoring the sites on which they are located, the obligation for which an entity incurs either when the item is installed or as a consequence of having used the item for purposes other than to produce inventories are included. In particular, in the initial cost of items of property, plant and equipment, discounted decommissioning costs of assets relating to underground mining, as well as of other facilities which, in accordance with binding laws, must be liquidated upon the conclusion of activities are included.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.1 Property, plant and equipment (continuation)

Mine decommissioning costs recognised in the initial cost of an item of property, plant and equipment are depreciated in the same manner as the item of property, plant and equipment to which they relate, beginning from the moment an asset is brought into use, throughout the period set out in the asset group decommissioning plan within the schedule of mine decommissioning.

The decommissioning costs of other facilities recognised in their initial cost are amortised beginning from the moment an item of property, plant and equipment is brought into use, throughout the period of use and in accordance with the method used for the depreciation of those items of property, plant and equipment to which they have been assigned.

Property, plant and equipment acquired before 31 December 1996 and brought into use after this date, for which expenditures were incurred to the end of 1996, were restated to account for the effects of hyperinflation in accordance with IAS 29, *"Financial reporting in hyperinflationary economies"*.

As at the balance sheet date, items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. The principles of impairment losses recognition are presented in detail in point 2.2.10.

Subsequent expenditures on items of property, plant and equipment (for example to increase the usefulness of an item, for spare parts or renovation) are recognised in the carrying amount of a given item only if it is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be measured reliably. All other expenditures on repairs and maintenance are recognised in profit or loss in the period in which they are incurred.

Items of property, plant and equipment (excluding land) are depreciated using the straight-line method over their anticipated useful life. The residual value and useful life of an asset and the method of depreciation applied to items of property, plant and equipment are reviewed at least at the end of each financial year.

The useful lives, and therefore the depreciation rates of items of property, plant and equipment used in the production of copper, are adapted to the plans for the closure of operations.

For individual groups of assets, the following useful lives have been adopted:

- Buildings and civil engineering objects: 25 - 60 years,
- Technical equipment and machines: 4 - 15 years,
- Motor vehicles: 3 - 14 years,
- Other property, plant and equipment, including tools and instruments: 5 - 10 years.

Depreciation begins when an item of property, plant and equipment is available for use. Depreciation ceases at the earlier of the date that the asset is classified as held for sale (or included as part of a disposal group which is classified as held for sale) in accordance with IFRS 5 *"Non-current assets held for sale and discontinued operations"* or when it is derecognised upon disposal or retirement.

The basis for the calculation of depreciation is the cost of an item of property, plant and equipment less its estimated residual value.

The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the given asset as a whole and whose cost is significant in comparison to the cost of the item of property, plant and equipment as a whole, are depreciated separately, applying depreciation rates reflecting their anticipated useful lives.

An asset's carrying amount is written down to its recoverable amount, if the carrying amount of the asset (or a cash-generating unit to which it belongs) is greater than its estimated recoverable amount.

The asset's carrying amount includes costs of necessary regular major overhauls, including for the purpose of certification.

Specialised spare parts with a significant initial cost and an anticipated useful life of more than 1 year are recognised as an item of property, plant and equipment. Spare parts and servicing equipment whose use is restricted to only certain items of property, plant and equipment are recognised in a similar manner. Other spare parts and servicing-related equipment with an insignificant cost are recognised as inventories and accounted for in the income statement at the moment they are used.

Fixed asset is derecognised when it is sold, decommissioned or if no future economic benefits are expected to be derived from its use or disposal.

2.2.2 Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance, i.e.:

- development costs,
- goodwill,
- software,
- acquired concessions, patents, licenses,
- other intangible assets, and
- intangible assets not yet available for use (under construction).

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.2 Intangible assets (continuation)

Goodwill

Goodwill represents the excess of the cost of acquisition of an entity over the fair value of the Group's interests in the identifiable net assets of the acquired subsidiary at the date of the acquisition, or of the acquired associate at the date of the acquisition of the investment. Goodwill on acquisitions of a subsidiary is recognised in intangible assets. Goodwill on acquisition of investments in associates is included in the carrying amount of such investment.

Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses.

Testing for impairment is performed and any potential impairment loss is recognised in accordance with the policies described in note 2.2.10 "Impairment of non-financial assets".

The carrying amount of goodwill relating to the entity which was disposed of enters into determination of the gain or loss on disposal of subsidiaries and associates.

Development costs

The entities of the Group carries out development projects which are primarily aimed at reducing copper production costs, increasing the production capacity of smelters and mines, improving the technical parameters of manufactured products, improving copper production technology.

An intangible asset arising from development is recognised if the entity can demonstrate:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- b) the intention to complete the intangible asset and use or sell it,
- c) its ability to use or sell the intangible asset,
- d) the manner in which the intangible asset will generate probable future economic benefits,
- e) the availability of adequate technical, financial and other resources to complete the development and use or sell the intangible asset, and
- f) its ability to measure reliably the expenditures attributable to the intangible asset that have been incurred during its development.

Internally generated costs of development projects recognised as an item of intangible assets is the sum of expenditure incurred from the date when the intangible asset arising from development first meets the criteria for recognition.

Capitalised development costs are recognised as an intangible asset not available for use and are not amortised until the moment when the given intangible asset is completed and the decision has been taken to implement it. Such intangible assets are, however, tested annually for impairment. The amount of the impairment is recognised in the profit or loss.

Internally generated intangible assets are amortised using the straight-line method over the period of their anticipated use.

Research expenditure is recognised as an expense as incurred.

Other intangible assets

Other intangible assets are measured at cost at initial recognition.

Any borrowing costs incurred for a qualifying intangible asset are recognised in the income statement in the period in which they are incurred. Exchange differences which arise from liabilities in a foreign currency which are related to the acquisition or construction of an item of intangible assets are recognised in profit or loss in the period in which they are incurred.

At the balance sheet date intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets (excluding goodwill and intangible assets not yet available for use) are amortised using the straight-line method over their anticipated useful lives, which are as follows for the specific types of intangible assets:

- Development costs – 5 – 15 years,
- Software – 2 – 8 years,
- Licenses and patents – 2 – 5 years,
- Other intangible assets, including rights to geological information – 50 years.

The amortisation method and the amortisation rate of intangible assets are subject to review at each balance sheet date. As in the case of goodwill, intangible assets not yet available for use (under construction) are not amortised, but are tested annually for impairment. Any potential impairment loss is recognised in the income statement.

There are no intangible assets in the Group with an indefinite useful life.

The principles of impairment losses recognition are presented in detail in point 2.2.10.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.3 Investment property

Investment property is property which the Group treats as a source of income from rentals, or for capital appreciation, or both. Investment property also includes property held under an operating lease agreement, as long as it would otherwise meet the definition of investment property. Investment property (other than that held under an operating lease agreement) is initially measured at cost. Transaction costs are included in the initial measurement. The initial cost of the right to use an investment property (a property interest) held under a lease is recognised at the lower of the fair value of the property and the present value of the minimum lease payments.

On subsequent balance sheet dates investment property is measured at fair value. Any gain or loss arising from a change in the fair value of the investment property affects net profit or loss for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

2.2.4 Investments in subsidiaries and associates

a) Subsidiaries

Subsidiaries in the consolidated financial statements of KGHM Polska Miedź S.A. are those entities which the Group has the power to govern in terms of their financial and operating policies in order to achieve benefits from their activities. Such control is exercised through ownership of the majority of the total number of votes in the governing bodies of these entities, i.e. in their management and supervisory boards. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the Group controls a given entity.

The purchase method is used to account for the acquisition of subsidiaries by the Group.

The carrying amount of investments held by the Parent Entity in each subsidiary is eliminated, along with the respective portion of equity of each subsidiary. The excess of the carrying amount of the investment over the fair value of the Group's interest in the identifiable net assets acquired is recognised as goodwill. The excess of the fair value of the Group's interest in the net assets acquired over the cost of acquisition is recognised directly in the income statement.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Inter-company transactions, balances, income, expenses and unrealised gains recognised in assets are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred. Minority interest in the net assets of consolidated subsidiaries are recognised as a separate item of equity.

Consolidation of subsidiaries is discontinued from the date on which control ceases.

The Group treats transactions with minority interest as transactions with third parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interest give rise to goodwill, being the difference between any consideration paid and the Group's interest in the carrying amount of the net assets acquired.

b) Associates

Investments in associates, i.e. entities over which the Group has significant influence but does not control, and in which it participates in setting both the financial and operating policies of the entity, are accounted for using the equity method in the consolidated financial statements.

These investments are initially recognised at cost. The Group's net investment in an associate includes goodwill, as set at the date of acquisition, less any accumulated impairment losses.

The Group's share of post-acquisition profits or losses of associates is recognised in its profit or loss, and its share of post-acquisition movements in other equity is recognised in the respective item of the equity. The cumulative post-acquisition movements in equity are adjusted against the carrying amount of the investment. When the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses, unless it has incurred obligations or made payments on behalf of the associate.

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.5 Financial Instruments

2.2.5.1 Classification of financial instruments

Financial instruments are classified into one of the following categories:

- financial assets measured at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments,
- available-for-sale financial assets,
- financial liabilities measured at fair value through profit or loss,
- other financial liabilities,
- derivative hedging instruments.

Financial instruments are classified based on their characteristics and the purpose for which they were acquired. Classification is made upon initial recognition of the financial asset or liability. Classification of derivatives depends on their purpose and on whether they qualify for hedge accounting according to the requirements of IAS 39. Derivatives are classified as hedging instruments or as instruments measured at fair value through profit or loss.

Carrying value of cash flows with a maturity period of more than 12 months of the balance sheet date is classified as non-current asset or non-current liability. Carrying value of cash flows falling due within 12 months of the balance sheet date is classified as current asset or current liability.

The following principles for the classification of financial assets and liabilities to the above specified categories were adopted:

Financial assets and liabilities measured at fair value through profit or loss

This category includes financial assets and financial liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss at their initial recognition.

A financial asset is classified to this category if it is acquired principally for the purpose of selling in the near term or if it is designated by the Group upon initial recognition as at fair value through profit or loss. A financial asset or financial liability may be designated by the Group when initially recognised as at fair value through profit or loss only, if:

- a) such classification eliminates or significantly reduces any inconsistency in respect of measurement or recognition (also defined as "an accounting mismatch"), that would otherwise arise from measuring assets or liabilities or recognising gains or losses using different basis; or
- b) a group of financial instruments is managed properly and the performance of the group is evaluated on the fair value basis, in accordance with a documented risk management or investment strategy.

Available-for-sale financial assets and liabilities include derivative instruments, unless they have been designated as hedging instruments.

Assets and liabilities in this category are classified as current (current liabilities), if they are expected to be realised within 12 months from the balance sheet date.

Loans and receivables (L&R)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group transfers monetary resources, delivers goods or services directly to the client, and does not intend to classify these receivables to financial assets measured at fair value through profit or loss.

Loans and receivables are classified as current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables with maturities greater than 12 months after the balance sheet date are classified as non-current assets. Loans and receivables are included in trade and other receivables.

Cash and cash equivalents are classified as loans and receivables. Cash and cash equivalents are a separate position in the balance sheet.

Held-to-maturity investments (HtM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity, except for assets classified as measured at fair value through profit or loss or available for sale, as well as financial assets meeting the definition of loans and receivables.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.5 Financial Instruments (continuation)

2.2.5.1 Classification of financial instruments (continuation)

Available-for-sale financial assets (AfS)

Available-for-sale financial assets are non-derivative financial assets that are either designated as 'available-for-sale' or not classified to any of the other categories. This category primarily includes financial assets which do not have a fixed maturity date and which do not meet the criteria for being included in the category of financial assets measured at fair value through profit or loss, as well as financial assets which were acquired on a secondary market and which have a fixed maturity date, but which the Group does not intend and is not able to hold until maturity.

Available-for-sale financial assets are included in non-current assets unless the Group intends to dispose of the investment within 12 months of the balance sheet date.

Other financial liabilities

Financial liabilities included in this category are those that were not classified at their initial recognition as measured at fair value through profit or loss.

Hedging instruments (HI)

Derivative instruments designated and qualifying for hedge accounting are classified into a separate category called: „Hedging instruments”. The Group presents as „hedging instruments” the entire fair value of a transaction, even if the Group excludes part of change in fair value of the instrument from the effectiveness measurement.

2.2.5.2 Initial measurement and derecognition of financial instruments

Transactions respecting the purchase and sale of investments, including regular way purchases or sales, are recognised at the trade date, initially at fair value plus transaction costs, with the exception of financial assets and liabilities measured at fair value through profit or loss, which are initially recognised at fair value.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all of the risks and rewards of their ownership. Where substantially all of the risks and rewards of ownership have not been transferred, financial instruments are derecognised when the Group loses control over a given asset.

2.2.5.3 Measurement at the balance sheet date

Financial assets and financial liabilities measured at fair value through profit or loss, available-for-sale financial assets and hedging instruments

Available-for-sale financial assets, financial assets and financial liabilities measured at fair value through profit or loss and hedging instruments are subsequently measured at fair value. Available-for-sale financial assets, the fair value of which cannot be determined in a reliable manner and which do not have a fixed maturity date are carried at cost.

Gains and losses on financial assets which are classified as financial assets measured at fair value through profit or loss are recognised in the income statement in the period in which they arise.

Gains and losses on financial assets which are classified as available-for-sale are recognised in equity, except for impairment losses and exchange gains/losses on monetary assets and interest calculated using the effective interest rate method. When available-for-sale financial assets are derecognised, the total cumulative gains and losses which had been recognised in equity are recognised in the income statement as gains and losses.

The disposal of investments of the same type but with a different cost basis is accounted for using the FIFO method.

Loans and receivables, held-to-maturity investments

Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest rate method.

Other financial liabilities

After initial recognition, the Group measures all financial liabilities, apart from those classified as at fair value through profit or loss, at amortised cost using the effective interest rate method except for:

- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition,

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.5 Financial Instruments (continuation)

2.2.5.3 Measurement at the balance sheet date (continuation)

If the transfer of financial assets does not qualify them for derecognition because the Group retained virtually all of the risks and rewards associated with ownership of the transferred asset, then the Group continues to fully recognise the transferred asset and simultaneously recognises a financial liability in the amount of the payment received. In subsequent periods, the Group recognises all revenues received from the transferred asset and all expenditures incurred in respect of the financial liability;

- financial guarantee agreements, measured at the higher of:
 - the amount determined in accordance with note 2.2.15 Provisions, or
 - the amount initially recognised less, when appropriate, cumulative amortisation recognised according to International Accounting Standard No 18 *Revenue*.

2.2.5.4 Fair value

Fair value is considered to be the purchase price of a financial instrument or, in case of liabilities, the sales price of an instrument, unless there are any indicators that a financial instrument was not purchased at fair value.

At the balance sheet date, the fair value of financial instruments, for which an active market exists, is established based on the current bid/ask prices. If the market for a financial instrument is not active (and in relation to non-quoted securities), the Group establishes fair value using appropriate valuation techniques. Valuation techniques used include comparison with recent arm's length market transactions, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques/models which are commonly used by market participants, adjusted to the characteristics and parameters of the fair valued financial instrument and the situation of the issuer.

Estimated fair value reflects the amount recoverable or payable to close out an outstanding position at the balance sheet date. Where possible, transactions are fair valued based on market prices. In the case of purchase or sale of commodity forwards, fair value was estimated based on forwards prices for the maturity dates of specific transactions. In case of copper, the official London Metal Exchange closing prices and volatility estimates as at the balance sheet date are obtained from the Reuters news service. For silver and gold, the London Bullion Market Association fixing price at the balance sheet date is used. In the case of volatility and silver and gold forward rates, quotations given by Banks/Brokers are used. Currency interest rates and currency volatility ratios obtained from Reuters are used. Forwards and swaps on copper market are priced based on forward market curve. Silver and currency forward prices are calculated based on fixing and respective interest rates. Levy approximation to Black-Scholes model is used for Asian options pricing on commodity markets, whereas standard German-Kohlhagen model is used for currency of European option pricing.

The fair value of unquoted debt securities is established as the present value of future cash flows resulting from those instruments, discounted using the current interest rate.

The fair value of participation units held in open-end cash investment funds is determined based on the valuations quoted by those funds. Fair value of participation units held in close-end investment funds is measured based on the analysis of information included in the financial statements of the funds.

The fair values of financial instruments held by the Group are determined based solely on market prices or on valuation techniques which use as input data only observable market variables from active markets.

2.2.5.5 Impairment of financial assets

At each balance sheet date an assessment is made of whether there is objective evidence that a financial asset or a group of financial assets is impaired. The following are considered significant objective indicators (evidence of impairment): significant financial difficulty of the debtor, legal action being taken against the debtor, the disappearance of an active market for a given financial instrument, the occurrence of significant unfavourable changes in the economic, legal or market environment of the issuer of a financial instrument, and the prolonged decrease of the fair value of a financial instrument below its amortised cost.

If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity – calculated as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through profit or loss. The reversal of impairment losses on debt financial instruments is recognised in profit or loss if, in a period subsequent to the period of the recognition of the impairment loss, the fair value of these instruments increased due to events occurring after the recognition of the impairment loss.

If evidence of potential impairment of loans and receivables or of held-to-maturity investments measured at amortised cost exist, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at the initial recognition for fixed interest rate assets, and the effective interest rate computed at the last revaluation for floating interest rate assets). Any impairment loss is recognised in profit or loss. The carrying amount of financial assets is determined by using a separate account for impairment losses (credit losses).

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.5 Financial Instruments (continuation)

2.2.5.5 Impairment of financial assets (continuation)

Loans and receivables, as well as held-to-maturity investments which are measured at amortised cost, are individually tested for impairment at each balance sheet date. Receivables, against which no impairment allowance was made, but for which the possibility of impairment exists due to their specific credit risk (related for example to the type of activity or structure of the clients) are tested for impairment as a group (assets' portfolio).

An impairment allowance is reversed, if in subsequent periods the impairment is reduced, and this reduction may be attributed to events occurring after recognition of the impairment allowance. The reversal of an impairment allowance is recognised in profit or loss.

2.2.5.6 Embedded derivatives

Initial recognition of derivatives

Embedded derivatives are separated from host contracts and accounted for separately as at the date of transaction, if all of the following conditions are met:

- the hybrid (combined) instrument not measured at fair value, with changes in fair value recognised in profit or loss,
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Re-assessment of contracts for possible bifurcation of embedded instruments is made whenever there is a significant change to the contract that significantly modifies cash flows arising from the contract.

These criteria in particular are deemed as being met for contracts involving metals sales or the purchase of copper-bearing materials, in which prices are set after the date of sale or purchase. In such cases the Group accounts for the embedded derivative instrument separately from the host sale/purchase contract. From the moment of bifurcation, the embedded derivative instrument is measured at fair value at each balance sheet date. From the date of bifurcation, the embedded derivative instrument is classified as a financial asset or liability measured at fair value through profit or loss. Any change in the balance of the embedded derivative instrument is accounted for as an adjustment respectively of revenues from sales or costs of sales.

2.2.5.7 Hedge accounting

Hedging, for accounting purposes, involves proportional offsetting of the effects of changes in the fair value or cash flows arising from a hedging instrument and a linked hedged item. The types of hedges include fair value hedges, cash flow hedges and hedges of net investment in foreign operations. Financial assets which are not derivative financial instruments, or financial liabilities which are not derivative financial instruments, may be designated as hedging instruments only for the currency risk hedging relationships.

The Group does not recognise either fair value hedges or hedges of net investment in foreign operations. Hedging instruments are designated as cash flow hedges.

Derivatives used in cash flow hedges

In a cash flow hedge, a derivative used as a hedging instrument is an instrument which:

- hedges the exposure to volatility of cash flows which is attributable to a particular type of risk associated with a recognised asset or liability, or a highly probable forecast transaction, and
- will affect reported profit or loss.

Gains and losses arising from changes in the fair value of the hedging instrument in a cash flow hedge are recognised as a separate item of equity, to the extent to which the change in fair value represents an effective hedge of the associated hedged item. The portion which is ineffective is recognised in the income statement as other operating income or costs. Gains or losses arising from the hedging instrument in cash flow hedges are reclassified into profit or loss in the same period or periods in which the hedged item affects profit or loss.

Hedge effectiveness is the degree to which changes in the cash flows of the hedged item that are attributable to the hedged risk are offset by changes in the cash flows of the hedging instruments.

If the hedged firm commitment or forecast future transaction subsequently results in the recognition of a non-financial asset or non-financial liability in the balance sheet, then, at the time the item is recognised, all associated gains and losses are included in the initial cost or other carrying amount of the asset or liability.

Hedge accounting includes the use of forecasted cash flow hedges. The designated hedges relate to the future transactions forecasted as assumed in the Sales Plan for a given year. These plans are prepared based on the production capacities for a given period. The Group estimates that the probability of these transactions occurring is very high, as from historical point of view, sales were always realised at the levels assumed in Sales Plans.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.5 Financial Instruments (continuation)

2.2.5.7 Hedge accounting (continuation)

When entering into hedging transactions, the Group documents the relationship between hedging instruments and the hedged items, as well as the objective of entering into a particular transaction. The Group also documents its assessment, both at the date of inception of the hedge as well as on an on-going basis, of whether the derivative instruments used in hedge relationships are and will be highly effective in offsetting changes in the cash flows of the hedged items.

Discontinuation of hedge accounting

Derivative instruments cease to be accounted for as hedging instruments when they expire or are sold, terminated or settled, or when the Group revokes its designation of a given instrument as a hedging instrument. The Group may designate a new hedging relationship for a given derivative, change the intended use of the derivative, or designate it to hedge another type of risk. In such case, for cash flow hedges, gains or losses which arose in the periods in which the hedge was effective are retained in equity until the hedged item affects profit or loss.

If the hedge of a firm commitment or forecast future transaction ceases to exist, because the hedged item no longer meets the definition of a firm commitment, or because it is probable that the forecast transaction will not occur, then the net gain or loss recognised in equity is immediately transferred to the income statement.

2.2.6 Inventories

Inventories consist of the following items:

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

Inventory additions are measured in accordance with the following principles:

- materials and goods for resale – at cost,
- finished goods, semi-products – at actual manufacturing cost,
- work in progress – based on valuation of the work-in-progress inventories.

Inventory disposals are measured in accordance with the following principles:

- materials and goods for resale – at average cost based on the weighted average cost of a given item,
- finished goods and semi-products – by way of valuating the difference between inventories closing balance and the value of any additions, and giving due regard to the opening balance.

Inventories are measured in accordance with the following principles:

- materials and goods for resale – at average cost as set for inventory disposal,
- finished goods, semi-products and work in progress – based on cumulative actual manufacturing costs and giving due regard to the opening balance.

At the balance sheet date inventories are measured, using the above-mentioned policies, but not higher than the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.2.7 Trade and other receivables

Trade receivables are recognised initially at fair value. After initial recognition, trade receivables are measured at amortised cost using the effective interest rate, less allowance for impairment, while trade receivables with the maturity period of up to 12 months from the receivable origination date are not discounted.

Impairment allowances on trade receivables are recognised when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The amount of the impairment allowance is recognised in the income statement.

Receivables not representing financial assets are recognised initially at their nominal value and measured at the balance sheet date at the amount due.

Receivables with a maturity period of over 12 months from the balance sheet date are classified as non-current assets. Current assets include receivables with a maturity period of up to 12 months from the balance sheet date.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.7 Trade and other receivables (continuation)

Recognised as receivables are:

- **trade receivables** – these are receivables which arise from the principal operating activities of the Group
- **other receivables**, including:
 - loans granted,
 - other financial receivables, i.e. receivables meeting the definition of financial assets,
 - other non-financial receivables, including advances for deliveries and fixed assets, assets under construction, intangible assets, shares, receivables from employees, if they are settled other than by cash payment; and
 - prepayments.

2.2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and in bank accounts, a vista deposits, other safe current investments with original maturities of three months or less from the date of their placement, acquisition or issuance and with high liquidity. Cash and cash equivalents also include interest on cash equivalents.

2.2.9 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale, if their carrying amount is to be recovered principally through sale transactions rather than through continuing use, under condition that they are available for immediate sale in their present condition subject only to terms that are customary for sales of such assets (or disposal groups) and their sale must be highly probable.

Before the initial classification of assets (or disposal groups) as held for sale, the carrying amount of the asset is measured in accordance with applicable standards.

At the moment of reclassification these assets are measured at the lower of carrying amount and fair value less costs to sell.

2.2.10 Impairment of non-financial assets

Goodwill and intangible assets not yet available for use, are not amortised, but are tested annually for impairment.

A depreciable asset is tested for impairment whenever an event or change in circumstances indicates that its carrying amount may not be recoverable. Amongst the fundamental and most important external indications of possible impairment for the Group companies listed on the active markets are the continuation over the long term of a situation in which the carrying amount of their net assets exceeds their market value. In addition, amongst the most significant indications are unfavorable technical, market and economic changes to the environment in which the Group companies operate, including on the destination markets for their products, as well as an increase in market interest rates and premiums for risk reflected in calculations of the discount rates used to calculate the value in use of assets of Group companies. Internal factors taken into account in determining whether assets have been impaired primarily include the substantial decrease in actual net cash flow in relation to the net cash flow from operating activities assumed in the Budget, and, with respect to individual assets, any physical damage, loss of utility and the generation of lower economic benefits from expenditures incurred on their acquisition or construction, if a given asset independently generates cash flow.

An impairment loss is recognised as the amount of the carrying value of the given asset which exceeds its recoverable amount. The recoverable amount is the higher of two amounts: fair value less costs to sell, and value in use.

For the purpose of impairment assessment, assets are grouped at the lowest level at which they generate cash inflows that are largely independent of those from other assets (cash-generating units). Cash-generating units are determined separately each time an impairment test is to be performed.

If an impairment test indicates that the recoverable amount (i.e. the higher of the asset's fair value less costs to sell and its value in use) of a given asset or cash-generating unit is lower than its carrying amount, an impairment loss is recognised as the difference between the recoverable amount and the carrying amount of a given asset or cash-generating unit. Any impairment loss is initially allocated to goodwill, if any. The remaining amount of the impairment is allocated to assets within the cash-generating units proportionally to their share of the carrying amount of the entire unit. If such allocation is made, the carrying amount of the asset may not be lower than the highest of the following amounts: fair value less costs to sell, value in use and zero.

Impairment losses are recognised in profit or loss.

Non-financial non-current assets, other than goodwill, for which an impairment loss was recognised in prior periods, are tested at each balance sheet date to determine whether there is any indication of the possibility that an impairment loss may be reversed.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.11 Equity

Equity consists of:

1. Share capital.
2. Other reserves, which consist of:
 - revaluation reserve set at the fair value of the cash flow hedging instruments in the portion reflecting an effective hedge, and adjusted by deferred tax, and
 - revaluation reserve for the re-measurement of financial assets classified as available-for-sale to fair value, adjusted by deferred tax.
3. Retained earnings, composed of:
 - undistributed profit or unabsorbed losses from previous years,
 - reserve capital created in accordance with the Code of Commercial Companies,
 - reserve capital created and used in accordance with the Statutes,
 - profit or loss for the period.

2.2.12 Liabilities

Liabilities are present obligations of the Group arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

Liabilities comprise:

- liabilities arising from bank loans, other loans (borrowings) and finance lease liabilities,
- trade payables,
- other financial liabilities, and
- other non-financial liabilities.

Current trade payables are recognised in the balance sheet at their nominal value. The carrying amount of these liabilities reflects the approximate amount representing the level of amortised cost, calculated using the effective interest rate. Current trade payables are not discounted.

Liabilities not classified as financial liabilities are measured at the amount due.

2.2.13 Accrued expenses

Accrued expenses are due and payable liabilities arising from goods received or services performed, for which the payment has not yet been made, an invoice has not been received or a formal agreement reached with the supplier, including amounts due to employees.

Accruals include:

- remuneration and the related surcharges paid on a one-off basis, relating to annual periods,
- accrued costs of local fees and taxes,
- short-term accruals for unused annual leave.

2.2.14 Deferred income

Deferred income includes mainly monetary resources received to finance the acquisition or manufacture of assets under construction or development work, which are recognised as income over the periods necessary to match them with the depreciation of the assets financed by these resources.

The value of fixed assets, assets under construction and intangible assets acquired for free as grants, is accounted for in accordance with this Policy, note no. 2, point 2.2.24 *Government grants*.

2.2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, such that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recognised, in particular, in respect of the following:

- future costs of mine decommissioning after the conclusion of mining activities, costs of decommissioning of technological facilities in the copper smelters and other facilities (jointly: decommissioning costs) in cases where the law provides for the obligation to dismantle and remove such assets after the conclusion of mining activities and to restore the sites to their original condition,
- the effects of court proceedings and of disputed issues,
- guarantees granted.

Provisions are recognised in an amount representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditure expected to be required to settle the obligation.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.15 Provisions (continuation)

The provision for future decommissioning costs of mines and other facilities is recognised based on the estimated expected costs of decommissioning of such facilities and of restoring the sites to their original condition. Estimation of this provision is based on specially-prepared studies using ore exploitation forecasts (for mining facilities), and technical-economic expertise prepared either by specialist external firms or within the Parent Entity. Provisions are reviewed at the balance sheet date.

The amount of provisions set at 1 January 2004, i.e. at the transition date for application of IFRS for the purposes of preparing the consolidated financial statements, recognised in the cost of property, plant and equipment, was calculated based on the optional exemption set out in IFRS 1, „*First-time Adoption of International Financial Reporting Standards*”. Beginning from 1 January 2004, all changes arising from changes in the amount of provisions are recognised in accordance with IFRIC 1.

In accordance with IAS 1, „*Presentation of Financial Statements*” provisions are presented in the balance sheet as either current or non-current.

2.2.16 Employee benefits

The Group pays retirement benefits due to one-off retirement-disability rights, coal equivalent payments and jubilee bonuses according to the Collective Labour Agreements.

The amount of the liability due to these benefits is equal to the present value of the defined benefit obligation at the balance sheet date, and reflect actuarial gains and losses and the costs of past employment. The value of defined benefit obligations is estimated at the balance sheet date by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflow using the interest rates on treasury bonds expressed in the currency of future benefit payment, with maturities similar to those of the liabilities due to be paid. According to IAS 19, the discount rate should be based on the market yields of highly liquid commercial bonds with low risk. Should there be no developed market for such bonds, and such a situation does exist in Poland, the interest rate on government bonds at the balance sheet date should be applied.

Actuarial gains and losses increase or decrease costs recognised in the income statement in the period in which they arose.

Costs of past employment related to defined benefit plans are accounted for in the income statement systematically, using the straight-line method, over the period until the benefits become vested.

The Parent Entity participates in an Employee Retirement Plan. With respect to this Plan, the Parent Entity has no legal or constructive obligation to pay any employee benefits if the related insurance firm does not have sufficient assets to cover its obligations in respect of the Plan participants after their period of employment.

2.2.17 Income taxes (including deferred tax)

Income taxes in the income statement comprise: current tax and deferred tax.

Current income tax is calculated in accordance with current tax laws.

Deferred tax is determined using tax rates and tax laws that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted on the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. This liability is not discounted.

Deferred tax asset is recognised for all deductible temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax losses can be utilised.

Deferred tax assets and deferred tax liabilities are recognised irrespective of the period in which their realisation is to occur.

Deferred tax assets and deferred tax liabilities are not recognised if they arise from the initial recognition of an asset or liability in a transaction that:

- is not a business combination, and
- at the time of the transaction, affects neither the accounting profit nor taxable profit. Deferred tax liability is likewise not recognised on temporary differences arising from the initial recognition of goodwill.

Deferred tax is recognised in the income statement for a given period, unless the deferred tax:

- arises from transactions or events which are directly recognised in equity – in which case the deferred tax is also recognised in the appropriate equity item, or
- arises from a business combination – in which case the deferred tax affects goodwill or the excess of interest in the fair value of net assets over the cost of acquisition.

Deferred tax assets and deferred tax liabilities are offset if the entities of the Group have a legally enforceable right to set off current tax assets against current tax liabilities, and if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.18 Contingent items and other off-balance sheet items

Contingent liabilities are:

- a) possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
- b) a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
 - the amount of the obligation (liability) cannot be measured with sufficient reliability.

The contingent liabilities include, among others:

- guarantees and promissory notes issued for the benefit of third-parties in connection with contracts,
- liabilities due to compensation for damages arising in the course of business activities, resulting from matters which remain unresolved,
- conditionally-suspended penalties for economic use of natural environment,
- liabilities arising from implementation contracts, calculated based on future outcome, and
- other contingent liabilities arising from the contracts.

Other off-balance sheet liabilities include, among others:

- liabilities towards the State Treasury due to perpetual usufruct of land,
- liabilities towards local government entities due to payments in respect of perpetual usufruct of land acquired for a fee on a secondary market, expressed in the total amount of future minimum payments arising from contracts,
- liabilities towards other entities due to payments arising from non-cancellable operating lease contracts, expressed in the total amount of future minimum payments arising from the contract.

2.2.19 Revenues

Revenues from sales are recognised at the fair value of the consideration received or receivable, less VAT, rebates and discounts. In the case of sales for which the price is set after the date of recognition of a given sale, revenues are accounted for based on the forward prices from the date of sale. Revenues from sales which are recognised at such an amount are adjusted at each balance sheet date by any change in the fair value of embedded derivative instruments, which are separated from the host sales contract in accordance with point 2.2.5.6. Sales revenues are adjusted for the gain or loss from the settlement of derivative instruments hedging future cash flows, in accordance with the general principle that the portion of gain or loss on a derivative hedging instrument that is determined to be an effective hedge is recognised in the same item of income statement in which the gain or loss on the hedged item is recognised at the moment when the hedged item affects profit or loss.

Recognised in sales revenues are revenues arising from ordinary operating activities of the Group, i.e. revenues from sales of products, services, goods for resale and materials, reflecting any rebates granted and any other decreases in selling prices.

In addition, revenue for the given reporting period which affects the financial result of the period includes

other operating income and gains, which are indirectly related to the activities carried out, in particular:

- income and gains from investments,
- gains from the measurement and realisation of trading derivative instruments and the ineffective portion of gains from the realisation and re-measurement to fair value of derivative hedging instruments,
- foreign exchange gains, with the exception of exchange differences arising on liabilities representing sources of finance for the Group's activities,
- reversal of impairment losses on held-to-maturity investments, available-for-sale financial assets, and loans,
- release of unused provisions, previously charged to other operating costs, and
- gains on disposal of property, plant and equipment and intangible assets,

finance income, representing primarily income related to financing of the activities of the Group, including:

- net foreign exchange gains arising exclusively on liabilities from sources of financing of the Group's activities (loans, bank loans, bonds, finance leases etc.),
- gains on realisation and re-measurement to fair value of derivative hedging instruments used to hedge liabilities financing the Group's activities.

Revenues from the sale of products, goods for resale and materials are recognised when:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods for resale, finished goods and materials,
- the Group has ceased to have a continued involvement in the management of goods for resale, finished goods and materials sold to the extent usually associated with inventory management function, and does no longer exercise effective control over those items,
- the amount of revenue can be measured in a reliable manner,
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.19 Revenues (continuation)

Revenues from the sale of services are recognised when:

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group,
- the stage of completion of the transaction at the balance sheet date can be measured reliably, and
- the costs connected with the transaction and the costs to complete the transaction can be measured reliably.

Interest income is recognised on an accruals basis, using the effective interest method.

Income from dividends is recognised when the shareholder's right to receive payment is established.

2.2.20 Costs

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

Costs are recognised in profit or loss based on the direct relation between costs incurred and specific income achieved, i.e. applying the matching principle, through prepayments and accruals. In the case of purchases of copper-bearing materials for which the price is set after the date of recognition of a given purchase, inventories are accounted for at the expected purchase price on the date of recognition of the inventories. Cost of sales at the balance sheet date is adjusted at each balance sheet date by any change in the fair value of embedded derivative instruments, which are separated from the host purchase contract in accordance with point 2.2.5.6.

Costs are accounted for both by type and by the cost centres, and are reported in the income statement using the costs by function (cost of sales) format as the primary cost reporting format.

The total cost of products, goods for resale and materials sold (cost of sales) comprises:

- the manufacturing cost of products sold,
- the cost of goods for resale and materials sold,
- selling costs, and
- administrative expenses.

In addition, costs for the given reporting period which affect the financial result of the period include:

other operating costs and losses, indirectly connected with operating activities, including in particular:

- losses on financial investments,
- losses from the measurement and realisation of traded derivative instruments and the ineffective portion of losses arising from the realisation and re-measurement to fair value of derivative hedging instruments,
- foreign exchange losses, with the exception of exchange differences arising on liabilities representing sources of finance for the Group's activities,
- impairment losses on held-to-maturity investments, available-for-sale financial assets, loans and other investments,
- provisions recognised for contested issues, penalties, compensation and other costs indirectly related to operating activities,
- donations granted,
- losses on disposal of property, plant and equipment and intangible assets,

and also **finance costs** related to financing of the activities of the Group, including in particular:

- overdraft interest,
- interest on short- and long-term loans, credits and other sources of finance, including discounted liabilities,
- net foreign exchange losses arising on liabilities from sources of financing of the Group's activities,
- changes in the level of provisions arising from the approach of the time to settle the obligation (the so-called unwinding of the discount effect).

2.2.21 Foreign currency transactions and the measurement of items denominated in foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates, i.e. in the functional currency. The financial statements are presented in the Polish zloty (PLN), which is the functional and presentation currency of the Group.

Transactions and balances

At the moment of initial recognition, foreign currency transactions are translated into the functional currency:

- at the buy or sell exchange rate applied by the bank in which the transaction occurs, in the case of the sale or purchase of currencies and the payment of receivables or liabilities,
- at the average exchange rate set for a given currency by the NBP (National Bank of Poland) prevailing on the date of the transaction. The exchange rate prevailing on the date of the transaction is the average NBP rate announced on the last working day proceeding the transaction day.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.21 Foreign currency transactions and the measurement of items denominated in foreign currencies (continuation)

At each balance sheet date:

- foreign currency monetary items are translated at the closing rate prevailing on that date, i.e. the average exchange rate set for a given currency by the NBP,
- non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate (i.e. average exchange rate set for a given currency by the NBP) prevailing on the transaction date, and
- non-monetary items measured at fair value in a foreign currency are translated using the exchange rate (i.e. average exchange rate set for a given currency by the NBP) at the date when the fair value was determined.

Foreign exchange gains or losses arising on the settlement of a foreign currency transaction, or on the measurement and translation of foreign currency monetary assets and liabilities (other than derivatives) denominated in a foreign currency, are recognised in profit or loss. Foreign exchange gains or losses arising on the measurement and translation of foreign currency derivatives, are recognised in profit or loss as a re-measurement to fair value provided they do not represent the change in the fair value of the effective cash flow hedge or a hedge in a net investment in a foreign operation. In such a case they are recognised in equity, in accordance with hedge accounting principles.

Foreign exchange gains or losses arising on non-monetary items, such as equity instruments measured at fair value through profit or loss, are recognised as an element of changes in fair value. Exchange differences arising on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are recognised in revaluation reserve at fair value.

2.2.22 Borrowing costs

Borrowing costs (i.e. costs which include interest and other costs incurred by an entity due to the borrowing of monetary items) are recognised in the costs of the period in which they are incurred.

2.2.23 Leases

A lease is classified as a finance lease if it transfers to the lessee substantially all of the risks and rewards incidental to ownership of assets. The leased asset is capitalised at the inception of the lease at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

A depreciable asset acquired in a finance lease is depreciated over the shorter of its useful life and the lease term. Where the substantial part of the risks and rewards incidental to ownership of an asset is retained by the lessor, the lease contract is classified as an operating lease.

2.2.24 Government grants

Monetary government grants for financing assets are presented in the balance sheet as deferred income.

Government grants are not recognised until there is a reasonable assurance that the entity will comply with the conditions attaching to them, and that the grants will be received.

Monetary government grants are recognised systematically as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They are not credited directly to equity.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable, together with disclosure of this fact.

Grants related to income are presented as income, separately from the related costs which the grants are intended to compensate. Grants are recognised as income regardless of whether they were received in the form of cash or as a decrease of liabilities.

Non-monetary grants are recognised in the accounts in their fair value.

The principles of utilisation of CO₂ are presented in note 2, point 2.2.26.

2.2.25 Segment reporting

The activities of the Group are arranged by business segment, i.e. a distinguishable component of the activities of the Group that is engaged in providing products or services, and that is subject to risks and returns that are different from those of other business segments.

Geographical segments are identified in the consolidated financial statements as a distinguishable component of the activities of the Group that is engaged in providing products or services within a particular economic environment, and that is subject to risks and returns that are different from those of components operating in other economic environments.

2. Main accounting policies (continuation)

2.2 Accounting policies (continuation)

2.2.25 Segment reporting (continuation)

Three business segments have been identified for internal reporting purposes:

Segment I - copper, precious metals, other smelter products – extraction, the processing of copper and precious metals, the production of non-ferrous metals, copper trade and copper promotion;

Segment II - telecommunications and IT services – the provision of telecommunications services, telecommunications, IT services;

Segment III - other sectors, comprising the activities of Group subsidiaries which are not encompassed by segments I and II.

2.2.26 Emission rights

The entities of the Group participate in a program to limit emissions of carbon dioxide based on the Kyoto protocols of 11 December 1997, which commit government bodies, including those in Poland, to control and reduce emissions of greenhouse gases. Based on signed agreements the goal was established to reduce the emissions of carbon dioxide to a specified level. As a result, the Polish government allocates emission allowances in an amount covering the permitted carbon dioxide emission limit. Emission rights are granted in accordance with the National Plan for Allocating Proprietary Rights for the emission of carbon dioxide, which is developed for each subsequent settlement period.

At inception, proprietary emission rights received without cost from the government and any associated non-monetary government subsidies (accounted for as deferred income) are measured at fair value which is equal to nominal value. Purchased proprietary rights are measured at cost. Proprietary rights represent an intangible asset. At the balance sheet date, these rights are measured at cost less any impairment. Proprietary rights received without cost are accounted for in the amount of the difference between the fair value of the rights received and the amount of the associated deferred income.

Subsidies are settled simultaneously with the redemption* of proprietary emission rights. The Group applies the principle of net liabilities to granted proprietary emission rights. In accordance with this principle a provision is recognised when actual emissions exceed the amount of rights allotted and actually held. Such liabilities are accounted for at the fair value of the proprietary emission rights which the given entity is to redeem, plus any eventual costs or penalties due to a deficit of the proprietary emission rights necessary to resolve this deficit. A provision is created to cover the product manufacturing cost. This provision is settled at the moment of redemption of the proprietary emission rights purchased by the entity for the purpose of meeting its obligations. Proprietary emission rights are settled based on the principle „first in-first out” (FIFO).

* redemption means the decision to redeem the proprietary emission rights issued by the President of the Energy Regulatory Office based on information on emissions provided by an installation's owner.

2.2.27 Earnings per share

Earnings per share for each period are calculated by dividing the profit for the given period attributable to the shareholders of the Parent Entity by an average weighted number of shares in that period.

2.2.28 Cash flow statement

Cash flows from operating activities are presented using the indirect method.

2.2.29 Capital management

The Group manages its capital in order to maintain the capacity to continue its operations, including the realisation of planned investments, in a manner enabling it to generate returns for the shareholders and benefits to other stakeholders.

In accordance with a market practice, the effective use of capital is monitored, among others, based on:

1. The equity ratio, calculated as the relation of net tangible assets (equity less intangible assets) to total assets, and
2. The ratio showing the relationship of borrowings and finance lease liabilities to EBITDA. EBITDA is operating profit plus depreciation and amortisation.

2.2.30 Customer Loyalty Programmes

Loyalty award credits which are granted to customers who participate in a Partnership Programme are accounted for as a separate component of the sales transaction in which they were granted. The fair value of the proceeds is allocated between the said loyalty award credits and the remaining elements of the sale. The amount allocated to the award credits is measured by reference to their fair value, and is accounted for as deferred income until the said credits are redeemed by the customer.

The fair value of a loyalty credit in respect of which income is deferred is determined based on the fair value of the award in terms of its redemption structure.

The value of a loyalty award credit is reviewed at the end of each calendar year.

Income is recognised at the moment an award credit is redeemed. The amount of income recognised in a given period is based on the number of credits awarded in relation to the total anticipated number of redeemed loyalty award credits, and reflects changes in the value of such award credits in subsequent years. The anticipated number of redeemed loyalty award credits is an estimate.

3. Important estimates

3.1 Classification and measurement of financial instruments

In accordance with the guidelines of IAS 39 relating to the classification of non-derivative financial instruments with fixed or determinable payments, these assets are classified as held-to-maturity investments. In making this judgement, the intended use and possibility of holding such investments to maturity are evaluated.

Should the Group fail to hold such instruments to maturity, apart from the situation described in IAS 39, it would have to reclassify all such assets recognised in this group as available-for-sale. In such a situation, the reclassified investments would be measured at fair value, and not at amortised cost.

At each balance sheet date the Group analyses significance of the impact of bifurcated embedded derivative instruments on the financial statements. Following this analysis, the Group determined that bifurcation of these instruments at 31 December 2008 will not have a significant impact on the financial statements.

3.2 Estimation of provisions

1. Provisions for future employee benefits – retirement or disability benefits, jubilee bonuses and post-employment coal equivalent payments are estimated using actuarial methods. A change in the financial factors being the basis for estimation, i.e.

- an increase in the discount rate by 1% and an increase by 1 % in the coal price and wages increase rate would cause an increase in the provision by PLN 1 873 thousand,
- a decrease in the discount rate by 1% and an increase by 1 % in the coal price and wages increase rate would cause an increase in the provision by PLN 305 145 thousand,
- an increase in the discount rate by 1% and a decrease by 1 % in the coal price and wages increase rate would cause a decrease in the provision by PLN 199 640 thousand,
- a decrease in the discount rate by 1% and a decrease by 1 % in the coal price and wages increase rate would cause a decrease in the provision by PLN 1 901 thousand.

2. Provisions for decommissioning costs of mines and other facilities.

These provisions represent the equivalent of the estimated future decommissioning costs of mines and other facilities, discounted to present value. Revaluation of these provisions at the balance sheet date is affected by the following indicators:

- a) the index of changes in prices in the construction-assembly sector published by Main Statistical Office (GUS),
- b) the real discount rate calculated based on the profitability of treasury bonds with the maturities nearest to planned financial outflow (nominal discount rate) and the forecast rate of inflation.

Discount rates (nominal and inflation) are set separately for future periods, i.e. one, two and three years, and jointly for periods from the fourth year.

A 1% increase in the real discount rate used to estimate the amount of the provision for decommissioning costs of mines and other facilities would cause a decrease in the carrying amount of the provision for decommissioning costs of mines and other facilities, by PLN 142 556 thousand. However, a 1% decrease in the real discount rate would cause an increase in the carrying amount of the provision by PLN 195 085 thousand.

3. Other non-current provisions – they are estimated using parameters applied to measurement of provisions for employee benefits (Note 23).

3.3 Deferred tax assets/liabilities

The deferred tax assets/liabilities are measured using the tax rates which are expected to apply at the moment when the asset is realised or the liability is settled, based on tax laws that have been enacted or substantively enacted at the balance sheet date.

The probability of realising deferred tax assets is considered certain.

3.4 Impairment of property, plant and equipment

In accordance with IAS 36, at 31 December 2008 the Parent Entity performed an impairment test on property, plant and equipment.

For the purpose of determining value in use, an analysis of discounted cash flow was performed using an assumed average weighted cost of capital (WACC) of 11.24% and a 3% residual rate of growth. This test was performed for the Parent Entity as the sole cash generating unit (CGU) due to the inability to assign cash flow to individual Company units.

The analysis was performed for a 10-year period using projected cash flow based on the Supervisory Board-approved „Strategy of KGHM Polska Miedź S.A. for the years 2009 – 2018”.

Based on approved assumptions, the calculated value in use of property, plant and equipment amounts to PLN 8 258 505 thousand, and is higher than their carrying amount by PLN 3 118 979 thousand.

3. Important estimates (continuation)

3.4 Impairment of property, plant and equipment (continuation)

Sensitivity analysis of value in use

Residual growth rate	WACC				
	9%	10%	11%	12%	13%
-1%	8 707 224	7 293 846	6 151 677	5 215 431	4 438 704
0%	9 513 539	7 895 979	6 610 039	5 570 005	4 716 776
1%	10 521 434	8 631 920	7 160 074	5 989 048	5 041 193
2%	11 817 297	9 551 847	7 832 338	6 491 899	5 424 594
3%	13 545 116	10 734 609	8 672 669	7 106 495	5 884 676

3.5 Presentation

The Group recognises income and costs related to financial investments under other operating activities in the income statement on the grounds that these activities (in particular investments in the telecom sector) are connected with the operating activities of the Group. Detailed principles of recognition of income and costs have been described in Note 2 point 2.2.19 and 2.2.20.

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4. Composition of the KGHM Polska Miedź S.A. Group – subsidiaries

KGHM Polska Miedź S.A., as a Parent Entity of the Group, fully consolidated 26 subsidiaries in the current period. At 31 December 2008 the composition of the Group was as follows:

Entity	Head office	Scope of activities	% of share capital held	% of voting rights held
KGHM CUPRUM Spółka z o.o. – CBR	Wrocław	R&D activities	100	100
KGHM Polish Copper Ltd.	London	copper trading	100	100
"MIEDZIOWE CENTRUM ZDROWIA" S.A.	Lubin	medical services	100	100
KGHM Ecoren S.A.	Lubin	production of other products from non-metallic mineral resources	100	100
"Energetyka" sp. z o.o.	Lubin	generation, distribution and sale of electricity and heat	100	100
CBJ sp. z o.o.	Lubin	technical research and analyses	100	100
KGHM Kupferhandelsges m.b.H.	Vienna	copper trading	100	100
POL-MIEDŹ-TRANS Sp. z o.o.	Lubin	transportation services	100	100
DIALOG S.A.	Wrocław	telecommunications services, telecommunications, IT and information services	100	100
KGHM CONGO S.P.R.L.	Lubumbashi	ore extraction services	99.98	99.98
KGHM Metraco S.A.	Legnica	trade, agency and representative services	100	100
Zagłębie Lubin Spółka Akcyjna	Lubin	participation in and organisation of professional sporting events	100	100
INTERFERIE S.A.	Lubin	tourism, hotel and spa services	65.67	65.67
PeBeKa S.A.	Lubin	underground and mining construction, construction of tunnels	100	100
DFM ZANAM - LEGMET Sp. z o.o.	Polkowice	repair and manufacture of machinery	100	100
INOVA Spółka z o.o.	Lubin	inspections and control of machinery, R&D work	100	100
DKE Spółka z o.o.	Oława	collection of municipal and industrial waste, processing, storage and utilisation of waste	50.33	50.33
WFP Hefra S.A.	Warsaw	production and sale of rust-proof, silver-plated and semi-silver-plated table settings, from man-made materials and ceramics, finished and semi-finished products and services	97.52	97.52
Walcownia Metali Nieżelaznych spółka z o.o.	Gliwice	production of sheeting	84.37	84.37
PHP "MERCUS" sp. z o.o.	Polkowice	trade, production of bundled electrical cables	100	100
PHU "Lubinpex" Sp. z o.o.	Lubin	retail trade in food items, catering services	100	100
WM "ŁABĘDY" S.A.	Gliwice	production of non-ferrous metals, products from non-ferrous metals, services	88.92	88.92
AVISTA MEDIA sp. z o. o.	Wrocław	design, implementation and servicing of IPTV systems (interactive television)	100	100
KGHM Letia S.A.	Legnica	promotion of innovation	85.45	85.45
"PMT Linie Kolejowe" sp. z o.o.	Polkowice	management over railway infrastructure	100	100
Petrotel Sp. z o.o.	Płock	telecommunication services in fixed-line telephony, internet services, technical services, equipment sales	75.06	75.06

Effect of changes in the structure of the KGHM Polska Miedź S.A. Group during the reporting period

Acquisition of shares in the newly-founded company PMT Linie Kolejowe sp. z o.o.

On 19 September 2008 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 National Court Register - Register of Entrepreneurs: PMT Linie Kolejowe sp. z o.o. with its registered head office in Polkowice. The share capital of this newly-founded entity amounts to PLN 100 thousand and is divided into 100 shares of PLN 1000 each.

POL-MIEDŹ TRANS sp. z o.o. (a subsidiary of KGHM Polska Miedź S.A.) has acquired 99 shares in the newly-founded company PMT Linie Kolejowe sp. z o.o. These shares have a per-share face value of PLN 1000 and a total nominal value of PLN 99 thousand, represent 99% of the share capital of this company and grant the right to the same number of votes at the General Shareholders' Meeting. 1% of the shares of PMT Linie Kolejowe sp. z o.o. acquired a subsidiary of KGHM Polska Miedź S.A. - PHP Mercus sp. z o.o.

The carrying amount of the shares of PMT Linie Kolejowe sp. z o.o. in the accounts of POL-MIEDŹ TRANS sp. z o.o. is PLN 99 thousand, while in the accounts of PHP Mercus sp. z o.o. it amounts to PLN 1 thousand.

The shares acquired by POL-MIEDŹ TRANS sp. z o.o. and PHP Mercus sp. z o.o. for a price equal to their nominal value were entirely paid for in cash.

4. Composition of the KGHM Polska Miedź S.A. Group – subsidiaries (continuation)

The Parent Entity of the Group indirectly became the owner of 100% of shares in PMT Linie Kolejowe sp. z o.o.

The founding of this company and its takeover of management over railway infrastructure will enable PMT Linie Kolejowe sp. z o.o. to collect fees for providing access to this infrastructure to other carriers. The result of commencing operations by PMT Linie Kolejowe sp. z o.o. will be to improve the effectiveness of the assets owned by POL-MIEDŹ TRANS sp. z o.o.

Loss of control over Vivid.pl S.A.

On 29 September 2008 the Regional Court for the City of Warsaw in Warsaw, Section X (Economic) for bankruptcy and remedial proceedings, issued a ruling upon declaration of bankruptcy of the company Vivid.pl S.A. with its registered head office in Warsaw (100% of the shares of Vivid.pl S.A. are owned by DIALOG S.A. - a subsidiary of KGHM Polska Miedź S.A.). The court appointed a court commissioner - Regional Court Judge, Arkadiusz Zagrobelny, and a receiver - Jacek Filiński. The ruling on this bankruptcy came into legal force on 10 October 2008. As a result of accounting for the loss of control over a subsidiary in the consolidated financial statements a profit was recorded on the disposal of a subsidiary in the amount of PLN 393 thousand.

Until the day of loss of control, i.e. to 29 September 2009 Vivid.pl S.A. was consolidated.

Transfer of ownership of shares of Petrotel Sp. z o.o.

On 6 November 2008 there was the transfer of ownership of 6 150 shares of Petrotel Sp. z o.o., with a face value of PLN 1 thousand per share, representing 75% of the share capital of the company, to DIALOG S.A. The transfer of ownership rights to these shares took place based on a contingent agreement for the acquisition of shares of Petrotel Sp. z o.o., entered into between PKN Orlen S.A. and DIALOG S.A. on 22 September 2008. On 23 December DIALOG S.A. acquired 5 shares from a private investor, representing 0.6 % of the share capital of Petrotel sp. z o.o. Total cost of acquiring shares PLN 32 877 thousand. The net asset value of Petrotel sp. z o.o. measured at fair value at the acquisition date was PLN 32 933 thousand. The 75.06 % of net assets due the buyer amount to PLN 24 720 thousand. Goodwill of PLN 8 157 thousand represents the separate Petrotel brand undisclosed in the accounts of the acquired company and its customer address base. Goodwill is also related to effect of scale and synergy. From the acquisition date to the balance sheet date, Petrotel Sp. z o.o. achieved sales of PLN 4 748 thousand and a net loss of PLN (1 022) thousand.

Change in the share capital of KGHM Letia Legnicki Park Technologiczny

On 19 November 2008 a change in share capital was registered for KGHM LETIA Legnicki Park Technologiczny spółka akcyjna. The share capital of KGHM LETIA Legnicki Park Technologiczny spółka akcyjna was increased by PLN 7 428 thousand. KGHM Polska Miedź S.A. acquired 4 448 newly-created shares having a total nominal value of PLN 4 448 thousand in return for a contribution in kind – PLN 4 447 thousand and cash – PLN 1 thousand. Currently the share capital of KGHM LETIA Legnicki Park Technologiczny spółka akcyjna amounts to PLN 27 428 thousand. As a result of registration of the increase in share capital, the share of KGHM Polska Miedź S.A. in the share capital of KGHM LETIA Legnicki Park Technologiczny spółka akcyjna changed from 94.95% to 85.45%

The share of the Group in the share capital of KGHM Letia Legnicki Park Technologiczny S.A. as a result of this transaction decreased by 9.5% in favour of minority shareholders. The profit from this sale in the amount of PLN 67 thousand was settled in other operating income.

Liquidation of KGHM Polish Copper LTD.

On 13 May 2008 the Management Board of the Parent Entity resolved to undertake actions aimed at liquidating the company KGHM Polish Copper Ltd. By the end of 2008 the significant trade contracts of KGHM Polish Copper Ltd. were taken over by the Parent Entity, while the remaining trade contracts will expire in the first months of 2009. Further actions aimed at liquidation will be made in cooperation with a consultant, following issue of the auditor's opinion on the financial statements of KGHM Polish Copper Ltd. for 2008.

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5. Information on business segments

for the period from 1 January 2008 to 31 December 2008

	Copper and precious metals, other smelter products	Telecom and IT services	Other	Eliminations	Consolidated amount
REVENUE					
External sales	11 397 662	550 668	706 555	-	12 654 885
Inter-segment sales	91 172	3 336	1 653 016	(1 747 524)	-
Total revenue	11 488 834	554 004	2 359 571	(1 747 524)	12 654 885
RESULT					
Segment result	4 576 875	(251 810)	132 549	(493 125)	3 964 489
Unallocated expenses of Group as a whole	-	-	-	-	(778 127)
Operating profit	-	-	-	-	3 186 362
Finance cost - net	-	-	-	-	(57 494)
Share of profit of associates	-	266 921	658	-	267 579
Profit before income tax	-	-	-	-	3 396 447
Income tax expense	-	-	-	-	(630 581)
Profit for the period	-	-	-	-	2 765 866

At 31 December 2008

	Copper and precious metals, other smelter products	Telecom and IT services	Other	Eliminations	Consolidated amount
OTHER INFORMATION					
Segment assets	10 079 609	925 233	1 523 664	(432 512)	12 095 994
Investments in entities accounted for using the equity method	-	1 498 116	-	-	1 498 116
Unallocated assets of Group as a whole	-	-	-	-	1 405 995
Total consolidated assets	-	-	-	-	15 000 105
Segment liabilities	2 892 531	60 158	394 957	(262 895)	3 084 751
Unallocated liabilities of Group as a whole	-	-	-	-	932 489
Total consolidated liabilities	-	-	-	-	4 017 240

for the period from 1 January 2008 to 31 December 2008

Capital expenditures	1 162 829	72 158	241 028	(36 351)	1 439 664
Depreciation of property, plant and equipment	478 761	108 610	80 570	(11 984)	655 957
Amortisation of intangible assets	12 582	7 439	4 704	685	25 410
Impairment of property, plant and equipment and intangible assets recognised in income statement	3 318	278 709	515	-	282 542
Other non-cash expenses, of which:	36 258	20 700	9 516	(2 203)	64 271
- provisions recognised	15 755	10 603	5 413	-	31 771

5. Information on business segments (continuation)

for the period from 1 January 2007 to 31 December 2007

	Copper and precious metals, other smelter products	Telecom and IT services	Other	Eliminations	Consolidated amount
REVENUE					
External sales	12 397 394	494 173	602 561	-	13 494 128
Inter-segment sales	135 430	3 943	1 480 637	(1 620 010)	-
Total revenue	12 532 824	498 116	2 083 198	(1 620 010)	13 494 128
RESULT					
Segment result	5 497 047	63 092	129 487	(424 798)	5 264 828
Unallocated expenses of Group as a whole	-	-	-	-	(737 875)
Operating profit	-	-	-	-	4 526 953
Finance cost - net	-	-	-	-	(35 159)
Share of profit of associates	-	264 191	902	-	265 093
Profit before income tax	-	-	-	-	4 756 887
Income tax expense	-	-	-	-	(821 371)
Profit for the period	-	-	-	-	3 935 516

At 31 December 2007

	Copper and precious metals, other smelter products	Telecom and IT services	Other	Eliminations	Consolidated amount
OTHER INFORMATION					
Segment assets	10 029 650	1 215 920	1 364 612	(451 750)	12 158 432
Investments in entities accounted for using the equity method	-	687 665	2 431	-	690 096
Unallocated assets of Group as a whole	-	-	-	-	654 870
Total consolidated assets	-	-	-	-	13 503 398
Segment liabilities	2 587 784	69 253	362 468	(223 071)	2 796 434
Unallocated liabilities of Group as a whole	-	-	-	-	1 205 355
Total consolidated liabilities	-	-	-	-	4 001 789

for the period from 1 January 2007 to 31 December 2007

Capital expenditures	837 502	108 454	188 972	(16 551)	1 118 377
Depreciation of property, plant and equipment	416 612	97 921	73 661	(11 912)	576 282
Amortisation of intangible assets	10 168	5 892	4 743	461	21 264
Impairment of property, plant and equipment and intangible assets recognised in income statement	3 710	5 204	(991)	-	7 923
Other non-cash expenses, of which:	84 796	6 389	7 579	(2 824)	95 940
- provisions recognised	57 046	98	5 361	-	62 505

The principles of distinguishing of segments are described in note 2 point 2.2.25

Inter-segment transactions are entered into under normal market conditions which also apply in relations with parties external to the Group.

5. Information on business segments (continuation)

Information on geographical segments

	Revenue for the period		Total assets at		Capital expenditures for the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007	31 December 2008	31 December 2007	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Poland	4 484 811	5 662 587	14 911 576	13 410 736	1 439 344	1 116 651
Germany	1 398 163	2 528 005	-	-	-	-
France	809 686	82 016	-	-	-	-
United Kingdom	955 703	722 365	71 724	68 925	-	12
Czech Republic	870 894	1 244 613	-	-	-	-
Austria	225 360	295 088	8 043	16 379	18	6
Hungary	176 711	166 685	-	-	-	-
China	1 264 188	852 220	-	-	-	-
Other countries	2 469 369	1 940 549	8 762	7 358	302	1 708
TOTAL:	12 654 885	13 494 128	15 000 105	13 503 398	1 439 664	1 118 377

The geographical breakdown of revenues from sales reflects the location of end clients. The breakdown of total assets reflects their geographical distribution. The breakdown of total capital expenditures reflects the distribution of assets.

6. Property, plant and equipment

	At	
	31 December 2008	31 December 2007
Land	19 465	20 237
Buildings and constructions	3 239 210	3 208 274
Technical equipment and machinery	2 504 965	2 475 477
Motor vehicles	139 915	129 056
Other fixed assets	60 924	52 994
Assets under construction	1 171 828	728 314
Total	7 136 307	6 614 352

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6. Property, plant and equipment (continuation)

Changes in property, plant and equipment in the period from 1 January 2007 to 31 December 2008

	Note	Land	Buildings and constructions	Technical equipment and machinery	Motor vehicles	Other fixed assets	Assets under construction	Total
At 1 January 2007								
Gross carrying amount		17 816	6 931 032	5 626 398	301 731	142 156	683 779	13 702 912
Accumulated depreciation		-	(3 728 788)	(3 435 164)	(190 479)	(93 827)	-	(7 448 258)
Impairment losses		-	(116 875)	(55 028)	(119)	(14)	(30 332)	(202 368)
Net carrying amount		17 816	3 085 369	2 136 206	111 133	48 315	653 447	6 052 286
Changes in 2007								
Settlement of assets under construction		3 446	219 845	715 568	34 576	10 953	(984 388)	-
Settlement of assets under construction – other (leases, warehouse acceptance, without effect)		-	-	-	-	-	(17 618)	(17 618)
Direct purchases		-	13 499	15 313	3 781	6 961	1 051 991	1 091 545
Internally-produced		-	-	-	-	-	5 688	5 688
Reclassification from non-current assets classified as held for sale or included in a disposal group		-	-	-	454	-	-	454
Disposal		(981)	(5 226)	(17 931)	(5 311)	(3 504)	-	(32 953)
Donations and no-cost transfers		-	(179)	(2)	(176)	9	(5)	(353)
Scrapping/decommissioning or write-off		(44)	(15 245)	(192 637)	(3 599)	(5 170)	(9)	(216 704)
Reclassification to non-current assets classified as held for sale or inclusion in a disposal group		-	(4 125)	(63)	-	(27)	-	(4 215)
Other changes		-	6 751	(891)	4 047	(223)	9 835	19 519
Change in amount of provisions for costs of decommissioning		-	64 850	-	-	-	-	64 850
Transfer between groups		-	1 287	(1 287)	-	-	-	-
Depreciation	28	-	(173 347)	(367 533)	(23 988)	(11 414)	-	(576 282)
Decrease in accumulated depreciation due to scrapping, sale and other		-	14 445	189 091	8 043	7 093	-	218 672
Impairment losses	28, 31	-	(203)	(3 773)	-	-	(5 178)	(9 154)
Reversal of impairment losses	28, 30	-	-	3	-	-	2 111	2 114
Utilisation of impairment losses		-	553	3 413	96	1	12 440	16 503
At 31 December 2007								
Gross carrying amount		20 237	7 212 489	6 144 468	335 503	151 155	749 273	14 613 125
Accumulated depreciation		-	(3 887 690)	(3 613 606)	(206 424)	(98 148)	-	(7 805 868)
Impairment losses		-	(116 525)	(55 385)	(23)	(13)	(20 959)	(192 905)
Net carrying amount		20 237	3 208 274	2 475 477	129 056	52 994	728 314	6 614 352
Changes in 2008								
Settlement of assets under construction		-	268 308	624 800	25 879	15 691	(934 678)	-
Settlement of assets under construction – other (leases, warehouse acceptance, without effect)		-	-	-	-	-	(3 212)	(3 212)
Direct purchases		-	1 063	18 643	2 344	5 968	1 371 533	1 399 551
Internally-produced		-	-	-	-	-	14 751	14 751
Reclassification from non-current assets classified as held for sale or included in a disposal group		-	629	63	-	27	-	719
Disposal		(16)	(6 922)	(2 698)	(6 937)	(244)	-	(16 817)
Donations and no-cost transfers		-	-	3	-	68	-	71
Scrapping/decommissioning or write-off		-	(124 680)	(282 751)	(8 044)	(8 725)	(381)	(424 581)
Reclassification to non-current assets classified as held for sale or inclusion in a disposal group		(756)	(4 154)	(10 686)	(7 994)	(99)	-	(23 689)
Gross carrying amount in a subsidiary at the date of obtaining control		-	32 193	33 377	1 120	327	2 825	69 842
Other changes		-	(5 262)	(2 655)	11 983	(731)	2 125	5 460
Change in amount of provisions for costs of decommissioning		-	37 851	-	-	-	-	37 851
Transfer between groups		-	10 479	(10 193)	-	(286)	-	-
Depreciation	28	-	(171 905)	(446 881)	(24 865)	(12 306)	-	(655 957)
Decrease in accumulated depreciation due to scrapping, sale and other		-	109 630	276 654	18 192	8 524	-	413 000
Accumulated depreciation in a subsidiary at the date of obtaining control		-	(7 093)	(20 221)	(490)	(251)	-	(28 055)
Impairment losses	26, 28, 31	-	(123 918)	(161 814)	(372)	(34)	(10 560)	(296 698)
Reversal of impairment losses	26, 28, 30	-	14 023	-	-	-	166	14 189
Utilisation of impairment losses	26	-	694	13 847	43	1	945	15 530
At 31 December 2008								
Gross carrying amount		19 465	7 421 994	6 512 371	353 854	163 151	1 202 236	15 673 071
Accumulated depreciation		-	(3 957 058)	(3 804 054)	(213 587)	(102 181)	-	(8 076 880)
Impairment losses		-	(225 726)	(203 352)	(352)	(46)	(30 408)	(459 884)
Net carrying amount		19 465	3 239 210	2 504 965	139 915	60 924	1 171 828	7 136 307

6. Property, plant and equipment (continuation)

Impairment losses on property, plant and equipment are mainly in respect of the subsidiary DIALOG S.A. At 31 December 2008 impairment recognised with respect to the property, plant and equipment of DIALOG S.A., carried out based on impairment tests performed in the years 2005-2008, amounted to PLN 449 451 thousand (at 31 December 2007, PLN 185 950 thousand). At the end of 2008, as in prior years, due to the technological obsolescence and loss of utility of an asset due to new technology, DIALOG S.A. performed an impairment test. As a result of this test impairment was recognised on property, plant and equipment in the amount of PLN 268 270 thousand. For calculation purposes it was assumed that all of the assets of DIALOG S.A. represent a single cash-generating unit. The recoverable amount of this cash-generating unit was determined based on calculations of value in use. The value in use of assets was determined based on cash flow forecasts for the period 2009-2015, assumed for the creation of the long term strategy, adjusted by flows related to future investments. Individual flows were discounted using rates based on:

- the risk-free rate of 5.37% and WIBOR of 5.61% (from the end of 2008),
- a risk premium of 8.4%
- debt financing with respect to debt/capital according to the anticipated financing structure of DIALOG S.A.
- the beta ratio, reflecting financial leverage of 0.63
- the iterative method applied to standardise amounts based on pre-and post taxation flows.

As a result of applying these assumptions, the discount rate amounted to 11.21% before taxation.

Depreciation of property, plant and equipment used in production or in the provision of services was recognised in the income statement as a cost of sales in the amount of PLN 623 004 thousand (at 31 December 2007, PLN 540 393 thousand). Depreciation of other property, plant and equipment was recognised in administrative expenses in the amount of PLN 21 963 thousand (at 31 December 2007, PLN 23 906 thousand) and in selling costs in the amount of PLN 10 990 thousand (at 31 December 2007, PLN 11 983 thousand).

The KGHM Polska Miedź S.A. Group as a lessee uses the following items of property, plant and equipment under finance lease agreements

Groups of property, plant and equipment	At					
	31 December 2008			31 December 2007		
	Initial cost- capitalised finance lease	Accumulated depreciation	Net carrying amount	Initial cost- capitalised finance lease	Accumulated depreciation	Net carrying amount
Technical equipment and machinery	773	87	686	11 987	10 895	1 092
Motor vehicles	17 323	1 477	15 846	4 737	629	4 108
Total	18 096	1 564	16 532	16 724	11 524	5 200

KGHM Polska Miedź S.A. Group as a lessor leased out the following property, plant and equipment based on operating lease agreements

	At							
	31 December 2008				31 December 2007			
	Cost	Depreciation for the period	Accumulated depreciation	Net carrying amount	Cost	Depreciation for the period	Accumulated depreciation	Net carrying amount
Land	2 349	-	-	2 349	1 855	-	-	1 855
Buildings and constructions	31 103	730	18 324	12 779	31 093	678	17 893	13 200
Technical equipment and machinery	26 085	1 420	11 388	14 697	26 659	1 390	11 390	15 269
Motor vehicles	-	-	-	-	19	-	19	-
Other property, plant and equipment	558	24	530	28	558	25	505	53
Total	60 095	2 174	30 242	29 853	60 184	2 093	29 807	30 377

Amount of collateral for the repayment of liabilities of the KGHM Polska Miedź S.A. Group established on property, plant and equipment was presented in note 21 Collateral for the repayment of liabilities.

6. Property, plant and equipment (continuation)

Amount of compensation from parties external to the Group, recognised in profit or loss, with respect to property, plant and equipment which has been lost or impaired

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Amount of compensation recognised in profit or loss	1 949	1 865

Major investment projects recognised at 31 December 2008 under assets under construction

Construction of the SW-4 shaft	196 452
Głogów Głęboki – Przemysłowy	194 386
Pyrometallurgy modernisation	101 418
Mining region infrastructural development	97 279
Modernisation of a stadium	74 457
Modernisation of a tailings hydrotransport installation including the direct pumping of tailings	47 338
Investments in power and communications facilities	47 149
Modernisation of sulphuric acid unit	39 520
Modernisation of steam and water boilers	33 162
Conveyor belt and pipeline transport investments	25 737
Installation for the incineration of production gases	21 756
Shafts and primary equipment	18 401
Total	897 055

Major investment projects recognised at 31 December 2007 under assets under construction

Construction of the SW-4 shaft	153 475
Głogów Głęboki – Przemysłowy	115 496
Mining region infrastructural development	77 701
Investments in power and communications facilities	40 807
Construction of office building	32 583
Pyrometallurgy modernisation	32 159
Conformatory work	27 128
Conveyor belt and pipeline transport investments	19 320
Modernisation of steam and water boilers	17 881
Construction of the R-XI shaft	16 842
Shafts and primary equipment	14 023
Modernisation of a tailings hydrotransport installation including the direct pumping of tailings	13 393
Modernisation of a stadium	10 807
Purchase of mining machinery	10 667
Total	582 282

Capital commitments at the balance sheet date but not recognised in the balance sheet

	At	
	31 December 2008	31 December 2007
For the acquisition of property, plant and equipment	511 877	454 100
For the acquisition of intangible assets	17 141	10 835
Total capital commitments:	529 018	464 935

6. Property, plant and equipment (continuation)

Perpetual usufruct of land

At 31 December 2008, the Group entities used land under perpetual usufruct rights comprising a total area of 6 080 ha (at 31 December 2007: 6 053 ha).

	At	
	31 December 2008	31 December 2007
	(ha)	(ha)
KGHM Polska Miedź S.A.	5 708	5 741
Subsidiaries of the Group	372	312

The Parent Entity and some Group companies received perpetual usufruct rights free of charge based on laws in force. The land held under perpetual usufruct comprises industrial terrain related to the principal activities of the Group, which also include protective zones in which environmental quality standards have been transgressed due to the activities carried out by the Group.

Due to the nature of the use of the above-mentioned land, the Parent Entity has not determined a fair value for these perpetual usufruct rights at 31 December 2008.

Total value of future minimum fees due to perpetual usufruct of land

	At	
	31 December 2008	31 December 2007
Under one year	7 900	7 130
From one to five years	31 890	28 535
Over five years	484 438	437 063
Total:	524 228	472 728

Fees due to perpetual usufruct of land recognised in profit or loss

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Value of fees due to perpetual usufruct of land	7 717	6 874

Off-balance sheet liabilities of the Group due to the perpetual usufruct of land were estimated on the basis of annual fee rates resulting from the recent administrative decisions and the useful life of the land subject to this right.

7. Intangible assets

	At	
	31 December 2008	31 December 2007
Development costs	3 892	1 354
Goodwill	11 075	2 918
Software	23 796	22 137
Acquired concessions, patents, licenses	30 730	16 657
Other intangible assets	52 907	42 195
Intangible assets not yet available for use	29 181	33 970
Total	151 581	119 231

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7. Intangible assets (continuation)

Changes in intangible assets in the period from 1 January 2007 to 31 December 2008:

	Note	Development costs	Goodwill	Software	Acquired concessions, patents, licenses	Other intangible assets	Intangible assets not yet available for use	Total
At 1 January 2007								
Gross carrying amount		17 276	2 981	80 905	44 758	47 831	37 811	231 562
Accumulated amortisation		(12 732)	-	(55 921)	(27 012)	(6 066)	-	(101 731)
Impairment losses		-	(402)	(3 415)	-	-	-	(3 817)
Net carrying amount		4 544	2 579	21 569	17 746	41 765	37 811	126 014
Changes in 2007								
Transfer from intangible assets not yet available for use		44	-	6 972	6 242	-	(13 258)	-
Direct purchases		95	-	1 134	301	4 569	20 733	26 832
Other changes		-	339	(4)	-	(37)	(10 500)	(10 202)
Disposals		(481)	-	13	(6)	(201)	-	(675)
Liquidation or write-off		(737)	-	(2 214)	(2 621)	(2 571)	-	(8 143)
Amortisation	28	(3 118)	-	(7 539)	(7 632)	(2 975)	-	(21 264)
Decrease in accumulated amortisation due to liquidation, sale and other		1 074	-	2 016	2 627	1 645	-	7 362
Impairment losses	28, 31	(67)	-	-	-	-	(816)	(883)
Utilisation of impairment losses		-	-	190	-	-	-	190
At 31 December 2007								
Gross carrying amount		16 197	3 320	86 806	48 674	49 591	34 786	239 374
Accumulated amortisation		(14 776)	-	(61 444)	(32 017)	(7 396)	-	(115 633)
Impairment losses		(67)	(402)	(3 225)	-	-	(816)	(4 510)
Net carrying amount		1 354	2 918	22 137	16 657	42 195	33 970	119 231
Changes in 2008								
Transfer from intangible assets not yet available for use		4 003	-	6 235	11 486	-	(21 724)	-
Direct purchases		-	-	3 903	13 327	2 297	20 586	40 113
Other changes		(95)	-	(1 192)	927	10 349	(3 673)	6 316
Disposals		-	-	-	(5)	(982)	-	(987)
Liquidation or write-off		(570)	-	(7 497)	(4 294)	(2 452)	-	(14 813)
Gross carrying amount in a subsidiary at the date of obtaining control			8 157	1 411	2 138			11 706
Amortisation	28	(2 381)	-	(7 872)	(11 785)	(3 372)	-	(25 410)
Decrease in accumulated amortisation due to liquidation, sale and other		1 514	-	6 987	4 468	4 872	-	17 841
Accumulated amortisation in a subsidiary at the date of obtaining control				(964)	(1 801)			(2 765)
Impairment losses	26, 28, 31	-	-	(90)	(392)	-	(29)	(511)
Reversal of impairment losses	26, 28, 30	67	-	411	-	-	-	478
Utilisation of impairment losses	26	-	-	327	4	-	51	382
At 31 December 2008								
Gross carrying amount		19 535	11 477	89 666	72 253	58 803	29 975	281 709
Accumulated amortisation		(15 643)	-	(63 293)	(41 135)	(5 896)	-	(125 967)
Impairment losses		-	(402)	(2 577)	(388)	-	(794)	(4 161)
Net carrying amount		3 892	11 075	23 796	30 730	52 907	29 181	151 581

At 31 December 2008, the most significant item of intangible assets of the KGHM Polska Miedź S.A. Group is the documentation of geological information on the "Głogów Głęboki" deposit, included under other intangible assets, with a carrying amount of PLN 29 382 thousand (at 31 December 2007: PLN 30 029 thousand) and the established mining rights for extracting copper ore from the "Głogów Głęboki" deposit with a carrying amount of PLN 3 994 thousand (at 31 December 2007: PLN 4 080 thousand). The remaining amortisation period of both items of intangible assets is 46 years.

By a Decree of the Council of Ministers dated 27 December 2005 (Journal of Laws no. 264/2005 item 2206) the Polish government allocated emission rights to specific eligible business entities.

The amount of emission allowances allocated in the National Plan for Allocating Proprietary Rights for each calendar year in the settlement period 2008-2012 amounts to 486 196 allowances. In 2008 the operation of facilities required the utilisation of 482 552.74 allowances. The amount of unused allowances for 2008 in the amount of 4 643.26 remains for final settlement of allowances for the year 2008.

The amortisation of intangible assets utilised in the production or in the providing of services was recognised as a cost of sales in the income statement: PLN 20 290 thousand (at 31 December 2007: PLN 15 976 thousand). The amortisation of other intangible assets was recognised in administrative expenses: PLN 3 126 thousand (at 31 December 2007: PLN 3 074 thousand) and selling costs: PLN 1 994 thousand (at 31 December 2007: PLN 2 214 thousand).

8. Investment property

	Note	For the period	
		from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Beginning of financial period		16 517	18 853
Changes during the financial period		1 566	(2 336)
- re-measurement to fair value	30, 31	1 566	(2 336)
End of financial period		18 083	16 517

At 31 December 2008, investment property with a value of PLN 18 083 thousand is based on the measurement carried out by a valuer at 31 December 2008.

The measurement of investment property (land) located in Lubin was carried out by an independent, professionally-qualified valuer, holding valid authorisation to perform such valuation, and was estimated using a comparative approach, by the method of comparing pairs. Selection of the approach and method was based on principles set forth in the act on property management and the decree of the Council of Ministers regarding the principles of property valuation and the principles and manner of preparing a valuation survey. Market data was used by the valuer to perform this valuation.

9. Investments in associates

	Note	For the period	
		from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Beginning of financial period		690 096	690 074
Share of profits of associates	35	267 579	265 093
Changes in equity due to payment of dividend for the prior and current financial year		(182 860)	(265 092)
Acquisition of shares in associates		726 391	-
Disposal of shares in associates		(3 090)	-
Other changes		-	21
End of financial period		1 498 116	690 096

Interests held by the Group in associates

	Country of incorporation	Assets	Liabilities	Sales	Profit for the period	Interest held (%)
At 31 December 2007						
Polkomtel S.A.	Poland	8 453 373	4 946 435	7 799 020	1 358 676	19.61
MINOVA-KSANTE Spółka z o.o.	Poland	9 740	1 635	16 760	3 006	30.00
		8 463 113	4 948 070	7 815 780	1 361 682	
At 31 December 2008						
Polkomtel S.A.	Poland	8 913 880	4 978 247	8 482 085	1 361 239	24.39

The shares of Polkomtel S.A., despite the fact that the share of KGHM Polska Miedź S.A. until 18 December 2008 was less than 20% (19.61%), were valued in the consolidated financial statements by the equity method. Significant influence was determined based on provisions of the shareholder agreement and the statutes of Polkomtel S.A., thanks to which KGHM Polska Miedź S.A., through its representative on the Supervisory Board, had influence on resolutions related to the operating strategy of Polkomtel S.A., which in turn affected its operating and financial policies.

On 18 December 2008 KGHM Polska Miedź S.A. acquired from TDC Mobile International A/S (TDC A/S) 980 486 ordinary registered shares in Polkomtel S.A., with a nominal value of PLN 100 each, representing approx. 4.78% for EUR 176 978 thousand. The purchase price of the shares of Polkomtel S.A. in the accounts of KGHM Polska Miedź S.A. increased by PLN 726 391 thousand. As a result of settlement of this transaction, KGHM Polska Miedź S.A. holds 24.39% of the share capital of Polkomtel S.A. The provisionally-set goodwill allocated to the investments in associates amounts to PLN 538 155 thousand. Final settlement of purchase price will be made in 2009.

9. Investments in associates (continuation)

On 26 August 2008 the Parent Entity sold 13 500 shares of MINOVA-KSANTE Spółka z o.o. back to this company, representing 30% of the share capital of MINOVA-KSANTE Spółka z o.o. and granting the right to 30% of the votes at the General Shareholders' Meeting.

These shares were sold based on an agreement entered into between KGHM Polska Miedź S.A. and MINOVA-KSANTE Spółka z o.o. titled "Agreement for the buy-back of shares for the purpose of their retirement" dated 26 August 2008. The sale price for these 13 500 shares with a total nominal value of PLN 1 350 thousand amounts to PLN 8 542 thousand (PLN 632.75 per share).

The net value of sold shares in the consolidated financial statements amounted to PLN 3 090 thousand.

Gains from the sale of an associate recognised in consolidated income statement amounts to PLN 5 452 thousand.

Following this transaction KGHM Polska Miedź S.A. no longer owns any of the share capital of MINOVA-KSANTE Spółka z o.o.

10. Available-for-sale financial assets

	Note	At	
		31 December 2008	31 December 2007
Non-current available-for-sale financial assets		31 213	47 155
- shares in unlisted companies		11 417	23 952
- shares in listed companies		8 525	9 455
- treasury bonds		-	3 076
- share in the AIG investment fund		11 264	10 665
- other		7	7
Total available-for-sale financial assets:	33.1	31 213	47 155

11. Held-to-maturity investments

	Note	At	
		31 December 2008	31 December 2007
Non-current held-to-maturity investments		59 592	43 934
- debt securities		59 545	43 893
- other securities		47	41
Total held-to-maturity investments:	33.1	59 592	43 934

The Parent Entity is required by the Law on Geology and Mining, dated 4 February 1994 (Journal of Laws No. 228 item 1947 dated 14 November 2005) and the Decree of the Minister of the Economy of 24 June 2002 regarding the specific principles for the creation and functioning of mine closure funds (Journal of Laws No. 108, item 951) to accumulate monetary resources in a separate bank account called the Mine Closure Fund (MCF) to cover future decommissioning costs of mines and other facilities. As these funds will only be utilised in future periods, the Parent Entity has determined that, despite the fact that they are not invested in long-term financial instruments, they are in fact restricted from being used to settle liabilities within at least twelve months from the balance sheet date (IAS 1 para. 57 d.) and therefore it is more appropriate to present them under non-current assets.

Management of the MCF assets primarily involves their investment in short-term bank deposits or debt securities with a maturity of up to 1 year from the date of acquisition. MCF assets at the balance sheet date were invested mainly in short-term deposit of PLN 59 540 thousand.

Information on the fair value of held-to-maturity investments was presented in Note 33.2.

12. Derivative financial instruments

	Note	At	
		31 December 2008	31 December 2007
Non-current assets, of which:		6 501	33 395
hedging instruments		6 501	30 308
trade instruments		-	3 087
Current assets, of which:		711 127	81 622
hedging instruments		711 096	68 075
trade instruments		31	13 547
Total assets:	33.1	717 628	115 017
Non-current liabilities, of which:		-	3 087
trade instruments		-	3 087
Current liabilities, of which:		4 930	14 335
hedging instruments		-	964
trade instruments		4 930	13 371
Total liabilities:	33.1	4 930	17 422

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12. Derivative financial instruments (continuation)

TRADE DERIVATIVES	Type of financial instrument	Volume/ Notional	Avg. weighted price/ex. rate ¹⁾	At 31 December 2008		At 31 December 2007			
				Financial assets		Financial liabilities		Financial assets	
				Current	Non-current	Current	Non-current	Current	Non-current
	Cu ['000 t] Ag ['000 troz] Currency ['000 USD, '000 EUR]	Cu [USD/t] Ag [USD/troz] Currency [USD/PLN] [EUR/PLN]							
Derivatives – Commodity contracts – Metals – Copper									
	Swaps	1.35	4 039.92			(3 771)			
	Options								
	Purchased put options							13 369	3 087
	Written put options								(13 371)
									(3 087)
	TOTAL:					(3 771)		13 369	3 087
Derivatives – Currency contracts									
	Forwards USD	4 414	2.1965 – 2.9754	31		(576)		178	
	Forwards EUR	2 100	3.5787 – 4.1850			(583)			
	TOTAL:			31		(1 159)		178	
Embedded derivative instruments									
Total trade derivatives				31		(4 930)		13 547	3 087
								(13 371)	(3 087)

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12. Derivative financial instruments (continuation)

HEDGING DERIVATIVES		At						At						
		31 December 2008						31 December 2007						
Type of financial instrument	Volume/ Notional	Avg. weighted price/ ex. rate ¹⁾	Maturity date		Period of profit/loss impact		Financial assets		Financial liabilities		Financial assets		Financial liabilities	
	Cu ['000 t]	Cu [USD/t]	From	Till	From	Till	Current	Non- current	Current	Non- current	Current	Non- current	Current	Non- current
	Ag	Ag												
	['000 troz]	['000 troz]												
	Currency	Currency												
	['000 USD]	['USD/PLN]												
Derivatives – Commodity contracts - Metals - Copper														
Swaps														(964)
Options														
Collar - purchased put options	3	7 300.00	Jan 09	Mar 09	Feb 09	Apr 09	37 604							
Collar – written call options	3	9 000.00	Jan 09	Mar 09	Feb 09	Apr 09								
Purchased put options	60	6 200.00	Jan 09	June 09	Feb 09	July 09	554 031				63 140	11 951		
Synthetic put														
TOTAL:							591 635				63 140	11 951	(964)	
Derivatives – Commodity contracts - Metals - Silver														
Swaps														
Options														
Purchased put options	8 800	12.00	Jan 09	Nov 09	Feb 09	Dec 09	57 135				4 935	18 357		
Purchased put options	800	12.00	Dec 09	Dec 09	Jan 10	Jan 10		6 501						
Collars														
TOTAL:							57 135	6 501			4 935	18 357		
Derivatives – Currency contracts - PLN/USD														
Forwards														
Options														
Purchased put options	924 000	2.4334	Jan 09	Dec 09	Jan 09	Dec 09	62 326							
TOTAL:							62 326							
TOTAL hedging derivatives							711 096	6 501			68 075	30 308	(964)	

¹⁾ The weighted average hedge contract prices/ exchange rates are aggregate amounts presented for informational purposes only. Their use in financial analysis in certain cases may lead to erroneous results. This relates to hedging levels and to levels of participation in option instruments, in the case of which the simulation of future settlement amounts may generate one set of results when the average weighted exercise price/ exchange rate is assumed and other set of results when the calculation is based on specific exercise prices/ exchange rates of options entered into by the Parent Entity.

13. Trade and other receivables

		At	
	Note	31 December 2008	31 December 2007
Non-current trade and other receivables			
Trade receivables		13 468	11 767
Amount retained (collateral) due to long-term construction contracts		2 063	10 963
Deposits		15 405	15 405
Other financial receivables		3 997	1 692
Impairment allowances	34.3.6	(15 453)	(11 013)
Total loans and financial receivables, net:	33.1	19 480	28 814
Other non-financial receivables		171	59
Prepayments		3 123	18 198
Impairment allowances		-	-
Total non-financial receivables, net		3 294	18 257
Non-current trade and other receivables, net:		22 774	47 071
Current trade and other receivables			
Trade receivables		767 469	738 067
Receivables due to unsettled derivative instruments	34.1.8	287 146	8 877
Loans granted		907	307
Other financial receivables		43 162	45 570
Impairment allowances	34.3.6	(49 507)	(48 839)
Total loans and financial receivables, net	33.1	1 049 177	743 982
Other non-financial receivables, including:		462 878	238 501
- taxes and other charge		422 318	201 895
Prepayments		13 944	17 114
Impairment allowances		(56 040)	(74 230)
Total non-financial receivables, net		420 782	181 385
Current trade and other receivables, net		1 469 959	925 367
Total non-current and current trade and other receivables, net		1 492 733	972 438

Receivables due to unsettled derivative instruments represent the amount of derivative instruments whose date of settlement falls on 5 January 2009 for the balance at 31 December 2008, and 3 January 2008 for the balance at 31 December 2007. These instruments were measured to fair value at the average settlement price for the month of December 2008 and of December 2007. Details are described in note 34.1.8.

Impairment allowances on non-financial receivables

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Impairment allowances at the beginning of the period	74 230	31 889
Impairment allowances recognised in profit or loss	11 915	42 564
Impairment allowances reversed through profit or loss	(5 434)	(129)
Impairment allowances utilised during the period	(24 701)	(96)
Impairment allowances on costs of legal proceedings	34	11
Reversal of impairment allowances on costs of legal proceedings	(4)	(9)
Impairment allowances at the end of the period	56 040	74 230

14. Inventories

	Note	At	
		31 December 2008	31 December 2007
Materials		201 579	189 292
Semi-finished products and work in progress		1 091 714	1 177 498
Finished products		269 796	335 226
Goods for resale		45 280	42 479
Total carrying amount of inventories		1 608 369	1 744 495

For the period		
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Write-down of inventories in the financial period		
Write-down of inventories recognised in cost of sales	28 (66 576)	(4 230)
Reversal of write-down recognised in cost of sales	28 1 518	1 714

The most significant item in Group inventories were copper inventories of the Parent Entity. At 31 December 2008, in accordance with accounting principles, these copper inventories were valued at net sale price based on the LME forward curve set for the months in which a given copper sale occurs. Amount of write-down: PLN 58 381 thousand.

15. Cash and cash equivalents

	Note	At	
		31 December 2008	31 December 2007
Cash in hand		418	577
Cash at bank		202 613	86 609
Other cash		197	474
Other financial assets with a maturity of up to 3 months from the date of acquisition		1 862 535	2 724 436
Total cash and cash equivalents	33.1	2 065 763	2 812 096

Other financial assets with a maturity of up to 3 months from the date of acquisition include deposits in the amount of PLN 1 858 673 thousand (as at 31 December 2007: PLN 2 638 137 thousand), debt securities – there were none (at 31 December 2007: PLN 83 628 thousand) and interest accrued on financial assets in the amount of PLN 3 862 thousand (as at 31 December 2007: PLN 2 671 thousand).

Components of cash and cash equivalents presented in the cash flow statement are the same as those presented in the balance sheet.

16. Share capital

As at 31 December 2008, the Parent Entity's registered share capital, in accordance with the entry in the National Court Register, amounted to PLN 2 000 000 thousand and was divided into 200 000 000 shares ("A" series), fully paid, with a nominal value of PLN 10 each. All shares are bearer shares. The Company did not issue preference shares. Each share gives right to one vote at the General Shareholders' Meeting. The Parent Entity does not have treasury shares. Subsidiaries and associates do not have shares of KGHM Polska Miedź S.A. In the years ended 31 December 2008 and 31 December 2007 there were no changes in the share capital registered or in the number of shares.

Ownership structure

At 31 December 2008, the only shareholder of the Parent Entity with shares representing at least 5% of the share capital and giving right to the same number of votes at the General Shareholders' Meeting was the State Treasury, which based on information dated 16 May 2007 held 83 589 900 shares, with a total nominal value of PLN 835 899 000, which accounts for 41.79% of the Company's share capital.

Other shareholders (including Deutsche Bank Trust Company Americas, deposit bank in a depositary receipt program) held shares in the amount below 5% of the share capital i.e. total of 116 410 100 shares with a total nominal value of PLN 1 164 101 000, which account for 58.21% of the share capital and give the same number of votes at the General Shareholders' Meeting.

In 2008 there were no changes in significant blocks of shares.

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17. Other reserves

	Note	Revaluation reserve on available-for-sale financial assets	Revaluation reserve on cash flow hedging financial instruments	Total other reserves
At 1 January 2007		8 684	(439 845)	(431 161)
Fair value gains on available-for-sale financial assets		13 167	-	13 167
Amount transferred to profit or loss due to the settlement of available-for-sale financial assets		(19 894)	-	(19 894)
Impact of effective cash flow hedging transactions entered into	34.1.9	-	131 890	131 890
Amount transferred to profit or loss due to the settlement of hedging instruments	34.1.9	-	435 533	435 533
Deferred tax	22	1 082	(117 499)	(116 417)
Total income/(expenses) recognised directly in equity		(5 645)	449 924	444 279
At 31 December 2007		3 039	10 079	13 118
At 1 December 2008		3 039	10 079	13 118
Fair value gains on available-for-sale financial assets		7 169	-	7 169
Impact of effective cash flow hedging transactions	34.1.9	-	1 197 853	1 197 853
Amount transferred to profit or loss due to the settlement of hedging instruments	34.1.9	-	(579 991)	(579 991)
Deferred tax	22	(1 236)	(119 457)	(120 693)
Total income/(expenses) recognised directly in equity		5 933	498 405	504 338
At 31 December 2008		8 972	508 484	517 456

The revaluation reserve presented in other reserves, set in the amount of the fair value of hedging instruments in the effective portion of the hedge and the re-measurement to fair value of available-for-sale financial assets, is not subject to distribution.

Moreover, in the equity item: "Retained earnings", based on the Code of Commercial Companies, joint stock companies in the Group are required to create reserve capital against any eventual future or existing losses, to which no less than 8 percent of a given financial year's profit is to be transferred until the capital has been built up to no less than one-third of the share capital. The reserve capital created in this manner may not be employed otherwise than in covering the loss reported in the financial statements.

At 31 December 2008, the amount of this statutory reserve capital in the Group is PLN 679 826 thousand, of which PLN 660 000 thousand is in respect of the Parent Entity.

18. Transactions with minority shareholders

In 2008 transactions were carried out with minority shareholders through:

- a change in percentage ownership of the share capital of KGHM Letia S.A. due to an increase in share capital by PLN 7 428 thousand. The share of the Group in the share capital of KGHM Letia S.A. as a result of this transaction decreased by 9.5% in favour of minority shareholders.
- the acquisition by DIALOG S.A. of 75.06% of the shares of Petrotel Sp. z o.o. Minority interest at the acquisition date of 24.94% of the net assets of Petrotel sp. z o.o. was set at PLN 8 213 thousand.

For the period from 1 January 2008 to 31 December 2008					
Type of transaction	Cost	Value of net assets as at acquisition date	Goodwill	Gains from disposal	Transactions with minority shareholders
Increase in the share capital of Letia S.A.	4 448	7 428	-	67	2 913
Acquisition of shares of Petrotel Sp. z o.o.	32 877	32 933	8 157	-	8 213
Total	37 325	40 361	8 157	67	11 126

18. Transactions with minority shareholders (continuation)

In 2007 transactions with minority shareholders were as follows:

For the period from 1 January 2007 to 31 December 2007					
Type of transaction	Cost/ income from disposal	Value of net assets acquired /(disposed)	Goodwill/ (excess of the value of shares acquired over the cost of acquisition)	Loss from disposal/other operating cost	Transactions with minority shareholders
Liquidation of Energetyka Spółka Specjalnego Przeznaczenia	50	(50)	-	-	-
Acquisition of shares of WM Łabędy S.A.	30 936	30 598	338	-	338
Change of indirect shares in WMN Sp. z o.o.	-	(872)	-	(872)	872
Acquisition of shares of KGHM Metraco S.A.	610	638	(28)	-	(638)
Acquisition of shares of KGHM Letia S.A.	18 990	18 990	-	-	1 010
Adjustment to minority interest capital	-	-	-	(320)	320
Total	50 586	49 304	310	(1 192)	1 902

19. Trade and other payables

		At	
	Note	31 December 2008	31 December 2007
Non-current trade and other payables			
Trade payables		18 942	9 281
Other financial liabilities		13 063	144
Total non-current financial liabilities (scope of MSSF7)	33.1	32 005	9 425
Deferred income		12 284	15 337
Total non-current non-financial liabilities		12 284	15 337
Total non-current trade and other payables		44 289	24 762
Current trade and other payables			
Trade payables		766 585	642 007
Payables due to unsettled derivative financial instruments	34.1.8	35 395	3 304
Other financial liabilities		67 747	44 320
Total current financial liabilities (scope of MSSF7)	33.1	869 727	689 631
Other financial liabilities (IAS 19 – Employee benefits)		156 960	160 266
Total current financial liabilities		1 026 687	849 897
Liabilities due to taxes and social security		264 678	330 608
Other non-financial liabilities		37 770	79 267
Special funds		74 034	56 212
Deferred income		24 426	7 647
Accruals		329 157	322 775
Total current non-financial liabilities		730 065	796 509
Total current trade and other payables		1 726 752	1 646 406
Total non-current and current trade and other payables		1 801 041	1 671 168

Trade payables are recognised in the balance sheet at amortised cost, using the effective interest rate, with the proviso that current trade payables are not discounted. The carrying amount of current trade payables approximates their fair value. Accruals consist mainly of one-off remuneration paid after the approval of the annual financial statements in the amount of PLN 250 629 thousand (PLN 257 325 thousand at 31 December 2007) and settlement of unused annual leave in the amount of PLN 23 211 thousand (PLN 25 532 thousand at 31 December 2007). Liabilities due to unsettled derivative instruments represent the amount of derivative instruments whose date of settlement falls on 5 January 2009 for the balance at 31 December 2008, and 3 January 2008 for the balance at 31 December 2007. These instruments were measured to fair value at the average settlement price for the month of December 2008 and of December 2007.

20. Borrowings and finance lease liabilities

	Note	At	
		31 December 2008	31 December 2007
Non-current borrowings and finance lease liabilities			
Bank loans		63 605	132 440
Loans		8 311	13 781
Finance lease liabilities		26 139	16 688
Total non-current borrowings and finance lease liabilities		98 055	162 909
Current borrowings and finance lease liabilities			
Bank loans		181 031	101 890
Loans		5 758	7 722
Finance lease liabilities		6 134	3 589
Total current borrowings and finance lease liabilities		192 923	113 201
Total borrowings and finance lease liabilities	33.1	290 978	276 110

20.1 Borrowings

Bank and other loans as at 31 December 2008

Bank loan currency	Interest rate	The value of the bank and other loans at balance sheet date (in '000)		Of which payable in:				
		in foreign currency	in PLN	2009 (current)	2010	2011	2012- 2013	2014 and beyond
EUR	Variable	2 050	8 553	1 652	1 972	819	1 637	2 473
PLN	Variable		233 188	177 845	12 002	9 337	16 956	17 048
PLN	Fixed		16 964	7 292	6 253	1 941	1 432	46
Total bank and other loans			258 705	186 789	20 227	12 097	20 025	19 567

Bank and other loans as at 31 December 2007

Bank loan currency	Interest rate	The value of the bank and other loans at balance sheet date (in '000)		Of which payable in:				
		in foreign currency	in PLN	2008 (current)	2009	2010	2011- 2012	2013 and beyond
EUR	Variable	879	3 149	774	2 146	229	-	-
PLN	Variable		237 842	100 996	107 811	5 976	7 042	16 017
PLN	Fixed		14 842	7 842	4 000	3 000	-	-
Total bank and other loans			255 833	109 612	113 957	9 205	7 042	16 017

Most of the bank loans drawn by Group companies are bank loans with variable interest rates. The majority of bank and other loans denominated in PLN are based on the WIBOR 1M reference rate, plus a bank loan margin, depending on the creditworthiness of the entity being financed, within a range of from 0.3% to 1%, with interest payable in monthly periods. Interest on bank loans denominated in EUR is mainly based on the EURIBOR 1M reference rate, plus a bank loan margin of 1%.

20. Borrowings and finance lease liabilities (continuation)

20.1 Borrowings (continuation)

The base interest rates applied in bank loan agreements entered into by entities of the Group at the balance sheet date were as follows:

Ratio (%)	At 31 December 2008	At 31 December 2007
WIBOR 1W	5.4600	5.3200
WIBOR 1M	5.6100	5.5200
WIBOR 3M	5.8800	5.6800
EURIBOR 1M	2.6030	4.2900
EURIBOR 3M	2.8920	4.6800

The major item in borrowings is the bank loan drawn by the subsidiary DIALOG S.A. in the amount of PLN 130 652 thousand at 31 December 2008 (PLN 141 081 thousand at 31 December 2007 respectively). The bank loan agreement sets out the additional covenants which must be met by the company over the term of the loan, including the following:

- ensuring maintenance of defined financial indicators at set levels during the period of loan term (Financial Debt to EBITDA Ratio not higher than 2.50 : 1, EBITDA to Interest Ratio no lower than 3 : 1, Equity not lower than PLN 900 000 thousand)
- the obligation to ensure additional collateral on the bank loan, should the Financial Debt to EBITDA Ratio be higher than 2.0: 1
- the obligation to make payments to open current accounts maintained by the lending bank throughout the loan term, so as to ensure that the annual inflow of funds to these accounts from those payments represents the equivalent of at least 50% of the revenues of the company during this period.

Based on the contracts signed, the total value of overdraft facilities at 31 December 2008 amounted to PLN 103 100 thousand (at 31 December 2007 PLN 103 000 thousand and USD 10 000 thousand respectively), of which PLN 28 580 thousand was utilised at 31 December 2008 (at 31 December 2007 PLN 45 888 thousand). Repayment dates for the overdraft facilities used fall a half year after the balance sheet date.

20.2 Finance lease liabilities

As at 31 December 2008, the carrying amount of the finance lease liabilities amounted to PLN 32 273 thousand (at 31 December 2007: PLN 20 277 thousand, respectively).

The most significant item is the commitment resulting from an agreement with the State Treasury. Based on this agreement the State Treasury provides access to geological information for a fee. This information was acquired with the purpose of preparing a licensing application to obtain a license for the extraction of ore from the Głogów Głęboki - Przemysłowy deposit. This license was granted in November 2004. Payments to the State Treasury are being made in 10 equal instalments. The last instalment will be settled on 30 June 2014. Those non interest-bearing liabilities were recognised in the accounts of the Parent Entity at a discounted amount. As the payments are in EUR, the liability is exposed to currency risk due to changes in foreign exchange rates at the date of payment. The carrying amount of the liabilities resulting from this agreement is PLN 16 903 thousand (EUR 4 051 thousand) (at 31 December 2007: PLN 15 909 thousand (EUR 4 441 thousand)), while the carrying amount of the related intangible assets at the balance sheet date amounts to PLN 29 382 thousand (at 31 December 2007: PLN 30 029 thousand).

Finance lease liabilities as at 31 December 2008

	2009 (current)	2010	2011	2012-2013	2014 and beyond	Total
Nominal value of minimum lease payments	7 177	7 014	7 476	11 803	3 088	36 558
Future finance costs due to finance leases	1 043	894	751	1 083	514	4 285
Present value of minimum lease payments	6 134	6 120	6 725	10 720	2 574	32 273

20. Borrowings and finance lease liabilities (continuation)

20.2 Finance lease liabilities (continuation)

Finance lease liabilities as at 31 December 2007

	2008 (current)	2009	2010	2011-2012	2013 and beyond	Total
Nominal value of minimum lease payments	3 868	3 634	3 583	6 861	5 638	23 584
Future finance costs due to finance leases	279	344	413	1 002	1 269	3 307
Present value of minimum lease payments	3 589	3 290	3 170	5 859	4 369	20 277

21. Collateral for the repayment of liabilities

In order to guarantee repayment of bank and other loans drawn, the following collateral has been pledged:

- proxy rights to all present and future bank accounts of the borrowers,
- contractual mortgage on properties up to PLN 39 094 thousand,
- maximum mortgages to the total amount of PLN 51 743 thousand,
- assignment of rights under insurance policy on investments up to PLN 78 433 thousand,
- collective mortgage for land of PLN 16 500 thousand,
- blank promissory notes with a declaration of rights thereunder up to PLN 69 359 thousand,
- blank promissory notes up to PLN 15 000 thousand guaranteed by Group companies,
- statement on submitting to the enforcement regime,
- registered pledge on technical equipment and machinery, with assignment of rights under insurance policies on these machines and equipment up to PLN 4 580 thousand,
- assignment of receivables up to PLN 110 109 thousand,
- registered pledge and agreements for ownership transfer on inventories of finished products, semi-finished products, goods for resale and materials up to PLN 24 080 thousand,
- ownership transfer on tangible assets up to PLN 16 906 thousand,
- assignment of rights under property insurance agreement (assignment of rights under insurance policy against fire and other accidents for PLN 15 600 thousand and an insurance policy against theft with breaking, entering and robbery, PLN 150 thousand),
- proxy rights for the Bank to discharge liabilities to the Bank from funds in the current account and other accounts kept by the Bank.

All of the bank and other loans drawn by the Group are covered by one or more of the collaterals listed above.

At the balance sheet date collateral was established for the following assets to guarantee repayment of liabilities or contingent liabilities:

	At	
	31 December 2008	31 December 2007
Property, plant and equipment, including:	101 191	96 791
• Assets under construction (incl. those under a mortgage)	11 203	35 409
• Buildings and constructions	57 892	29 941
• Motor vehicles ¹⁾	19 689	3 626
• Technical equipment and machinery ¹⁾	12 407	27 815
Inventories	23 594	27 434
Trade receivables ²⁾	6 440	20 363
Cash and cash equivalents	60 092	15 605
Total carrying amount of assets for which collateral was established to guarantee repayment of financial liabilities	191 317	160 193

1) incl. those used based on a finance lease

2) incl. those under a pledge or assignment of receivables

22. Deferred tax

		At	
	Note	31 December 2008	31 December 2007
Net deferred tax asset at the beginning of the period, of which:		290 702	361 930
Deferred tax assets at the beginning of the period		320 506	388 468
Deferred tax liabilities at the beginning of the period		29 804	26 538
(Charged)/Credited to profit or loss	36	(50 156)	45 189
Decrease in equity	17	(120 693)	(116 417)
Deferred tax assets at the date of acquisition of shares in a subsidiary		957	-
Net deferred tax asset at the end of the period, of which:		120 810	290 702
Deferred tax assets at the end of the period		188 992	320 506
Deferred tax liabilities at the end of the period		68 182	29 804

Deferred tax assets prior to offsetting

	At 1 January 2007 based on the rate of 19%	Credited/(Charged) to profit or loss due to a change in the balance of temporary differences and tax loss	Increase/(Decrease) in equity due to change in the balance of temporary differences	At 31 December 2007 based on the rate of 19%
Exchange rate differences	16 887	(13 092)	-	3 795
Interest	13	219	-	232
Allowances for impairment of receivables	8 681	10 219	-	18 900
Short-term accruals for wages	52 158	5 903	-	58 061
Employee benefits (holidays)	4 813	(463)	-	4 350
Provision for decommissioning of mines and other facilities	87 245	17 385	-	104 630
Measurement of forward transactions	114 318	(52 936)	-	61 382
Re-measurement of hedging instruments	125 863	1 453	(117 499)	9 817
Depreciation and amortisation	64 271	40 323	-	104 594
Liabilities due to future employee benefits	175 437	12 857	-	188 294
Unpaid wages with surcharges	48 489	8 676	-	57 165
Other	100 417	(12 639)	-	87 778
Total	798 592	17 905	(117 499)	698 998

	At 1 January 2008 based on the rate of 19%	Increase due to obtaining control of a subsidiary	Credited/(Charged) to profit or loss due to a change in the balance of temporary differences and tax loss	Increase/(Decrease) in equity due to change in the balance of temporary differences	At 31 December 2008 based on the rate of 19%
Exchange rate differences	3 795	-	(3 701)	-	94
Interest	232	2	(94)	-	140
Allowances for impairment of receivables	18 900	217	(6 045)	-	13 072
Short-term accruals for wages	58 061	269	(3 737)	-	54 593
Employee benefits (holidays)	4 350	31	334	-	4 715
Provision for decommissioning of mines and other facilities	104 630	-	12 751	-	117 381
Measurement of forward transactions	61 382	-	(23 133)	-	38 249
Re-measurement of hedging instruments	9 817	-	(8 038)	(119)	1 660
Depreciation and amortisation	104 594	8	32 836	-	137 438
Liabilities due to future employee benefits	188 294	342	23 496	-	212 132
Unpaid wages with surcharges	57 165	150	(3 731)	-	53 584
Measurement of available-for-sale financial assets	-	-	-	303	303
Other	87 778	185	(505)	-	87 458
Total	698 998	1 204	20 433	184	720 819

22. Deferred tax (continuation)

The amount of deductible temporary differences and unused tax losses in respect of which the Group did not recognise deferred tax assets (due to the remote possibility of their being settled in future years) amounts to PLN 176 507 thousand (at 31 December 2007: PLN 34 916 thousand).

Tax losses which may be settled in future periods by reducing taxable profit amount to PLN 161 561 thousand (at 31 December 2007: PLN 2 281 thousand). These losses expire as follows: PLN 2 549 thousand in 2009 (in 2007: PLN 1 124 thousand); PLN 950 thousand in 2011 (in 2007: PLN 768 thousand); PLN 49 649 thousand in 2012 (in 2007: PLN 389 thousand) and PLN 108 413 thousand in 2013.

The Group created deferred tax assets whose realisation depends on the future generation of taxable profit in the amount exceeding gains arising from the reversal of taxable temporary differences in the amount of PLN 13 661 thousand (at 31 December 2007: PLN 7 284 thousand). The recognition of deferred tax assets was based on current, approved financial plans and on the current activities of the Group.

Deferred tax liabilities prior to offsetting

	At 1 January 2007 based on the rate of 19%	(Credited)/Charged to profit or loss due to a change in the balance of temporary differences	(Increase)/ Decrease in equity due to change in the balance of temporary differences	At 31 December 2007 based on the rate of 19%
Exchange rate differences	9 223	(7 537)	-	1 686
Interest	878	2 345	-	3 223
Measurement of forward transactions	46 458	(36 902)	-	9 556
Re-measurement of hedging instruments	901	(867)	-	34
Depreciation/amortisation	221 738	110 441	-	332 179
Measurement of available-for-sale financial assets	1 951	-	(1 082)	869
Other	155 513	(94 764)	-	60 749
Total	436 662	(27 284)	(1 082)	408 296

	At 1 January 2008 based on the rate of 19%	Increase due to obtaining control of a subsidiary	(Credited)/Charged to profit or loss due to a change in the balance of temporary differences	(Increase)/ Decrease in equity due to change in the balance of temporary differences	At 31 December 2008 based on the rate of 19%
Exchange rate differences	1 686	-	(1 366)	-	320
Interest	3 223	2	(1 837)	-	1 388
Measurement of forward transactions	9 556	-	49 942	-	59 498
Re-measurement of hedging instruments	34	-	(34)	119 338	119 338
Depreciation/amortisation	332 179	-	30 549	-	362 728
Measurement of available-for-sale financial assets	869	-	-	1 539	2 408
Other	60 749	245	(6 665)	-	54 329
Total	408 296	247	70 589	120 877	600 009

23. Employee benefits

A general description of the employee benefit plans is included in note 2, Main accounting policies, point 2.2.16.

Change in liabilities due to future employee benefits

	TOTAL liabilities	Jubilee awards	Retirement and disability benefits	Coal equivalent	Other liabilities due to future employee benefits
Present value of obligations - at 1 January 2007	950 200	287 515	192 277	470 138	270
Interest costs	44 191	13 249	8 935	22 007	-
Current service cost	39 976	17 829	12 359	9 788	-
Past service cost	2 888	2 052	836	-	-
Benefits paid	(80 271)	(37 089)	(19 519)	(23 393)	(270)
Actuarial losses	51 302	13 814	8 952	28 536	-
Present value of obligations - at 31 December 2007	1 008 286	297 370	203 840	507 076	-
Past service cost unrecognised at the balance sheet date	(10 961)	-	(10 961)	-	-
Carrying amount of liabilities - at 31 December 2007	997 325	297 370	192 879	507 076	-
of which:					
Carrying amount of non-current liabilities	919 923	263 479	173 193	483 251	-
Carrying amount of current liabilities	77 402	33 891	19 686	23 825	-

	TOTAL liabilities	Jubilee awards	Retirement and disability benefits	Coal equivalent
Present value of obligations - at 1 January 2008	1 008 286	297 370	203 840	507 076
Interest costs	54 919	16 030	11 134	27 755
Current service cost	41 330	18 798	11 928	10 604
Benefits paid	(83 066)	(39 445)	(17 522)	(26 099)
Actuarial (gains)/losses	115 787	4 107	(4 053)	115 733
Gains due to limitation of the employee benefit plans	(6 827)	(4 070)	(2 757)	
Liabilities due to business combination	1 800	1 378	422	
Present value of obligations - at 31 December 2008	1 132 229	294 168	202 992	635 069
Past service cost unrecognised at the balance sheet date	(9 275)	-	(9 275)	-
Carrying amount of liabilities - at 31 December 2008	1 122 954	294 168	193 717	635 069
of which:				
Carrying amount of non-current liabilities	1 039 423	259 521	174 684	605 218
Carrying amount of current liabilities	83 531	34 647	19 033	29 851

At	Present value of employee benefits
31 December 2008	1 132 229
31 December 2007	1 008 286
31 December 2006	950 200
31 December 2005	899 148
31 December 2004	785 397

23. Employee benefits (continuation)

Total costs recognised in the income statement due to future employee benefits

Total costs recognised in the income statement	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Current service cost	41 330	39 976
Interest costs	54 919	44 191
Actuarial losses	115 787	51 302
Past service cost	1 686	4 574
Gains due to limitation of the employee benefit plans	(6 827)	-
	206 895	140 043

The change in actuarial gains/losses is caused by a change in assumptions relating to the increase in the discount rate, increases in coal prices and increases in wages.

For purposes of re-measuring the provision at the end of the current period, the Group assumed parameters based on available forecasts of inflation, an analysis of increases in coal prices and in the lowest wage, and also based on the anticipated profitability of highly-liquid securities.

Main actuarial assumptions:	2009	2010	2011	2012 and beyond
- discount rate	6.00%	5.60%	5.50%	5.50%
- rate of increase in coal prices	13.00%	3.50%	3.50%	3.50%
- rate of increase in the lowest wage	0.00%	4.50%	4.50%	4.50%
- expected inflation	4.50%	3.50%	3.50%	3.50%
- future expected increase in wages	4.50%	4.50%	4.50%	4.50%

24. Provisions for other liabilities and charges

		TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2007		571 910	459 534	5 287	22 483	84 606
Provisions recognised		41 926	67	-	1 142	40 717
Changes arising from changes in provisions after updating of estimates		81 383	82 848	-	-	(1 465)
Changes in provisions due to unwinding of discount	32	26 303	24 922	226	-	1 155
Utilisation of provisions		(36 484)	(3 840)	(142)	(217)	(32 285)
Release of provisions		(8 097)	(226)	(561)	(3 765)	(3 545)
Transfer to Mine Closure Fund		(12 647)	(12 647)	-	-	-
Other		2 289	-	-	(32)	2 321
Provisions at 31 December 2007		666 583	550 658	4 810	19 611	91 504
of which:						
Non-current provisions		570 327	527 634	4 272	-	38 421
Current provisions		96 256	23 024	538	19 611	53 083

		TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2008		666 583	550 658	4 810	19 611	91 504
Provisions recognised		23 156	191	1 173	13 476	8 316
Changes arising from changes in provisions after updating of estimates		42 767	39 469	(22)	-	3 320
Changes in provisions due to unwinding of discount	32	38 091	37 289	217	-	585
Utilisation of provisions		(46 702)	(9 687)	-	(1 537)	(35 478)
Release of provisions		(22 425)	(230)	(38)	(13 344)	(8 813)
Transfer to Mine Closure Fund		(14 351)	(14 351)	-	-	-
Provisions due to business combination		68	-	68	-	-
Other		(23 984)	-	-	6 783	(30 767)
Provisions at 31 December 2008		663 203	603 339	6 208	24 989	28 667
of which:						
Non-current provisions		599 315	574 235	2 467	7 921	14 692
Current provisions		63 888	29 104	3 741	17 068	13 975

The Group recognises provisions for decommissioning costs of mines and other facilities based on principles described in note 2, point 2.2.15.

The most significant item of provisions for other liabilities is the **provision for the costs of future decommissioning (liquidation) of mines and other technological facilities** with the carrying value of PLN 603 339 thousand (as at 31 December 2007: PLN 550 658 thousand), created in accordance with the methodology defined in the International Financial Reporting Standards.

The decommissioning schedule and estimates of decommissioning costs have been worked on since the beginning of 2001 by the subsidiary, KGHM Cuprum Sp. z o.o. CBR. Revaluations of the basic decommissioning costs originally calculated in 2001 are made periodically based on the changes of price index for the construction-assembly industry, which are published by the Main Statistical Office, taking into account movements in tangible fixed assets. The exception to the above are mine shafts. In 2006, costs of shafts liquidation were revalued due to completion of the document called "Study of the project of liquidation of the P-III and P-IV mine shafts in the Polkowice Wschodnie Region and the project of excavation of deposits located in the safety pillars of those shafts – Stage III. 1. The project of liquidation of the P-III shaft, 2. The project of liquidation of the P-IV shaft" prepared by Cuprum and securing positive opinions for those projects of the Commission for Water, Waste Management and Mine Closure- Related Threats operating by the Main Mine Office – Resolution No. 2/2007 dated 6 September 2007. Detailed information included in technical projects developed for the P-III and P-IV shafts in the Polkowice Wschodnie Region provided the basis for verification of forecasts concerning costs of liquidation of other shafts in KGHM Polska Miedź S.A.

Subsequent revaluations have been made if significant economic events have occurred which could have an impact on the amount of the provision. The 2007 revaluation related mainly to the decommissioning schedule and was due to adoption by the Ministry of Natural Environment in January 2007 certain of additions to the projects relating to copper ore deposits management at KGHM Polska Miedź S.A., which were underlying mining activities of the Parent Entity. These amended projects assume that ore excavation will continue until the year 2040.

24. Provisions for other liabilities and charges (continuation)

The largest facility earmarked for decommissioning (restoration), which at the same time accounts for the largest share in the costs of decommissioning of all technological facilities, is the "Żelazny Most" tailings pond, together with the hydro-transportation network and cubage hydro-technical facilities. The "Żelazny Most" tailings pond is a hydro-technical facility, formed from a raised earthen embankment on lowered terrain. At the same time, it serves as the central water management facility. The area and type of this tailings pond requires (apart from restoration activities carried out on a regular basis in the form of shaping of the slope of the reservoir using biological coat) several stages of site restoration and development. This is also due to the main underlying assumption that the "Żelazny Most" tailings pond will be operational until the last working day of mines and enrichment plants. During the final stage of operating this tailings pond, transfer to the method of centralised waste dump from the currently used circumferential one would be required in order to fill in the reservoir and create the coarse-grained layer for restoration of the inside of the tailings pond. After the "Żelazny Most" tailings pond has ceased being operational, during the course of mine liquidation, the discharge of mine waters will be carried out excepting this tailings pond. According to the current plan, preparatory works for the tailings pond liquidation and its partial restoration will commence in 2025 and will last until 2037. In 2038, the main stage of the tailings pond liquidation will commence and is expected to be completed in 2047. In the meantime, i.e. from the year 2025 to 2040, pipelines and accompanying cubage hydro-technical facilities will be decommissioned. The decommissioning will be carried out by way of dismantling, scrap recovery and utilisation of concrete elements, which, after crumbling, will be used as foundation for hardening. As regards the surface of the "Żelazny Most" tailings pond, application of the non-soil restoration method was adopted as possible and reasonable solution. It is planned that trees will be planted on the whole area of waste storage yard as it is done for protective greenery, after prior preparation of the surface of the tailings pond. It is also assumed that selected types of grass and mixes thereof will be used for land restoration purposes, together with mineral additives to improve the ground, as well as special techniques of cultivation and fertilisation. The above site restoration method is comparable to those used in the EU countries. KGHM CUPRUM Sp. z o.o. CBR, in cooperation with the Natural Science University in Wrocław, are currently conducting research work in respect of this issue. The decommissioning project assumes a 10-year monitoring period for the facility.

The Parent Entity's method of estimating the required decommissioning provision is based on the prudence concept. The amount of the provision recognised in the balance sheet is the equivalent of the estimated costs of future decommissioning of individual facilities discounted to their present value. The amount of the provision is revalued by the Parent Entity at the end of each quarter by applying in the discounting model the ratios described in Note 3.2.

The balance of the decommissioning provision is adjusted for the amount transferred to the mine closure fund, which has been created based on article 26c of the act dated 27 July 2001 amending the act – Geological and Mining Law, Journal of Laws No. 110, item 1190, and calculated in accordance with principles set forth in the Decree of the Minister of Economy dated 24 June 2002 concerning detailed principles for creation and functioning of mine closure funds, i.e. 3% of the amount of depreciation of mines' fixed assets for each year. Cash transfers made to the Mine Closure Fund are invested by the Parent Entity in secure short-term securities or short-term deposits. Income from these investments increases the Fund's balance and the Parent Entity does not charge any fee for this cash management.

It is expected that decommissioning costs will be incurred by the year 2047. The provision was estimated based on the currently used technology for decommissioning of mining facilities and using the current prices and the discount rate as in the model for provisions for future employee benefits (Note 23).

24. Provisions for other liabilities and charges (continuation)

Provisions for the facilities with the highest share in the provision for decommissioning costs of mines and other facilities at 31 December 2008

Division	Facility	
ZH	"Żelazny Most" tailings pond	118 755
ZWR	ZWR Rudna Ore Enrichment Plant	55 889
ZH	Other waste storage areas	46 859
ZWR	ZWR Polkowice Ore Enrichment Plant	46 036
ZGR	Central part of Rudna Mine (shafts: RI, RII, RV)	44 006
ZWR	ZWR Lubin Ore Enrichment Plant	36 253
ZH	Pipelines and technological facilities	28 627
ZGR	Western part of Rudna Mine (shafts: RIII, RIV, RX)	25 867
ZGL	R6 - Central (shafts: LI, LII)	20 245
ZGL	R1 - Western - Central (LIV, LV)	17 061

Provisions for the facilities with the highest share in the provision for decommissioning costs of mines and other facilities at 31 December 2007

Division	Facility	
ZH	"Żelazny Most" tailings pond	90 692
ZWR	ZWR Rudna Ore Enrichment Plant	50 239
ZH	Other waste storage areas	43 758
ZWR	ZWR Polkowice Ore Enrichment Plant	41 517
ZGR	Central part of Rudna Mine (shafts: RI, RII, RV)	39 630
ZWR	ZWR Lubin Ore Enrichment Plant	32 641
ZH	Pipelines and technological facilities	26 146
ZGR	Western part of Rudna Mine (shafts: RIII, RIV, RX)	23 295
ZGPS	Eastern part of Polkowice Mine (shafts: PIII, PIV)	20 616
ZGL	R6 - Central (shafts: LI, LII)	18 262

Provisions for disputed issues and court proceedings represent a less significant item of provisions. They are mainly relating to:

- proceedings in a dispute concerning the payment of damages for breach of contract for delivery of equipment and services of PLN 7 795 thousand,
- questioning of the amount of social insurance premiums due to the control by Social Insurance Institution (ZUS) for prior years in the amount of PLN 10 478 thousand (at 31 December 2007: PLN 16 625 thousand),
- asserting copyright in the amount of PLN 2 982 thousand for the use of an invention (at 31 December 2007: PLN 2 982 thousand),
- a non-legally binding verdict of the Court of Appeals in Wrocław in favour of PPHiU Legwro, which is demanding compensation from KGHM POLSKA MIEDŹ S.A. in the amount of PLN 1 837 thousand.

25. Non-current assets held for sale

	At	
	31 December 2008	31 December 2007
Non-current assets held for sale	29 987	184

At 31 December 2008 non-current assets held for sale represent:

- shares of Polskie Towarzystwo Reasekuracyjne S.A., PLN 20 000 thousand measured at fair value,
- two quartz mines, „Stanisław” and „Taczalin”, and a quartz powder and crushed aggregate processing plant, all of whose activities have been discontinued, PLN 6 450 thousand,
- 5 automobiles, PLN 536 thousand,
- a civil aircraft, PLN 2 484 thousand,
- a drill, PLN 517 thousand.

The activity related to assets held for sale was discontinued in 2004, at which time their depreciation was also discontinued. As a result the only costs related to this activity in 2008 were the costs of care and maintenance of this property in the amount of PLN 785 thousand. No significant revenues were earned in this regard.

26. Impairment losses

Impairment losses by asset class during the financial period from 1 January to 31 December 2008

	Impairment loss recognised	Impairment loss reversed	Impairment loss used
Buildings and constructions	123 918	14 023	694
Technical equipment and machinery	161 814	-	13 847
Motor vehicles	372	-	43
Other fixed assets	34	-	1
Assets under construction	10 560	166	945
Development cost	-	67	-
Software	90	411	327
Acquired concessions, patents, licenses	392	-	4
Intangible assets not yet available for use	29	-	51
Total	297 209	14 667	15 912

Impairment losses by segment during the financial period from 1 January to 31 December 2008

	Copper and precious metals, other smelter products	Telecom and IT services	Other	Total consolidated amount
Impairment loss recognised	3 386	293 301	522	297 209
Impairment loss reversed	68	14 592	7	14 667
Impairment loss used	94	15 230	588	15 912

Impairment losses by asset class during the financial period from 1 January to 31 December 2007

	Impairment loss recognised	Impairment loss reversed	Impairment loss used
Buildings and constructions	203	-	553
Technical equipment and machinery	3 773	3	3 413
Motor vehicles	-	-	96
Other fixed assets	-	-	1
Assets under construction	5 178	2 111	12 440
Development cost	67	-	-
Software	-	-	190
Intangible assets not yet available for use	816	-	-
Total	10 037	2 114	16 693

Impairment losses by segment during the financial period from 1 January to 31 December 2007

	Copper and precious metals, other smelter products	Telecom and IT services	Other	Total consolidated amount
Impairment loss recognised	3 710	5 207	1 120	10 037
Impairment loss reversed	-	3	2 111	2 114
Impairment loss used	693	2 981	13 019	16 693

Impairment losses on property, plant and equipment used in the manufacture of products or in the providing of services were recognised in the income statement as costs of sales. For other property, plant and equipment impairment losses were recognised in administrative expenses. Details on the principles of accounting for impairment losses applied by the Group are described in point 2.2.10 of note 2.

Impairment losses recognised in 2008 relate to property, plant and equipment and intangible assets which will not bring expected economic benefits.

27. Sales

Net revenues from the sale of products, goods for resale and materials (by type of activity)

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
- copper, precious metals, smelter by-products	11 231 173	12 162 500
- energy	35 657	34 447
- services	1 006 651	874 285
- mining machinery, transport vehicles for mining and other	34 408	17 179
- goods for resale	239 493	307 818
- wastes and materials	9 785	10 106
- other goods	97 718	87 793
Total	12 654 885	13 494 128

Net revenues from the sale of products, goods for resale and materials (by destination)

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
domestic	4 484 811	5 662 587
- copper, precious metals, smelter by-products	3 129 743	4 403 062
- energy	35 657	34 447
- services	948 196	809 403
- mining machinery, transport vehicles for mining and other	31 162	16 118
- goods for resale	236 598	304 107
- wastes and materials	9 785	10 106
- other goods	93 670	85 344
export	8 170 074	7 831 541
- copper, precious metals, smelter by-products	8 101 430	7 759 438
- services	58 455	64 882
- mining machinery, transport vehicles for mining and other	3 246	1 061
- goods for resale and materials	2 895	3 711
- other goods	4 048	2 449
Total	12 654 885	13 494 128

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Average copper price on LME (USD/t)	6 952	7 126
Average exchange rate (USD/PLN) per NBP	2.41	2.77

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28. Costs by type

	Note	For the period	
		from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Depreciation of property, plant and equipment and amortisation of intangible assets	6, 7	681 367	597 546
Employee benefit costs	29	3 080 980	2 938 479
Materials and energy consumption		3 392 670	3 333 469
External services		1 802 192	1 357 858
Taxes and charges		335 860	325 764
Advertising costs and representation expenses		49 967	70 094
Property and personal insurance		14 734	15 135
Research and development costs not capitalised in intangible assets		4 883	4 256
Other costs, of which:		388 948	39 720
Impairment of property, plant and equipment, intangible assets	6, 7	286 620	4 043
Write-down of inventories	14	66 576	4 230
Allowance for impairment of trade receivables	34.3.6	21 320	14 771
Reversal of impairment of property, plant and equipment, intangible assets	6, 7	(14 501)	(3)
Reversal of write-down of inventories	14	(1 518)	(1 714)
Reversal of allowance for impairment of trade receivables	34.3.6	(12 703)	(18 363)
Losses from the disposal of financial instruments	33.3	1 608	1 142
Other operating costs		41 546	35 614
Total costs by type		9 751 601	8 682 321
Cost of goods for resale and materials sold (+), of which:		128 436	210 469
Allowance for impairment of receivables	34.3.6	1 438	789
Reversal of allowance for impairment of receivables	34.3.6	(505)	(789)
Change in inventories of finished goods and work in progress (+/-)		91 338	(1 448)
Cost of manufacturing products for internal use (-)		(478 127)	(365 200)
Total cost of sales, selling and administrative costs		9 493 248	8 526 142

29. Employee benefit costs

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Remuneration	2 255 442	2 184 308
Costs of social security	701 709	694 399
Costs of future benefits (provisions) due to retirement benefits, jubilee awards and similar employee benefits	123 829	59 772
Employee benefit costs	3 080 980	2 938 479

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30. Other operating income

	Note	For the period	
		from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Income and gains from financial instruments classified under other operating activities, resulting from:	33.3	953 297	1 207 831
- measurement and realisation of derivative instruments		697 428	1 061 917
- gains from the disposal of financial instruments		15 695	26 863
- interest on financial instruments		128 344	118 911
- reversal of impairment losses on available-for-sale financial assets		78	100
- foreign exchange gains		108 697	-
- reversal of allowance for impairment of loans and receivables		3 055	40
Gains from the disposal of investment property		-	16 122
Increase in fair value of investment property		1 566	-
Gains from the disposal of shares in subsidiaries and associates		5 913	-
Gains from the disposal of perpetual usufruct of land		450	391
Gains from the disposal of intangible assets		2 027	-
Other interest		20 455	13 224
Dividends received		303	396
Reversal of impairment losses on assets under construction	6	166	2 111
Reversal of allowance for impairment of other non-financial receivables	13	5 434	129
Government grants and other donations received		2 520	3 334
Release of unused provisions		27 733	13 215
Surpluses identified in tangible current assets and cash and cash equivalents		7 899	7 965
Penalties and compensation received		15 812	16 236
Excess payments of property tax		-	11 210
Foreign exchange losses - non-financial		(13 631)	-
Other operating income/gains		13 815	13 213
Total other operating income		1 043 759	1 305 377

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31. Other operating costs

	Note	For the period	
		from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Costs and losses on financial instruments classified under other operating activities, resulting from:	33.3	903 878	1 557 052
- measurement and realisation of derivative instruments		891 352	1 371 505
- losses from the disposal of financial instruments		2 608	-
- interest on financial liabilities		657	2 046
- foreign exchange losses		-	182 996
- impairment losses on available-for-sale financial assets		45	131
- allowances for impairment of loans and receivables		6 661	374
- losses on measurement of non-current liabilities		2 555	-
Decrease in the fair value of investment property		-	2 336
Losses from the sale of shares in subsidiaries		-	872
Allowances for impairment of other non-financial receivables	13	11 915	42 564
Losses from the disposal of intangible assets		-	1 502
Losses on the sale of property, plant and equipment		21 626	19 996
Impairment losses on assets under construction	6	10 560	5 178
Impairment losses on intangible assets not yet available for use	7	29	816
Interest on overdue non-financial liabilities		1 801	5 699
Donations granted		11 546	9 990
Provisions for liabilities		31 771	62 505
Penalties and compensation paid		4 484	5 325
Non-culpable shortages in tangible current assets, cash and losses from fortuitous events		1 823	2 802
Other operating costs/losses		19 601	29 773
Total other operating costs		1 019 034	1 746 410

32. Net finance costs

	Note	For the period	
		from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Interest expense:	33.3	16 640	10 481
- on bank and other loans		14 339	9 640
- due to finance leases		2 301	841
Net foreign exchange gains on borrowings	33.3	2 004	(1 327)
Changes in the value of liabilities due to unwinding of discount, due to:		38 588	26 303
- measurement of financial liabilities		497	-
- measurement of provisions for decommissioning of mines	24	37 289	24 922
- measurement of other provisions	24	802	1 381
Other net finance costs		262	(298)
Total net finance costs		57 494	35 159

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33. Financial instruments

33.1 Carrying amount

		At 31 December 2008								
	Note	Balance sheet items								
		Available- for-sale financial assets	Held-to- maturity investments	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Other financial liabilities		Hedging instruments	Total
							Financial liabilities measured at amortised cost	Financial liabilities due to factoring and liabilities out of the scope of IAS 39		
Classes of financial instruments										
Debt securities										-
Shares	10	19 942								19 942
Shares and participation units in investment funds	10	11 264								11 264
Trade receivables (net)	13				725 700					725 700
Cash and cash equivalents and deposits up to 3 months	11, 15		59 545		2 065 763					2 125 308
Other financial assets (net)	10, 11,13	7	47		342 957					343 011
Derivatives - Currency	12			31		(1 159)			62 326	61 198
Derivatives - Commodity contracts - metals	12					(3 771)			655 271	651 500
Trade payables	19						(785 527)			(785 527)
Bank and other loans	20						(258 705)			(258 705)
Other financial liabilities	19, 20						(116 205)	(32 273)		(148 478)
		31 213	59 592	31	3 134 420	(4 930)	(1 160 437)	(32 273)	717 597	2 745 213

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33. Financial instruments (continuation)

33.1 Carrying amount (continuation)

		At 31 December 2007								
	Note	Balance sheet items								
		Available- for-sale financial assets	Held-to- maturity investments	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Other financial liabilities		Hedging instruments	Total
Classes of financial instruments							Financial liabilities measured at amortised cost	Financial liabilities due to factoring and liabilities out of the scope of IAS 39		
Debt securities	10, 15	3 076			83 756					86 832
Shares	10	33 407								33 407
Shares and participation units in investment funds	10	10 665								10 665
Trade receivables (net)	13				693 667					693 667
Cash and cash equivalents and deposits up to 3 months	11, 15		43 893		2 728 340					2 772 233
Other financial assets (net)	10, 11, 13	7	41		79 129					79 177
Derivatives - Currency	12			178						178
Derivatives - Commodity contracts - metals	12			16 456		(16 458)			97 419	97 417
Trade payables	19						(651 288)			(651 288)
Bank and other loans	20						(255 833)			(255 833)
Other financial liabilities	19, 20						(18 158)	(49 887)		(68 045)
		47 155	43 934	16 634	3 584 892	(16 458)	(925 279)	(49 887)	97 419	2 798 410

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33. Financial instruments (continuation)

33.2 Fair value

Classes of financial instruments	Note	At 31 December 2008		At 31 December 2007	
		Carrying amount	Fair Value	Carrying amount	Fair Value
		33.1		33.1	
Debt securities	10, 15	-	-	86 832	86 832
Shares	10	19 942	19 942	33 407	33 407
Shares and participation units in investment funds	10	11 264	11 264	10 665	10 665
Trade receivables (net)	13	725 700	725 700	693 667	693 667
Cash and cash equivalents and deposits up to 3 months	11, 15	2 125 308	2 125 553	2 772 233	2 772 316
Other financial assets (net)	10, 11, 13	343 011	343 011	79 177	79 177
Derivatives - Currency, of which:	12	61 198	61 198	178	178
Assets		62 357	62 357	178	178
Liabilities		(1 159)	(1 159)	-	-
Derivatives - Commodity contracts (metals), of which:	12	651 500	651 500	97 417	97 417
Assets		655 271	655 271	114 839	114 839
Liabilities		(3 771)	(3 771)	(17 422)	(17 422)
Trade payables	19	(785 527)	(785 527)	(651 288)	(651 288)
Bank and other loans	20	(258 705)	(258 705)	(255 833)	(255 833)
Other financial liabilities	19, 20	(148 478)	(148 478)	(68 045)	(68 045)

The methods and assumptions used by the Group for measuring the fair values are presented in notes 2.2.5.4 Fair value, 3 Important estimates.

The Group is unable to reliably measure the fair value of shares held in companies which are not listed on active markets, classified as available-for-sale financial assets. As a result they are disclosed in the balance sheet at cost less impairment.

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33. Financial instruments (continuation)

33.3 Items of income, costs, profit and losses recognised in the income statement for the period by categories of financial instruments

For the period from 1 January 2008 to 31 December 2008	Note	Financial assets/ liabilities measured at fair value through profit or loss	Available-for- sale financial assets	Held-to- maturity investments	Loans and receivables	Other financial liabilities		Hedging instruments	Total financial instruments
						Financial liabilities measured at amortised cost	Financial liabilities due to factoring and liabilities out of the scope of IAS 39		
Interest income/(expense)	30, 31, 32	-	891	200	127 253	(14 996)	(2 301)	-	111 047
Exchange gains/(losses)	30, 32	-	-	6	137 107	(28 580)	(1 840)	-	106 693
Losses on measurement of non- current financial liabilities	31, 32	-	-	-	-	(3 052)	-	-	(3 052)
Impairment allowances	28, 31	-	(45)	-	(31 308)	-	-	-	(31 353)
Reversal of impairment allowances	28, 30	-	78	-	16 263	-	-	-	16 341
Adjustment to sales due to hedging transactions	34	-	-	-	-	-	-	562 520	562 520
Profit/(losses) from disposal of financial instruments	28, 30, 31	-	3 217	294	7 969	-	-	-	11 480
Gains on measurement and realisation of derivative instruments	30	697 428	-	-	-	-	-	-	697 428
Losses on measurement and realisation of derivative instruments	31	(891 352)	-	-	-	-	-	-	(891 352)
Total net gain/(loss)		(193 924)	4 141	500	257 284	(46 628)	(4 141)	562 520	579 752

For the period from 1 January 2007 to 31 December 2007	Note	Financial assets/liabilities measured at fair value through profit or loss	Available-for- sale financial assets	Held-to- maturity investments	Loans and receivables	Other financial liabilities		Hedging instruments	Total financial instruments
						Financial liabilities measured at amortised cost	Financial liabilities due to factoring and liabilities out of the scope of IAS 39		
Interest income/(expense)	30, 31, 32	-	154	569	118 188	(11 686)	(841)	-	106 384
Exchange gains/(losses)	31, 32	-	(892)	(3)	(130 964)	(51 091)	1 281	-	(181 669)
Impairment allowances	28, 31	-	(131)	-	(15 934)	-	-	-	(16 065)
Reversal of impairment allowances	28, 30	-	100	-	19 192	-	-	-	19 292
Adjustment to sales due to hedging transactions	34	-	-	-	-	-	-	(435 533)	(435 533)
Profit/(losses) from disposal of financial instruments	30	-	18 802	1 055	5 864	-	-	-	25 721
Gains on measurement and realisation of derivative instruments	30	1 061 917	-	-	-	-	-	-	1 061 917
Losses on measurement and realisation of derivative instruments	31	(1 371 505)	-	-	-	-	-	-	(1 371 505)
Total net gain/(loss)		(309 588)	18 033	1 621	(3 654)	(62 777)	440	(435 533)	(791 458)

33. Financial instruments (continuation)

33.4 Transfers not qualified for de-recognition

As at 31 December 2008 the Group does not own financial assets whose transfer does not qualify for derecognition.

33.5 Failure to regulate payments and breach of contractual terms.

At 31 December 2008 DIALOG S.A. failed to adhere to one of the financial terms of a loan contract. In accordance with the contract the company is obligated to maintain a level of equity throughout the life of the loan which is no lower than PLN 900 000 thousand. This level was not met.

DIALOG S.A. repays the loan principal and interest on time. At the date of publication of this report this breach of contractual terms was not corrected, no other term was breached, the loan contract was not renegotiated, and the bank did not request additional collateral.

33.6 Situations concerning financial instruments which did not occur in the Group

The following business events and situations, which are required to be disclosed, did not occur in the Group in the periods ended 31 December 2008 and 31 December 2007:

- as at balance sheet date, Group companies did not designate a financial instrument to be measured at fair value through profit or loss (IFRS 7, par. 9, 10, 11),
- Group companies did not reclassify a financial asset in a way which would result in a change of the method of measurement (IFRS 7, par. 12),
- Group companies do not hold any collateral established on either category of assets which would improve crediting terms (IFRS 7, par. 15),
- Group companies have not issued an instrument that contains both a liability and an equity component (IFRS 7, par. 17),
- Group companies invest assets accumulated in a separate bank account kept for the Mine Closure Fund, but do not receive any fee due to those fiduciary activities (IFRS 7, par. 20.c.ii),
- Group companies did not recognise any interest income on impaired financial assets (IFRS 7, par. 20.d),
- Group companies did not identify any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur (IFRS 7, par. 23.b),
- Group companies did not make use of any hedging transactions which would subsequently result in the recognition of a non-financial asset or liability (IFRS 7, par. 23.e),
- Group companies did not use fair value hedges or hedges of net investments in foreign operations (IFRS 7, par. 24 a, 24.c),
- Group companies did not purchase any financial assets at a price different from their fair value (IFRS 7, par. 28),

34. Financial risk management

Group companies are exposed to risk in each area of their activities. Understanding those risks and the principles of their management allows the Group to better meet its objectives.

Financial risk management includes the processes of risk identification, measurement and determination of appropriate methods to deal with those risks.

The Group is predominantly exposed to the following classes of financial risk:

- Market risk:
 - Risk of changes in commodity prices (Commodity Risk),
 - Risk of changes in foreign exchange rates (Currency Risk),
 - Risk of changes in interest rates (Interest Rate Risk),
- Liquidity risk,
- Credit risk.

34. Financial risk management (continuation)

34.1 Market risk

34.1.1 Principles of market risk management

The Group has an active approach to managing its market risk exposure. The objectives of market risk management are:

- To limit fluctuations in profit before tax,
- To increase the probability of meeting budget assumptions,
- To maintain a healthy financial condition, and
- To support the process of undertaking strategic decisions relating to investing activity, with particular attention to sources of capital for this activity.

All the market risk management objectives should be considered as a whole, while their realisation is dependant primarily upon the internal situation and market conditions.

The Parent Entity applies an integrated approach to market risk management. This means a comprehensive approach to the whole spectrum of identified market risks, rather than to each of them individually. For example, hedging transactions on the commodity market are related to contracts entered into on the currency market, as hedging prices of metals directly impacts the probability of achieving planned revenues from sales, which in turn represent a hedged item for transactions dealt on the currency market. As a result, the Parent Entity has significantly greater flexibility in building hedging strategies.

The Parent Entity applies a consistent and step-by-step approach to market risk management. Over time consecutive hedging strategies are implemented on derivative instruments market, embracing an increasing share of production and sales revenues as well as an extended time horizon. Consequently, the hedging is possible against unexpected plunges in both copper and silver prices as well as rapid appreciation of the PLN versus the USD. Thanks to this approach, it is also possible to avoid engaging significant volumes or notionals at a single price level.

The Group continuously monitors metal and currency markets, which are the basis for decisions on implementing strategies on derivative instruments market.

In addition, the Parent Entity applies cash flows hedge accounting to hedge the risk of changes of commodity and currency risk.

34.1.2 Techniques for market risk management

The primary technique for market risk management is the use of strategies on derivative instruments market, as well as natural hedging.

All of the hedging strategies on derivative instruments market reflect the following factors: current and forecasted market conditions, the internal situation of the Group, suitability of derivative instruments to be applied. The Group transacts only these derivative instruments for which it has the ability to assess their value internally, using standard pricing models appropriate for a particular type of derivative, and also these which can be traded without significant loss of value with a counterparty other than the one with whom the transaction was initially entered into. In evaluating the market value of a given instrument, the Group relies on information obtained from particular market leading banks, brokers and information services.

It is permitted to use the following types of instruments:

- Swaps,
- Forwards and futures,
- Options,
- Structures combining the above instruments.

The instruments applied may be, therefore, either of standard parameters (publicly traded instruments) or non-standardised parameters (over-the-counter instruments).

34.1.3 Hedge accounting - Hedge effectiveness requirement according to IAS 39

Only the Parent Entity applies derivative instrument hedge accounting in the Group. Prior to entering a hedge transaction and throughout its life, the Parent Entity confirms and documents whether there exists, between the changes in the fair value of a hedge instrument and the changes in the fair value of the hedged position, a strong negative correlation. Hedge effectiveness is subject to constant evaluation and monitoring.

34.1.4. Measurement of market risk

The Parent Entity quantifies and describes its market risk exposure using a consistent and comprehensive measure.

Market risk management is supported by simulations (such as scenario analysis, stress-tests, backtests) and calculated risk measures. The risk measures being used are mainly based on mathematical and statistical modelling, which uses historical and current market data concerning risk factors and takes into consideration the current exposure of the Parent Entity to market risk.

Since 2007 the Parent Entity has been using "Earnings at Risk" as one of the risk measures employed in market risk management. This measure indicates the lowest possible level of pre-tax profit for a selected level of confidence (for example, with 95% confidence the pre-tax profit for a given period will be not lower than...). The EaR methodology enables the calculation of pre-tax profit incorporating the impact of changes in market prices of copper, silver and foreign exchange rates in the context of budgeted results.

34. Financial risk management (continuation)

34.1 Market risk (continuation)

34.1.4. Measurement of market risk (continuation)

However, due to the fact that no single risk measure possesses the ability to completely reflect reality, mainly because of underlying assumptions concerning market factors, it is customary to employ quantitative models merely as a tool supporting the decision making process and a source of additional information. Such models are not the only basis for decision making in the market risk management process.

34.1.5 Restrictions on entering into hedging transactions

Due to the risk of unexpected production cutback (for example because of "force majeure") or failure to achieve planned foreign currency revenues, which could lead to overhedging of actual market risk exposure, the Parent Entity has set a limit for the volume of production or the amount of sales revenues for a given period that may be hedged, at a level of up to 80%. The maximum time horizon within which the Parent Entity makes decisions concerning hedging of market risk is set up in accordance with technical and economic planning process, and amounts to 5 years. However, it must be emphasised that regardless of the tool used to measure market risks, the results of such measurement for long time horizons (especially above 2 years) may be subject to significant uncertainty, and therefore are treated as estimates.

34.1.6 Market risk exposure

34.1.6.1 Commodity risk

The Parent Entity is exposed to the risk of changes in market prices of copper, silver and gold. The industry standard is that the price formulas used in physical delivery contracts are based on average monthly quotations from the London Metal Exchange for copper and from the London Bullion Market for silver and gold. The commercial policy of the Parent Entity is to set the price base for physical delivery contracts as the average price of the month of dispatch (this is a typical price base, being in line with global industry standards). As a result the Parent Entity is exposed to the risk of decline in metals prices from the moment of entering into a sale contract until the moment of setting the contractual average metal price.

In a situation where a non-standard formula is used to set the sales price, the Parent Entity may enter into transactions (so-called adjustment hedge transactions) which changes the price base agreed with the customer to the average price of the month of dispatch. These transactions lead to a harmonisation of the base price applied to physical sales of products, and therefore harmonisation of the exposure to the risk of fluctuations in metals prices.

Due to the fact that the Parent Entity utilises in the production process materials purchased from external sources containing various metals, part of the sales is hedged naturally. Therefore, the analysis of the Parent Entity's exposure to the market risk should be performed on a net basis, i.e. by deducting the volume of metals contained in materials purchased from external sources from the volume of sales.

Exposure of the Group to commodity risk is presented below:

	For the period			
	from 1 January 2008 to 31 December 2008		from 1 January 2007 to 31 December 2007	
	Sales	Purchases	Sales	Purchases
Copper ['000 tonnes]	539	107	527	93
Silver [tonnes]	1 176	6	1 177	30

Sensitivity of the Group's financial instruments to commodity risk at the balance sheet date is presented in note 34.1.10 Sensitivity analysis of KGHM Polska Miedź S.A. Group exposure to market risk.

34.1.6.2 Currency risk

The Parent Entity is exposed to the risk of changes in currency rates, as it is generally accepted on commodities markets that physical contracts are either concluded or denominated in USD. The base (functional) currency for the Parent Entity however is the PLN. As a result, the Parent Entity receives the equivalent in PLN or exchanges the USD it receives for PLN. Such exchanges lead to the risk associated with fluctuations in the USD/PLN exchange rate during the period from the moment of entering into the trade contract to the moment of determining the exchange rate. In a situation wherein foreign clients pay in local currency for the copper or precious metals which they have imported, the Group is also exposed to fluctuations in the exchange rates of other currencies, e.g.: EUR/PLN.

Moreover, the Group is exposed to the risk of changes in currency rates due to the fact of drawing loans and incurring other liabilities (for example from the import of goods and services) which are denominated in currencies other than the USD.

Sensitivity of the Group's financial instruments to the currency risk at the balance sheet date is presented in note 34.1.10 Sensitivity analysis of KGHM Polska Miedź S.A. Group exposure to market risk.

34. Financial risk management (continuation)

34.1 Market risk (continuation)

34.1.6 Market risk exposure (continuation)

34.1.6.3 Interest rate risk

The Group is exposed to interest rate risk due to:

- changes in the measurement of bank and other loans drawn, bonds purchased and bank deposits for which interest is calculated at fixed rates,
- changes in cash flow related to bank and other loans drawn, bonds purchased and bank deposits for which interest is calculated at variable rates.

As at 31 December 2008 the Group had liabilities amounting to PLN 258 705 thousand due to bank and other loans (as at 31 December 2007: PLN 255 833 thousand) based on variable and fixed interest rates.

At the balance sheet date the Group had no instruments hedging against interest rate risk.

34.1.7 Hedging exposure to market risk in the Parent Entity

In 2008 copper price hedging strategies represented approx. 35% (in 2007: 25%) of the sales of this metal realised by the Parent Entity. With respect to silver sales this figure amounted to approx. 32% (in 2007: 6%). In the case of currency market, hedged revenues from sales represented approx. 11% (in 2007: 10%) of total revenues from sales realised by the Parent Entity.

In 2008 the Parent Entity implemented copper price hedging strategies with a total volume of 99 thousand tonnes and a maturity falling in the fourth quarter of 2008 and the first half of 2009. The Parent Entity made use of options. In addition, during this period the Parent Entity implemented adjustment hedge strategies with a total volume of 24.8 thousand tonnes and a maturity falling in 2008 and 2009. In the case of the silver market, during the analysed period no strategies were implemented to hedge the price of this metal.

In 2008 adjustment hedge transactions were implemented on the silver market for a total volume of 643 thousand troz and a maturity falling in January 2008.

In the case of the forward currency market, in 2008 the Parent Entity implemented strategies hedging the USD/PLN rate for an amount of USD 1 374 million and a time horizon falling in the fourth quarter of 2008 and in 2009. The Parent Entity made use of options. During the analysed period there were no adjustment hedge transactions implemented on the currency market.

The Parent Entity remains hedged for a portion of copper sales planned in the first half of 2009 (63 thousand t), for a portion of silver sales planned in 2009 (9.6 million troz). With respect to revenues from sales (currency market) the Parent Entity holds a hedged position in 2009 of USD 924 million.

34.1.8 Impact of derivatives on the Group's balance sheet

As at 31 December 2008, the fair value of open positions in derivative instruments amounted to PLN 712 698 thousand, of which PLN 717 628 thousand relate to financial assets and PLN 4 930 thousand relate to financial liabilities.

Derivative instruments whose date of settlement was 5 January 2009 were measured at fair value and accounted for in trade and other receivables as receivables due to unsettled derivative instruments, or in trade and other liabilities as liabilities due to unsettled derivative instruments.

The fair value of these instruments is as follows:

- PLN 287 146 thousand presented as receivables due to unsettled derivative instruments (Note 13),
- PLN 35 395 thousand presented as liabilities due to unsettled derivative instruments (Note 19).

Other information concerning derivatives is presented in Note 12 Derivative financial instruments and in Note 33.2 Fair value

34.1.9 Impact of derivatives on the Group's profit or loss and equity

In 2008, the result on derivative instruments amounted to PLN 367 596 thousand. The effective portion of the change in the fair value of hedging instruments that was transferred from equity to profit or loss in the financial period amounted to PLN 579 991 thousand. Other operating costs arising from the measurement of derivative instruments amounted to PLN 113 733 thousand and from the realisation of derivative instruments, PLN 81 191 thousand. Adjustment to other operating costs arising from the measurement of derivative instruments results mainly from changes of the time value of options, which will be settled in the future periods. Due to the hedge accounting principles applied, the change in the time value of options is not recognised in the revaluation reserve.

34. Financial risk management (continuation)

34.1 Market risk (continuation)

34.1.9 Impact of derivatives on the Group's profit or loss and equity (continuation)

The impact of derivative instruments on profit or loss is presented below:

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Impact on sales	562 520	(435 533)
Impact on other operating costs, of which:	(194 924)	(309 588)
Losses from realisation of derivative instruments	(82 191)	(43 792)
Losses from measurement of derivative instruments	(113 733)	(265 796)
Total impact of derivative instruments on profit or loss:	367 596	(745 121)

The value of adjustment to the other operating cost of the Parent Entity for 2008 due to the ineffective portion of cash flow hedges amounted to PLN 205 487 thousand (in 2007: PLN 179 995 thousand), of which PLN 107 924 thousand is a loss on measurement of hedging instruments (in 2007: PLN 154 964 thousand) and PLN 97 563 thousand is a loss on the realisation of the ineffective portion of hedging instruments (in 2007: PLN 25 031 thousand).

The Parent Entity accounts for cash flow hedging instruments according to the principles presented in note 2.2.5.7 of "Main accounting policies". Those principles require recognition in equity of the effective portion of the change in the fair value of hedging transactions during the period in which these transactions are designated as a hedge of future cash flows. The amounts accumulated in equity are subsequently transferred to profit or loss in the period in which the hedged transaction is settled.

The effectiveness of hedging instruments during the period is evaluated and measured by comparing the changes in the forward prices of hedged items with the changes in the prices of forward contracts or the changes in the intrinsic value of options, as appropriate.

The tables below present the balances and movements in equity resulting from the transfer of effective portion of the gain or loss from changes in the fair value of derivative instruments designated as hedging instruments in cash flow hedges:

AMOUNTS RECOGNISED IN EQUITY

	At	
	31 December 2008	31 December 2007
Revaluation reserve – commodity price risk hedging transactions (copper and silver) – derivatives	627 757	(964)
Revaluation reserve – currency risk hedging transactions – foreign currency loans	-	10 859
Total revaluation reserve from hedging instruments in cash flow hedges (excluding the deferred tax effect)	627 757	9 895

Gains or (losses) on hedging instruments in cash flow hedges recognised directly in equity

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Cumulative gain or loss arising from changes in the fair value of hedging instruments in cash flow hedges at the beginning of the period	9 895	(557 528)
Amounts recognised in equity in the reporting period in respect of hedging transactions	1 197 853	131 890
Amounts transferred from equity to income statement during the financial period	(579 991)	435 533
Cumulative gain or loss arising from changes in the fair value of hedging instruments in cash flow hedges at the end of the period (excluding the deferred tax effect)	627 757	9 895

34. Financial risk management (continuation)

34.1 Market risk (continuation)

34.1.10 Sensitivity analysis of KGHM Polska Miedź S.A. Group exposure to market risk

The Group identifies the following major market risks to which it is exposed:

- Commodity Risk,
- Currency Risk,
- Interest Rate Risk.

Currently the Group is mainly exposed to the risk of changes in copper and silver prices and changes in the USD/PLN and EUR/PLN currency exchange rates.

For sensitivity analysis of commodity risk factors (copper and silver) the mean reverting Schwartz model (the geometrical Ornstein-Uhlenbeck process) is used, while the Black-Scholes model (the geometrical Brownian motion) is used for the USD/PLN and EUR/PLN exchange rates. Quantiles from the model at the levels of 5% and 95% have been used as potential changes in a half-year time horizon. Commodity models have been calibrated to historical prices adjusted for the effects of the PPI inflation index in the USA, while currency models have been calibrated to the current structure of forward interest rates.

Potential changes in prices and currency rates have been presented in terms of percentages of the prices and currency rates used in the fair value measurement of financial instruments at the balance sheet date. Following is a sensitivity analysis for each significant type of market risk to which the Group was exposed at the balance sheet date, showing what the impact would be on the profit for the period and equity of potential changes in specific risk factors divided by classes of financial assets and financial liabilities.

In analysing the sensitivity of the item "Derivatives – Currency" and "Derivatives – Commodity contracts" it should be noted that the Parent Entity holds a position in derivative instruments hedging future cash flows from the sale of copper and silver. It should also be noted that the Parent Entity is exposed to risk in respect of the planned volume of copper and silver sales from its own production, adjusted by its position in hedging instruments.

Currency structure of financial instruments exposed to market risk at 31 December 2008

FINANCIAL ASSETS AND LIABILITIES	VALUE AT RISK Currency structure		
	['000 PLN]	['000 USD]	['000 EUR]
Shares and participation units in investment funds	11 264	3 803	-
Trade receivables (net)	296 667	82 780	12 340
Cash and cash equivalents and deposits up to 3 months	542 002	159 108	16 958
Other financial assets (net)	308 495	103 666	349
Derivatives - Currency	61 198	lack of data	lack of data
Derivatives – Commodity contracts - Metals	651 500	219 968	-
Trade payables	(97 295)	(14 040)	(13 352)
Bank and other loans	(8 553)	-	(2 050)
Other financial liabilities	(43 098)	(2 818)	(8 329)

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34. Financial risk management (continuation)

34.1 Market risk (continuation)

34.1.10 Sensitivity analysis of the KGHM Polska Miedź S.A. Group exposure to market risk (continuation)

SENSITIVITY ANALYSIS AS AT 31 December 2008

FINANCIAL ASSETS AND LIABILITIES	VALUE AT RISK	31.12.2008 CARRYING AMOUNT	CURRENCY RISK								COMMODITY RISK							
			USD/PLN				EUR/PLN				COPPER PRICES [USD/t]				SILVER PRICES [USD/troz]			
			3.96		2.11		5.09		3.35		5 298		1 685		19.54		6.00	
			+34%		- 29%		+22%		- 20%		+83%		- 42%		+81%		-44%	
	[in '000 PLN]	[in '000 PLN]	P&L	Equity	P&L	Equity	P&L	Equity	P&L	Equity	P&L	Equity	P&L	Equity	P&L	Equity	P&L	Equity
Shares and participation units in investment funds	11 264	11 264	3 084		(2 637)													
Trade receivables (net)	296 667	725 700	67 132		(57 410)		9 147		(8 244)									
Cash and cash equivalents and deposits up to 3 months	542 002	2 125 308	129 032		(110 345)		12 570		(11 330)									
Other financial assets (net)	308 495	343 011	84 070		(71 895)		259		(233)									
Derivatives – Currency	61 198	61 198	(48 662)	-	23 847	216 981	(1 706)		1 254									
Derivatives – Commodity contracts – Metals	651 500	651 500	6 297	171 887	(5 385)	(146 993)					56 489	(380 994)	(3 346)	195 213	(17 984)	(27 547)	(23 836)	110 461
Trade payables	(97 295)	(785 527)	(11 387)		9 737		(9 897)		8 920									
Bank and other loans	(8 553)	(258 705)					(1 520)		(1 370)									
Other financial liabilities	(43 098)	(148 478)	(2 285)		1 954		(6 174)		5 565									
IMPACT ON INCOME STATEMENT			227 281		(212 134)		2 679		(2 698)		56 489		(3 346)		(17 984)		(23 836)	
IMPACT ON EQUITY				171 887		69 988						(380 994)		195 213		(27 547)		110 461

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34. Financial risk management (continuation)

34.1 Market risk (continuation)

34.1.10 Sensitivity analysis of the KGHM Polska Miedź S.A. Group exposure to market risk (continuation)

SENSITIVITY ANALYSIS AS AT 31 December 2007																		
FINANCIAL ASSETS AND LIABILITIES	VALUE AT RISK	31.12.2007	CURRENCY RISK								COMMODITY RISK							
		CARRYING AMOUNT	USD/PLN				EUR/PLN				COPPER PRICES [USD/t]				SILVER PRICES [USD/troz]			
			2.91		2.06		3.96		3.31		9 376		3 748		18.57		8.54	
			+19%		- 15%		+11%		- 8%		+41%		- 44%		+26%		-42%	
			[in '000 PLN]	[in '000 PLN]	P&L	Equity	P&L	Equity	P&L	Equity	P&L	Equity	P&L	Equity	P&L	Equity	P&L	Equity
Shares and participation units in investment funds	10 665	10 665	1 680		(1 327)													
Trade receivables (net)	246 715	693 667	21 601		(17 063)		9 363		(6 823)									
Cash and cash equivalents and deposits up to 3 months	1 183 443	2 772 233	68 735		(54 294)		63 831		(46 513)									
Other financial assets (net)	10 840	79 177	1 417		(1 119)		158		(115)									
Derivatives - Currency	178	178					15		(11)									
Derivatives – Commodity contracts - Metals	97 417	97 417	15 499	(152)	(12 243)	120					(55 188)	7 331	(66 735)	567 002	(12 789)	-	(11 055)	128 457
Trade payables	(29 600)	(651 288)	(2 271)		1 794		(1 298)		945									
Bank and other loans	(3 149)	(255 833)					(269)		196									
Other financial liabilities	(22 412)	(68 045)	(815)		644		(1 473)		1 073									
IMPACT ON INCOME STATEMENT			105 846		(83 608)		70 327		(51 248)		(55 188)		(66 735)		(12 789)		(11 055)	
IMPACT ON EQUITY				(152)		120					7 331		567 002		-		128 457	

34. Financial risk management (continuation)

34.2 Liquidity risk and capital management

The Group is exposed to financial liquidity risk, where financial liquidity is understood as the ability to settle its liabilities within given timeframes. The fact that the activities are financed using external sources (loans, borrowings, buyer's credit) increases the risk of losing liquidity in the future.

The Group must have permanent access to financial markets, and is therefore exposed to the risk of losing the ability to acquire new financing, as well as to refinance its current debt. This risk is primarily dependent on market conditions and on the evaluation of the creditworthiness of the Group.

The Group decides about the choice of investments and maturities of those investments, taking into account the maturities of its liabilities.

Due to positive cash flows from operating activities and the significant amount of cash balances in 2008, similar to 2007, the Group barely used external sources of financing.

Contractual maturities for financial liabilities as at 31 December 2008

Financial liabilities	Contractual maturities from the balance sheet date					Total (without discounting)	Carrying amount
	Up to 3 months	3-12 months	1-3 years	3-5 years	Over 5 years		
Trade payables	763 482	3 106	17 650	1 014	518	785 770	785 527
Loans, including bank loans	62 561	131 796	35 705	23 254	22 993	276 309	258 705
Derivatives - Currency	529	630	-	-	-	1 159	1 159
Derivatives - Commodity contracts - Metals	-	3 771	-	-	-	3 771	3 771
Other financial liabilities	87 273	23 033	18 155	14 685	10 915	154 061	148 478
Total financial liabilities by maturity	913 845	162 336	71 510	38 953	34 426	1 221 070	

Contractual maturities for financial liabilities as at 31 December 2007

Financial liabilities	Contractual maturities from the balance sheet date					Total (without discounting)	Carrying amount
	Up to 3 months	3-12 months	1-3 years	3-5 years	Over 5 years		
Trade payables	641 814	198	7 814	981	883	651 690	651 288
Loans, including bank loans	75 067	45 061	130 433	8 136	21 421	280 118	255 833
Derivatives - Commodity contracts - Metals		964	-	-	-	964	17 422
Other financial liabilities	46 855	4 419	6 845	6 971	5 632	70 722	68 045
Total financial liabilities by maturity	763 736	50 642	145 092	16 088	27 936	1 003 494	

Financial liabilities arising from derivatives are their intrinsic values, excluding the effects of discounting.

In 2008 the Group had overdraft facilities in the amount of PLN 103 100 thousand. At the end of December 2008 unused overdraft facilities amounted to PLN 74 520 thousand.

In 2007 the Group had overdraft facilities in the amount of PLN 103 000 thousand and USD 10 000 thousand. At the end of 2007 unused overdraft facilities amounted to PLN 57 112 thousand and USD 10 000 thousand.

The Group manages its capital in order to maintain the capacity to continue its operations, including the realisation of planned investments, in a manner enabling it to generate returns for the shareholders and benefits to other stakeholders.

In accordance with market practice, the Group monitors its capital, among others based on the *equity ratio* and the *ratio of Debt/EBITDA*. The *equity ratio* is calculated as the relation of net tangible assets (equity less intangible assets) to total assets.

The ratio of *Debt/EBITDA* is calculated as the relation of borrowings and finance lease liabilities to EBITDA (operating profit plus depreciation/amortisation).

In order to maintain financial liquidity and the capacity to acquire external financing at a reasonable cost, the Group assumes that the *equity ratio* shall be maintained at a level of not less than 0.5, and the *ratio of Debt/EBITDA* at a level of up to 2.0.

34. Financial risk management (continuation)

34.2 Liquidity risk and capital management (continuation)

The above ratios at 31 December 2008 and 31 December 2007 are presented below:

	At	
	31 December 2008	31 December 2007
Equity	10 981 715	9 501 609
Less: intangible assets	151 572	119 231
Net tangible assets	10 830 143	9 382 378
Total assets	14 968 373	13 503 398
Equity ratio	0.72	0.69
Operating profit	3 184 172	4 526 953
Plus: depreciation/amortisation	681 367	597 546
EBITDA	3 865 539	5 124 499
Borrowings and finance lease liabilities	290 978	276 110
Ratio of Debt/EBITDA	0.075	0.054

Due to the low level of financial debt of the Group as at 31 December 2008, the *ratio of Debt/EBITDA* was at a safe level and amounted to 0.075.

Meanwhile the equity ratio was above the assumed minimum level and amounted to 0.72 at 31 December 2008. The increase in this ratio at 31 December 2008 versus the level at 31 December 2007 results from the fact that net tangible assets increased by 15%.

In 2008 and 2007 there were no external capital requirements imposed on the Parent Entity.

34.3 Credit risk

Credit risk is defined as the risk that counterparties of the Group will not be able to meet their contractual obligations. Exposure to credit risk is related to three main areas:

- The creditworthiness of the customers with whom physical sale transactions are undertaken,
- The creditworthiness of the financial institutions (banks/brokers) with whom, or through whom, hedging transactions are undertaken,
- The creditworthiness of the entities in which investments are made, or whose securities are purchased.

Financial instruments for which credit risk exposure with different characteristics from those mentioned above arises, are as follows:

- Cash and cash equivalents and deposits,
- Derivative instruments,
- Trade receivables,
- Loans granted,
- Debt securities and participation units in investment funds,
- Guaranties granted.

34.3.1 Credit risk related to cash and cash equivalents and deposits

All entities with which deposit transactions are entered into operate in the financial sector. These are mainly banks registered in Poland or operating in Poland as branches of foreign banks, which belong to European and American financial institutions for the most part with the highest credit ratings¹, appropriate level of equity and strong, stable market position. The maximum exposure of the Group to a single bank in respect of cash and cash equivalents amounts to 20% as at 31 December 2008.

Given the above as well as the short-term nature of those investments, the credit risk associated with cash and cash equivalents and deposits is estimated as low.

¹ By highest rating is meant a rating from AAA to AA- as determined by Standard & Poor's and Fitch, and from Aaa to Aa3 as determined by Moodys.

34. Financial risk management (continuation)

34.3 Credit risk (continuation)

34.3.2 Credit risk related to derivative instruments

All entities with which derivative transactions are entered into operate in the financial sector. These are financial institutions (mainly banks), with the highest¹ (27.8%), medium - high² (55.6%) or medium³ (16.7%) credit ratings. They have appropriate level of equity and strong and stable market position. The maximum exposure of the Group to a single entity in respect of derivative instruments amounts to 17.9 %.

Fair value of derivative instruments hedging metal prices and exchange rates entered into by the Group at 31 December 2008 amounted to ⁴:

PLN 964 449 thousand (positive balance on the measurement of hedging transactions), of which:
PLN 40 325 thousand represent financial liabilities,
PLN 1 004 774 thousand represent financial assets.

Due to geographical and institutional diversification and cooperation with financial institutions having a high credit rating, the Group is not materially exposed to credit risk due to derivatives.

The Parent Entity has entered into framework agreements on the net settlement of hedging transactions in order to reduce cash flows and the credit risk to the level of positive fair value of hedging transactions with the given counterparty.

34.3.3 Credit risk related to trade and other financial receivables

Companies of the Group have been cooperating for many years with a number of geographically diversified clients. The vast majority of sales goes to EU countries, including Poland.

Geographical concentration of credit risk of the Group for trade receivables arising from sales of copper and silver:

	At 31 December 2008			31 December 2007		
	Poland	EU (excl. Poland)	Other Countries	Poland	EU (excl. Poland)	Other Countries
Trade receivables from sales of copper and silver	55.11%	32.84%	12.05%	55.6%	30.4%	14.0%

The Parent Entity makes the majority of its sales transactions based on prepayments. The Parent Entity monitors the creditworthiness of all its customers on an on-going basis, in particular those to whom the buyer's credit has been granted. Buyer's credit is only provided to proven, long-term customers, while sales of products to new customers are always 100% secured. The Parent Entity has secured the majority of its receivables by promissory notes⁵, frozen funds on bank accounts, registered pledge⁶, bank guarantees and documentary collection. In addition, the majority of contracts where customers are provided with a buyer's credit contain an ownership rights reservation clause confirmed by a date certain⁷.

The total value of the Group's trade receivables as at 31 December 2008, excluding the fair value of collaterals, in respect of which the Group may be exposed to credit risk, amounts to PLN 704 295 thousand (at 31 December 2007: PLN 693 667 thousand).

The concentration of credit risk in the Parent Entity results from the fact that key clients are allowed extended terms of payment. Consequently, at 31 December 2008 the balance of receivables from 7 of the Group's largest clients, calculated as a percentage of trade receivables at the balance sheet date, represents 55% of the balance of trade receivables (at 31 December 2007: 51%). Despite this concentration of receivables from key clients (most of whom operate in the European Union), the Parent Entity believes that, given the available historical data as well as long-lasting history of cooperation, the level of credit risk is low.

¹ By highest rating is meant a rating from AAA to AA- as determined by Standard & Poor's and Fitch, and from Aaa to Aa3 as determined by Moodys.

² By medium-high rating is meant a rating from A+ to A- as determined by Standard & Poor's and Fitch, and from A1 to A3 as determined by Moodys.

³ By medium rating is meant a rating from BBB+ to BBB- as determined by Standard & Poor's and Fitch, and from Baa1 to Baa3 as determined by Moodys.

⁴ The measurement of transactions also includes the measurement of both open positions as well as transactions which were settled on 5 January 2009, which were recognised in the Group's balance sheet under other financial receivables (Note 13) and other financial payables (Note 19).

⁵ In order to speed up any potential collection of receivables, each promissory note is accompanied by a notarial enforcement declaration.

⁶ At the balance sheet date the Group held pledges on aggregate tangible assets or rights representing an organisational whole, whose elements (variable) are recognised in a customer's trade accounts.

⁷ A trade contract clause officially certified by a notary means that the ownership of goods is transferred to the buyer only upon payment, regardless of their physical delivery.

34. Financial risk management (continuation)

34.3. Credit risk (continuation)

34.3.3 Credit risk related to trade and other financial receivables (continuation)

The following Group companies have significant trade receivables: DIALOG S.A. PLN 78 694 thousand, KGHM Polish Copper Ltd. PLN 53 015 thousand, KGHM Metraco S.A. PLN 27 740 thousand, PeBeKa S.A. PLN 16 466 thousand, KGHM Ecoren S.A. PLN 11 101 thousand, Walcownia Metali Nieżelaznych spółka z o.o. PLN 10 723 thousand, PHP "MERCUS" sp. z o.o. PLN 11 104 thousand.

These Group companies operate in various economic sectors, such as transport, construction, trade, industrial production and telecom services, and consequently there is no concentration of credit risk in any sector. The companies of the Group, with the exception of the Parent Entity, do not enter into framework agreements of a net settlement in order to reduce exposure to credit risk, although in situations where the given entity recognises both receivables and liabilities with the same client, in practice net settlement is applied, as long as both parties accept such settlement. Due to the extensive volatility in the level of net settlement on particular balance sheet days, it is difficult in practice to determine a representative amount of such compensation.

The KGHM Polska Miedź S.A. Group believes that the maximum amount of exposure of the Group to credit risk at the balance sheet date approximates the amount of the balance of trade receivables, without taking into account the fair value of any collateral. Nevertheless, the real risk that there will be no cash inflow to the Group due to trade receivables is low.

34.3.4 Credit risk related to loans granted

In accordance with data presented in note 13, Trade and other receivables, the balance of loans granted by Group companies does not exceed 0.09 % of total loans and financial receivables at 31 December 2008 (at 31 December 2007: 0.04%) and is the maximum level of losses to which the Group is exposed should a borrower fail to execute his liabilities (without taking into account the fair value of any collateral). Due to the fact that the financial condition and financial results of Group entities are continuously monitored, the Group believes that the level of credit risk is insignificant.

34.3.5 Credit risk related to investments in debt securities and participation units in investment funds

The Group invested its free cash resources in corporate bonds issued or guaranteed by companies granted an investment rating by the respectable international rating agencies (Standard&Poor's, Moody's, Fitch). The Group has also purchased participation units in money market investment funds.

Given the above as well as the short-term nature of the investments, the Group estimates that the level of credit risk for the above investments is low.

34.3.6 Other information related to credit risk

Aging analysis of financial assets overdue as at balance sheet date, for which no impairment loss has been recognised

At 31 December 2008

	Value	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year
Trade receivables	97 849	90 212	5 847	368	326	1 096
Other financial receivables	847	526	283	34	1	3

At 31 December 2007

	Value	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year
Trade receivables	41 818	38 045	2 949	481	46	297
Other financial receivables	231	132	70	21	3	5

The Group analyses receivables primarily on an individual basis in terms of the indication and recognition of impairment allowance. Significant indicators are described in note 2.2.5.5.

34. Financial risk management (continuation)

34.3 Credit risk (continuation)

34.3.6 Other information related to credit risk (continuation)

Changes in allowances for impairment of financial assets by asset classes are presented in the table below:

a) trade receivables (category: loans and financial receivables)

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Impairment allowance at the beginning of the period	56 167	67 322
Increase due to obtaining control of a subsidiary	1 498	-
Impairment allowance recognised in profit or loss	22 992	15 498
Impairment allowance reversed through profit or loss	(16 124)	(18 663)
Impairment allowance on foreign exchange differences	2 381	333
Impairment allowance utilised during the period	(11 164)	(8 320)
Impairment allowance on costs of legal proceedings	(493)	(3)
Decrease due to loss of control of a subsidiary	(20)	-
Impairment allowance at the end of the period	55 237	56 167

b) other financial assets (category: loans and financial receivables)

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Impairment allowance at the beginning of the period	3 685	3 899
Impairment allowance recognised in profit or loss	6 427	436
Impairment allowance reversed through profit or loss	(139)	(529)
Impairment allowance on foreign exchange differences	-	(3)
Impairment allowance utilised during the period	(338)	(132)
Impairment allowance on costs of legal proceedings	88	14
Impairment allowance at the end of the period	9 723	3 685

c) debt securities (category: available-for-sale financial assets)

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Impairment allowance at the beginning of the period	549	518
Impairment allowance recognised in profit or loss	45	131
Impairment allowance reversed through profit or loss	(78)	(100)
Impairment allowance utilised during the period	(268)	-
Impairment allowance at the end of the period	248	549

35. Share of profits/losses of associates accounted for using the equity method

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Share of profits of associates	267 579	265 093
TOTAL	267 579	265 093

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36. Income tax

Income tax	Note	For the period	
		from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Current income tax		594 766	859 303
Deferred income tax	22	50 156	(45 189)
Adjustments to current income tax from prior periods		(14 341)	7 257
Total		630 581	821 371

The tax on the Group's profit before tax differs in the following manner from the theoretical amount that would arise if the theoretical tax rate was applied, as a sum of profits before tax, multiplied by the income tax rate of the home country of each company and then divided by profit before tax.

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Profit before tax	3 396 447	4 756 887
Tax calculated using the domestic rates applicable to incomes in individual countries is 19.04% (2007: 19.08%)	646 540	907 670
Non-taxable income	(119 410)	(199 196)
Expenses not deductible for tax purposes	84 885	162 028
Utilisation of previously-unrecognised tax losses	(2 236)	(55 874)
Tax losses on which deferred tax assets were not recognised	33 171	349
Deductible temporary differences on which deferred tax assets were not recognised	1 972	(863)
Adjustments to current income tax from prior periods	(14 341)	7 257
Income tax expense	630 581	821 371
the average income tax rate applied was 18.57% (2007: 17.27%)		

37. Earnings per share

Basic earnings/diluted earnings

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Profit attributable to shareholders of the Parent Entity	2 766 179	3 934 559
Weighted average number of ordinary shares ('000)	200 000	200 000
Basic/diluted earnings per share (PLN/share)	13.83	19.67

There are no dilutive potential ordinary shares.

38. Dividend paid and proposed for payment

In accordance with Resolution No. 5/2008 of the Ordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. dated 26 June 2008 regarding the appropriation of Parent Entity profit for financial year 2007 and setting of the right to dividend date and dividend payment date, the amount of PLN 1 800 000 thousand, representing PLN 9.00 per share, was allocated as a shareholders dividend from profit for financial year 2007.

The right to dividend date was set at 18 July 2008, and dividend payment date at 7 August 2008.

All Parent Entity shares are ordinary shares.

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39. Notes to the cash flow statement

Adjustments to profit for the period

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Income tax from the income statement	630 581	821 371
Depreciation/amortisation	681 367	597 546
Losses on sales of property, plant and equipment and intangible assets	19 599	21 498
Gains on sales of available-for-sale financial assets and held-for-maturity investments	(3 510)	(19 857)
Gains/(losses) on disposal of shares in subsidiaries and associates	(5 913)	872
Gains on sales and change in the fair value of investment property	(1 566)	(13 786)
Impairment losses on property, plant and equipment, intangible assets available-for-sale financial assets and loans	285 633	8 261
Share of profits of associates accounted for using the equity method	(267 579)	(265 093)
Interest and share in profits (dividends)	15 672	9 674
Foreign exchange (gains)/losses	(16 585)	41 858
Change in provisions	84 399	89 595
Change in derivative instruments	2 759	139 716
Other adjustments	203	(5 121)
Changes in working capital:	(378 988)	246 889
Inventories	136 028	24 268
Trade and other receivables	(531 608)	459 269
Trade and other payables	(16 592)	(236 648)
Adjustments to profit for the period	1 046 072	1 673 423

Proceeds from sales of property, plant and equipment and intangible assets

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Net carrying amount of sold property, plant and equipment and intangible assets and costs related to disposal	38 443	42 183
Losses on sales of property, plant and equipment and intangible assets	(19 599)	(21 498)
Change in receivables due to sales	369	(646)
Capitalised gains from the disposal of property, plant and equipment and intangible assets	(1 633)	(38)
Proceeds from sales of property, plant and equipment and intangible assets	17 580	20 001

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40. Related party transactions

As the Polish State Treasury has control over KGHM Polska Miedź S.A. and is presumed to be the parent entity of the Company, the State Treasury Companies (see the list of Companies at 30 June 2008) meet the definition of related entities. Turnover and balances with these entities have been reflected in the information presented in this note, in those items respecting other related entities.

**For the period
from 1 January 2008 to 31 December 2008**

Sales to related entities	Sales of products	Sales of goods for resale and materials	Other transactions
- to associates	3 134	138	8 560
- to other related entities*	56 826	44 181	596
Total sales to related entities	59 960	44 319	9 156

During the period from 1 January to 31 December 2008, no sales of property, plant and equipment, intangible assets and investment property to related entities of the Group were reported.

*State Treasury subsidiaries from which the KGHM Polska Miedź S.A. Group earned revenues (5 largest items) during the period from 1 January to 31 December 2008:

1. Zakłady Chemiczne "POLICE" S.A.	26 443
2. Wojewódzkie Przedsiębiorstwo Energetyki Ciepłej w Legnicy S.A.	25 713
3. Fabryka Przewodów Energetycznych S.A.	13 577
4. CENTROZŁOM WROCŁAW S.A.	11 906
5. Zakłady Górniczo-Hutnicze "BOLESŁAW" S.A.	7 619

Sales to the above-mentioned entities represent around 85% of sales to the State Treasury subsidiaries. The remaining 15% represent revenues earned from 101 entities – the remaining clients of the Group related to the State Treasury.

**For the period
from 1 January 2007 to 31 December 2007**

Sales to related entities	Sales of products	Sales of goods for resale and materials	Other transactions
- to associates	2 514	217	18
- to key management and supervisory personnel	25	-	-
- to other related entities	54 879	20 412	1 657
Total sales to related entities	57 418	20 629	1 675

40. Related party transactions (continuation)

For the period from 1 January 2008 to 31 December 2008				
Purchases from related entities	Purchase of services	Purchase of goods for resale and materials	Purchase of property, plant and equipment, intangible assets, investment property	Other transactions
- from associates	34 963	10 541	26	-
- from other related entities*	634 579	99 943	12 432	1 808
Total purchases from related entities	669 542	110 484	12 458	1 808

*State Treasury subsidiaries from which the KGHM Polska Miedź S.A. Group made purchases (5 largest items) during the period from 1 January to 31 December 2008:

1. EnergiaPro S.A.	554 595
2. Polskie Górnictwo Naftowe i Gazownictwo S.A.	93 449
3. NITROERG S.A.	38 263
4. "Stomil-Poznań" S.A.	12 481
5. PPUP Poczta Polska	8 664

Purchases from the above-mentioned entities represent around 96% of purchases from the State Treasury subsidiaries. The remaining 4% represent purchases from 95 entities - the remaining clients of the Group related to the State Treasury.

For the period from 1 January 2007 to 31 December 2007				
Purchases from related entities	Purchase of services	Purchase of goods for resale and materials	Purchase of property, plant and equipment, intangible assets, investment property	Other transactions
- from associates	38 738	15 592	6	-
- from other related entities	565 562	73 112	9 417	1 193
Total purchases from related entities	604 300	88 704	9 423	1 193

Remuneration of the Management Board in 2008

	Period when function served in 2008	Annual bonus, sector bonuses		Earnings from subsidiaries and associates	Benefits due to termination of employment relationship	Retirement rights	Benefits, other earnings	Total earnings in 2008
		Wages						
Members of the Management Board as at 31 December 2008								
Mirosław Krutin	23.04-31.12.2008	346	47	141	-	-	55	589
Maciej Tybura	23.04-31.12.2008	282	38	63	-	-	59	442
Herbert Wirth	23.04-31.12.2008	282	38	91	-	-	50	461
Dismissed Members of the Management Board *								
Krzysztof Skóra	01.01-17.01.2008	293	126	74	600	-	56	1 149
Maksymilian Bylicki	-	171	79	-	460	-	45	755
Marek Fusiński	01.01-23.04.2008	342	139	51	448	-	65	1 045
Stanisław Kot Ireneusz	01.01-23.04.2008	342	170	32	448	198	26	1 216
Reszczyński	01.01-23.04.2008	342	139	56	448	-	34	1 019
Dariusz Kaśków	01.01-17.01.2008	239	-	-	293	-	7	539
Total		2 639	776	508	2 697	198	397	7 215

* the item „Wages” includes wages during the termination period

40. Related party transactions (continuation)

Remuneration of the Management Board in 2007

	Period when function served in 2007	Wages	Annual bonus, sector bonuses	Earnings from subsidiaries and associates	Benefits due to termination of employment relationship	Retirement rights	Benefits, other earnings	Total earnings in 2007
Members of the Management Board as at 31 December 2007								
Krzysztof Skóra	01.01-31.12.2007	448	212	231	-	-	58	949
Marek Fusiński	01.01-31.12.2007	364	172	151	-	-	88	775
Stanisław Kot	01.01-31.12.2007	364	149	49	-	-	35	597
Ireneusz Reszczyński	01.01-31.12.2007	364	215	143	-	-	30	752
Dariusz Kaśków	06.11-31.12.2007	59	2	-	-	-	37	98
Dismissed Members of the Management Board *								
Maksymilian Bylicki	01.01-06.11.2007	364	172	323	-	-	90	949
Wiktor Błądek	-	-	10	-	83	-	-	93
Mirosław Biliński	-	-	37	-	-	-	-	37
Andrzej Krug	-	-	-	-	75	-	-	75
Robert Nowak	-	-	23	-	65	-	-	88
Sławomir Pakulski	-	-	-	-	55	-	-	55
Jarosław Andrzej Szczeppek	-	-	-	-	75	-	-	75
Marek Szczerbiak	-	-	-	-	88	-	-	88
Total		1 963	992	897	441	-	338	4 631

* the item „Wages” includes wages during the termination period

Remuneration of the Supervisory Board in 2008

	Period when function served in 2008	Wages for the period when function served in the Supervisory Board	Earnings from other contracts	Earnings from subsidiaries and associates	Total earnings in 2008
Marcin Dyl	14.02-31.12.2008	77	-	-	77
Arkadiusz Kawecki	14.02-31.12.2008	77	-	-	77
Jacek Kuciński	14.02-31.12.2008	87	-	-	87
Marek Panfil	14.02-31.12.2008	75	-	-	75
Marek Trawiński	14.02-31.12.2008	97	-	58	155
Marzena Weresa	14.02-31.12.2008	75	-	-	75
Leszek Jakubów	01.01-14.02.2008	19	-	-	19
Stanisław Potycz	01.01-14.02.2008	14	-	-	14
Anna Mańk	01.01-14.02.2008	11	-	-	11
Remigiusz Nowakowski	01.01-14.02.2008	10	-	-	10
Marcin Ślęzak	01.01-13.02.2008	10	-	-	10
Jerzy Żyżyński	01.01-14.02.2008	15	-	-	15
Józef Czyczerski	01.01-31.12.2008	86	96	-	182
Leszek Hajdacki	01.01-31.12.2008	87	162	-	249
Ryszard Kurek	01.01-31.12.2008	89	134	-	223
Total		829	392	58	1 279

Remuneration of the Supervisory Board in 2007

	Period when function served in 2007	Wages for the period when function served in the Supervisory Board	Earnings from other contracts	Earnings from subsidiaries and associates	Total earnings in 2007
Adam Glapiński	11.04-10.07.2007	21	-	-	21
Adam Łaganowski	01.01-18.10.2007	61	-	-	61
Anna Mańk	11.04-31.12.2007	49	-	-	49
Stanisław Potycz	01.01-31.12.2007	76	-	-	76
Jan Sulmicki	01.01-11.04.2007	20	-	-	20
Marcin Ślęzak	01.01-31.12.2007	69	-	-	69
Jerzy Żyżyński	01.01-31.12.2007	69	-	-	69
Leszek Jakubów	18.10-31.12.2007	17	-	-	17
Remigiusz Nowakowski	18.10-31.12.2007	14	-	-	14
Józef Czyczerski	01.01-31.12.2007	69	71	-	140
Leszek Hajdacki	01.01-31.12.2007	69	167	-	236
Ryszard Kurek	01.01-31.12.2007	69	169	-	238
Total		603	407	-	1 010

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40. Related party transactions (continuation)

	At	
	31 December 2008	31 December 2007
Trade receivables from related entities		
- from associates	739	505
- from other related entities*	13 476	16 538
Total receivables from related entities	14 215	17 043

*State Treasury subsidiaries from whom the KGHM Polska Miedź S.A. Group at 31 December 2008 had receivables balance due to sales (5 largest items):

1. Wojewódzkie Przedsiębiorstwo Energetyki Ciepłej w Legnicy S.A.	4 029
2. Zakłady Chemiczne "POLICE" S.A.	2 413
3. Zakłady Górniczo-Hutnicze "BOLESŁAW" S.A.	652
4. CENTROZŁOM WROCŁAW S.A.	508
5. Huta "Będzin" S.A.	329

Receivables from the above-mentioned entities represent around 88% of receivables from sales to the State Treasury subsidiaries. The remaining 12% represent receivables from sales earned from 86 entities - the remaining clients of the Group related to the State Treasury.

The amount of the allowance for impairment of receivables from related entities at the balance sheet date and the amount of the allowance concerning related entities taken to profit or loss during the period is insignificant from the point of view of the consolidated financial statements.

	At	
	31 December 2008	31 December 2007
Trade payables towards related entities		
- towards associates	2 176	10 463
- towards other related entities *	70 430	68 393
Total liabilities towards related entities	72 606	78 856

*State Treasury subsidiaries towards which the KGHM Polska Miedź S.A. Group at 31 December 2008 recognised trade payables (5 largest items):

1. EnergiaPro S.A.	57 114
2. NITROERG S.A.	3 903
3. Polskie Górnictwo Naftowe i Gazownictwo S.A.	3 097
4. "Stomil-Poznań" S.A.	789
5. PUPP Poczta Polska	673

Liabilities towards the above-mentioned entities represent around 96% of liabilities due to purchases from the State Treasury subsidiaries. The remaining 4% represent liabilities towards 49 entities - the remaining clients of the Group related to the State Treasury.

In addition, entities of the KGHM Polska Miedź S.A Group make with the State Treasury settlements in respect of various types of taxes and charges. These transactions have been described in other notes of the financial statements.

	At	
	31 December 2008	31 December 2007
Guarantees received:		
- from other related entities	-	4
Guarantees granted to:	12	270
- other related entities	12	270

41. Remuneration of the entity entitled to audit financial statements

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Ernst & Young Audit Sp. z o.o.	2 989	2 533
Due to contract for the review and audit of financial statements, of which:	2 153	2 111
- audit of annual financial statements	1 631	1 588
- review of financial statements	522	523
Due to other contracts	836	422
Other companies of the Ernst & Young Group in Poland	1 882	803
of which due to tax consultancy	1 399	803

42. Off-balance sheet liabilities due to operating leases

Entities of the Group have entered into operating leases agreements related to the rental of office space, space serving radio and cable networks, mining machinery, vehicles and medical and IT equipment.

Total value of future minimum payments	At	
	31 December 2008	31 December 2007
Up to one year	17 550	17 056
From one to five years	32 834	34 891
Over five years	9 462	16 213
Total:	59 846	68 160

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
Lease payments recognised in profit or loss		
Value of minimum lease payments	36 380	27 133

43. Contingent items and other off-balance sheet items

	At	
	31 December 2008	31 December 2007
Contingent receivables	54 408	158 816
- contested State Budget issues	32 875	146 054
- guarantees received	21 533	12 762
Off-balance sheet receivables - inventions, implementation of projects	25 195	25 195
Contingent liabilities	68 068	708 660
- guarantees granted	15 390	30 002
- promissory note liabilities	18 094	15 501
- disputed issues, pending court proceedings	14 185	7 533
- contingent penalties	1 627	3 893
- preventive measures in respect of mine-related damages	8 000	10 000
- agreement on the acceptance of the offer and conditional transfer of shares in Petrotel sp. z o.o.	10 772	-
- agreement on the acceptance of the offer and conditional transfer of shares in Polkomtel S.A *	-	641 731
Off-balance sheet liabilities - disputed issues due to implementation of projects and inventions	86 583	55 588

The value of contingent assets was determined based on estimates.

* The contingent agreement for the sale of shares in Polkomtel S.A. was realised on 18 December 2008.

Potential liabilities due to offsetting of general service costs

Since 8 May 2006 Telekomunikacja Polska S.A. has been designated by the President of the Electronic Communications Office ('UKE') to provide the universal service throughout the country (49 numeral zones). The range of the universal services provided comprises:

- 1) connecting individual network outlets at the main location of the subscriber, excluding integrated services digital networks (ISDN);
- 2) maintaining the subscriber connection with the network outlet, as described in point 1), in readiness to provide telecommunications services;
- 3) domestic and international telephone calls, including mobile networks connections, additionally assuring fax and data transmissions and connections to the Internet;

43. Contingent items and other off-balance sheet liabilities (continuation)

- 4) providing information on telephone numbers and providing subscriber lists;
- 5) providing assistance to the handicapped;
- 6) providing telephone services through the use of the public equipment.

In accordance with art. 95 of the Telecommunications Act, designated companies are entitled to reimbursement of the costs of providing the universal service should they be unprofitable. The President of the UKE will set the amount of this reimbursement at the level of the net cost of providing services included in the universal service, and including only those costs which a given company would not incur if it had not been required to provide the universal service. The net amount of this cost is calculated in the manner set out in the decree of the Minister of Transportation and Construction dated 15 December 2005 regarding the manner of calculating the net cost of services included in the universal telecommunication service (Journal of Laws from 2005, No. 255, item 2141).

Telecommunication companies whose revenues from telecommunications activities exceed PLN 4 million in the calendar year for which reimbursement is due are required to participate in covering the reimbursement of costs for providing the universal service. The amount of reimbursement which a given company is required to cover can not exceed 1 % of its revenues. The share of individual companies in covering this reimbursement is determined by the President of the UKE, once the amount of the reimbursement due to a designated company is determined.

As at the date of preparation of these consolidated financial statements, neither the final amount of the above-mentioned reimbursement nor the share in it of individual telecommunications companies has been determined by the UKE. The effects of claims in this regard are accounted for in the consolidated financial statements based on probability estimates carried out by the management boards of the associate Polkomtel S.A. and the subsidiary Telefonia Dialog S.A. as telecommunication companies.

Contested State Budget issues

Legal regulations related to VAT and corporate income tax for 2008 have not been significantly changed as compared to the prior year, these changes may have resulted in significant changes in the Parent Entity's tax policy.

Despite some stabilisation of court and administrative tax judgments, tax interpretations issued by the tax office – through implemented duty of issuing individual interpretations regarding tax law problems by the Ministry of Finance, there are still areas of uncertainty and disputes. Issues regarding qualification of expenses deductible for tax purposes and determination of tax base are and still may have caused the tax risk for entities pursuing economic activity.

Tax bodies, operating within their assigned spheres of competence, are authorised to conduct controls and to examine records relating to business transactions accounted for in financial accounts within a period of 5 years from the end of the fiscal year for which a tax return was made and a financial result was calculated. Given the lack of consistent interpretation, KGHM Polska Miedź S.A. may be charged with additional taxation as well as interest.

In the opinion of the Management Board of the Parent Entity, there are no existing circumstances which would indicate the possibility of the arising of significant tax liabilities.

Contingent receivables due to contested State Budget issues regarding income taxes and VAT amounted at the balance sheet date to PLN 9 216 thousand, of which:

	PLN '000
- Personal income tax for year 2000	1 702
- Corporate income tax (lump-sum) for year 2003	1 914
- Corporate income tax for year 2002	2 496

Contingent receivables regarding contested issues on property tax on underground mining facilities amounts to PLN 2 454 thousand (as at 31 December 2007: PLN 119 628 thousand). Due to the review of a constitutional complaint by the Constitutional Tribunal, filed on 14 July 2006 by KGHM Polska Miedź S.A., with respect to the property tax on underground mining facilities and the buildings and equipment located within these facilities, the Constitutional Tribunal on 8 April 2008 issued a Decision in which it cancelled proceedings due to the inadmissibility of issuing a decree. The Company, disagreeing with this decision, on 26 May 2008 filed a complaint with the Constitutional Tribunal against this decision. The basis for filing this complaint was mainly the official position of the Minister of the State Treasury contained in a letter dated 25 March 2008, in which the State Treasury stated that it does not have a decisive impact on KGHM Polska Miedź S.A. as understood by the act on the transparency of financial relations between public bodies and public companies, which means that the Parent Entity is not in the category of public entities.

Therefore the Parent Entity is entitled, as is every other economic entity, to such rights as constitutional protection and the right of access to proceedings before the Constitutional Tribunal.

The Parent Entity withdrew complaints from administrative courts respecting the property tax on underground mining facilities for the years 2003-2007, as a result of which there was a significant decrease in the above-mentioned contingent receivables respecting property tax.

The decision of the Constitutional Tribunal does not have financial consequences for KGHM Polska Miedź S.A. due to the fact that the Parent Entity continually regulates its liabilities respecting property tax due to decisions issued by tax bodies.

In companies of the Group, appeal proceedings were continued respecting controls carried out in prior years.

43. Contingent items and other off-balance sheet liabilities (continuation)

POL-MIEDŹ TRANS Sp. z o.o.

In 2007 the Legnica Branch of the Tax Office in Wrocław conducted a tax audit in the subsidiary POL-MIEDŹ TRANS Sp. z o.o. regarding the payment of taxes in 2004. These proceedings concluded with the issuance of two decisions on the levying of additional excise tax in the total amount of PLN 7 721 thousand.

The main complaints involve the acceptance of declarations from customers regarding the use of heating oil containing fictional personal data, and sales of heating oil in wholesale amounts, suggesting they were to be used for commercial purposes.

On 20 December 2007 the company submitted an appeal of these decisions to the Customs Office in Wrocław. The Director of the Customs Office in Wrocław overturned the decision of a body of the first instance, and ordered the matter to be re-heard. On 30 December 2008 the Tax Control Office, as the result of a further review, maintained its previous decisions and set a 14-day deadline for submitting an appeal.

Due to contested State budget issues, contingent receivables in the subsidiary POL-MIEDŹ TRANS Sp. z o.o. amount to PLN 23 658 thousand, of which:

– Excise tax	22 579
– Fee for the right of perpetual usufruct	1 079

DIALOG S.A.

DIALOG S.A. is acting as a plaintiff in a variety of proceedings involving prior years, whose subject is the exclusion from the taxable base of the property tax of telecom lines, which in the opinion of the company are not objects which are subject to this tax. At 31 December 2008 the total value of the dispute is PLN 1 711 thousand.

44. Employment structure

Average employment in the Group was as follows:

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2007 to 31 December 2007
White-collar workers	8 747	8 428
Blue-collar workers	19 731	19 264
Total:	28 478	27 692

45. Social assets and Social Fund liabilities

The net balance of the Social Fund at 31 December 2008 amounted to PLN 1 245 thousand – Social Fund liability, and at 31 December 2007 amounted to PLN 3 643 thousand - Social Fund liability. The Group has netted the assets of the Fund with the liabilities towards the Fund.

The composition and nature of assets, liabilities and costs related to the Social Fund are presented in the table below.

Social assets and Social Fund liabilities	At	
	31 December 2008	31 December 2007
Loans granted to employees	103 116	85 762
Other receivables	222	113
Cash and cash equivalents	29 207	44 931
Social Fund liabilities	(133 790)	(134 449)
Net balance	(1 245)	(3 643)

The balance is settled in the following periods after refunding.

	For the period	
	from 1 January 2008 to 31 December 2008	from 1 January 2008 to 31 December 2008
Transfers made to the Social Fund during the financial period	103 750	111 076

46. Government grants

The balance of government grants recognised in deferred income at 31 December 2008 is PLN 1 633 thousand (at 31 December 2007: PLN 1 877 thousand). The funds are from the European Union funds, as well as from other funds. These are cash grants received for the acquisition of property, plant and equipment, for the performance of development work, which result in capitalised intangible assets and for the subsidising of employee training.

The companies of the Group also receive government grants from the Voivodeship Fund for Environmental Protection and Water Management (Fundusz Ochrony Środowiska i Gospodarki Wodnej) in the form of preferential interest rates on loans, as well as annulment of loans.

47. Subsequent events

Acquisition of shares of „Biowind” Sp. z o.o. by „Energetyka” sp. z o.o.

On 5 January 2009 an agreement for the acquisition of the shares of the company „Biowind” Sp. z o.o. with its registered head office in Gdańsk was entered into between „Energetyka” sp. z o.o. (a subsidiary of KGHM Polska Miedź S.A.) and two physical persons.

Based on this agreement, „Energetyka” sp. z o.o. acquired 1000 shares with a nominal value of PLN 50 each, having a total nominal value of PLN 50 thousand, representing 100% of the shares of „Biowind” Sp. z o.o. and granting 100% of the votes at the General Shareholders’ Meeting of „Biowind” Sp. z o.o.

The purchase price for the shares amounts to PLN 450 thousand. The shares were paid for in cash.

The share capital of „Biowind” Sp. z o.o. amounts to PLN 50 thousand and is divided into 1000 shares with a nominal value of PLN 50 per share.

The carrying amount of the assets in the accounts of „Energetyka” sp. z o.o. is PLN 450 thousand. The acquisition of these assets was financed using the internal funds of „Energetyka” sp. z o.o. The assets acquired are of a long-term, equity investment nature.

The purchase of shares of „Biowind” Sp. z o.o., holding a lease on property (around 300 hectares) in the Warmińsko-Mazurskie Voivodeship, enables the commencement of formal procedures aimed at realising an investment related to the construction of a wind farm.

Termination of contracts with PGNiG

On 10 January 2009 two contracts entered into on 1 December 2003 by a subsidiary of KGHM Polska Miedź S.A. - „Energetyka” sp. z o.o. – and Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna (PGNiG S.A.) for the supply of natural gas for power-generation purposes to reception terminals in Żukowice and Polkowice (current report no. 58/2003 dated 3 December 2003) were terminated.

Final negotiations are underway between KGHM Polska Miedź S.A. and PGNiG S.A. with respect to the signing of a new contract for the supply of natural gas, among others to the reception terminals in Żukowice and Polkowice. It was established that KGHM Polska Miedź S.A. will be the party to the contract for receiving natural gas.

Sale of shares of Polskie Towarzystwo Reasekuracji S.A.

On 12 January 2009, as part of a call for the sale of shares of Polskie Towarzystwo Reasekuracji S.A. in Warsaw (PTR) announced on 8 September 2008 by Fairfax Financial Holdings Limited with its registered head office in Toronto, Canada (Fairfax), KGHM Polska Miedź S.A. sold to Fairfax 12 500 000 registered ordinary shares of Polskie Towarzystwo Reasekuracji S.A. with its registered head office in Warsaw, representing 11.88% of the share capital of PTR for the total amount of PLN 20 000 thousand, i.e. PLN 1.60 per share. As a result of this transaction the Group currently holds none of the shares of PTR.

Acquisition of shares of Dolnośląska Korporacja Ekologiczna Sp. z o.o. by KGHM Ecoren S.A.

On 14 January 2009 an agreement for the acquisition of the shares of Dolnośląska Korporacja Ekologiczna Sp. z o.o. (a direct subsidiary of KGHM Ecoren S.A.) was signed between KGHM Ecoren S.A. (a direct subsidiary of KGHM Polska Miedź S.A.) and SITA POLSKA SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ.

Based on this agreement, KGHM Ecoren S.A. acquired 380 shares of Dolnośląska Korporacja Ekologiczna Sp. z o.o. having a total nominal value of PLN 380 thousand, representing 49.67% of the share capital of Dolnośląska Korporacja Ekologiczna Sp. z o.o. and granting 49.67% of the votes at the General Shareholders’ Meeting.

The shares were acquired for PLN 2 801 thousand and paid for in cash on the date of signing the agreement. The carrying amount of the shares acquired in the accounts of KGHM Ecoren S.A. is PLN 2 863 thousand. The acquisition of these assets was financed using the internal funds of KGHM Ecoren S.A. The assets acquired are of a long-term, equity investment nature.

Currently KGHM Ecoren S.A. owns 100% of the share capital of Dolnośląska Korporacja Ekologiczna Sp. z o.o. and 100% of the votes at the General Shareholders’ Meeting.

Approval by the Supervisory Board of the Budget for 2009 and the "Strategy of KGHM Polska Miedź S.A. for the years 2009 – 2018"

On 23 February 2009 the Supervisory Board of KGHM Polska Miedź S.A. approved the Company’s Budget for 2009 as presented by the Management Board and the „Strategy of KGHM Polska Miedź S.A. for the years 2009 – 2018”. For details of the approved documents see Report of the Management Board on the Company’s Activities in the Separate Financial Statements, chapter 4, point 4.1 and 4.3.

SIGNATURES

Signatures of all Members of the Management Board			
DATE	FIRST, LAST NAME	POSITION	SIGNATURE
27 March 2009	<i>Mirosław Krutin</i>	President of the Management Board	
27 March 2009	<i>Herbert Wirth</i>	I Vice President of the Management Board	
27 March 2009	<i>Maciej Tybura</i>	Vice President of the Management Board	

Signature of person responsible for company accounting			
DATE	FIRST, LAST NAME	POSITION	SIGNATURE
27 March 2009	<i>Ludmiła Mordylak</i>	Chief Accountant of KGHM Executive Director of Accounting Services Center	