

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 1 / 2010

(In accordance with § 82, section 2 and § 83, section 1 of the Decree of the Minister of Finance dated 19 February 2009 – Journal of Laws No. 33, point 259)

for issuers of securities involved in production, construction, trade or services activities

For the first quarter of the financial year **2010** comprising the period from **1 January 2010** to **31 March 2010**
Containing the condensed consolidated financial statements according to International Financial Reporting Standards in PLN, and condensed financial statements according to International Financial Reporting Standards in PLN.

publication date: 14 May 2010

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This report is a direct translation from the original Polish version. In the event of differences resulting from the translation, reference should be made to the official Polish version.

SELECTED FINANCIAL DATA

data concerning the condensed consolidated financial statements of KGHM Polska Miedź S.A.

	in '000 PLN		in '000 EUR	
	1 quarter of 2010 period from 1 January 2010 to 31 March 2010	1 quarter of 2009 period from 1 January 2009 to 31 March 2009	1 quarter of 2010 period from 1 January 2010 to 31 March 2010	1 quarter of 2009 period from 1 January 2009 to 31 March 2009
I. Sales	3 599 730	2 619 934	907 442	569 625
II. Operating profit	946 904	834 044	238 701	181 338
III. Profit before income tax	1 006 445	869 609	253 711	189 070
IV. Profit for the period	829 120	704 922	209 010	153 264
V. Profit for the period attributable to shareholders of the Parent Entity	826 075	705 356	208 242	153 357
VI. Profit for the period attributable to non-controlling interest	3 045	(434)	768	(94)
VII. Other comprehensive income	(47 827)	(326 152)	(12 057)	(70 912)
VIII. Total comprehensive income	781 293	378 770	196 953	82 352
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	778 248	379 204	196 185	82 445
X. Total comprehensive income attributable to non-controlling interest	3 045	(434)	768	(94)
XI. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
XII. Earnings per ordinary share (in PLN/EUR)	4.13	3.53	1.04	0.77
XIII. Net cash generated from operating activities	733 968	1 077 753	185 023	234 325
XIV. Net cash used in investing activities	(299 453)	(723 205)	(75 488)	(157 239)
XV. Net cash generated from/used in financing activities	31 234	(12 217)	7 874	(2 656)
XVI. Total net cash flow	465 749	342 331	117 409	74 430
	At 31 March 2010	At 31 December 2009	At 31 March 2010	At 31 December 2009
XVII. Non-current assets	10 305 859	9 777 030	2 668 391	2 379 882
XVIII. Current assets	6 135 619	5 083 112	1 588 633	1 237 309
XIX. Non-current assets held for sale	6 674	6 674	1 728	1 625
XX. Total assets	16 448 152	14 866 816	4 258 752	3 618 816
XXI. Non-current liabilities	2 371 927	1 970 994	614 139	479 771
XXII. Current liabilities	2 701 714	2 302 604	699 527	560 490
XXIII. Equity	11 374 511	10 593 218	2 945 086	2 578 555
XXIV. Non-controlling interest	70 920	67 875	18 363	16 522

data concerning the condensed financial statements of KGHM Polska Miedź S.A.

	in '000 PLN		in '000 EUR	
	1 quarter of 2010 period from 1 January 2010 to 31 March 2010	1 quarter of 2009 period from 1 January 2009 to 31 March 2009	1 quarter of 2010 period from 1 January 2010 to 31 March 2010	1 quarter of 2009 period from 1 January 2009 to 31 March 2009
I. Sales	3 274 528	2 377 177	825 463	516 845
II. Operating profit	906 137	796 278	228 424	173 126
III. Profit before income tax	898 809	783 615	226 577	170 373
IV. Profit for the period	725 393	627 878	182 861	136 513
V. Other comprehensive income	(48 059)	(325 475)	(12 115)	(70 765)
VI. Total comprehensive income	677 334	302 403	170 746	65 748
VII. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
VIII. Earnings per ordinary share (in PLN/EUR)	3.63	3.14	0.91	0.68
IX. Net cash generated from operating activities	639 607	1 013 798	161 236	220 420
X. Net cash used in investing activities	(257 386)	(634 342)	(64 883)	(137 918)
XI. Net cash used in financing activities	(1 049)	(1 099)	(264)	(239)
XII. Total net cash flow	381 172	378 357	96 089	82 263
	At 31 March 2010	At 31 December 2009	At 31 March 2010	At 31 December 2009
XIII. Non-current assets	10 002 722	9 508 897	2 589 903	2 314 614
XIV. Current assets	5 449 136	4 443 909	1 410 889	1 081 717
XV. Non-current assets held for sale	224	224	58	55
XVI. Total assets	15 452 082	13 953 030	4 000 850	3 396 386
XVII. Non-current liabilities	2 100 338	1 704 420	543 819	414 883
XVIII. Current liabilities	2 270 453	1 844 653	587 865	449 017
XIX. Equity	11 081 291	10 403 957	2 869 166	2 532 486

Translation from the original Polish version

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Consolidated financial statements

Consolidated statement of financial position

	Note	At	
		31 March 2010	31 December 2009
Assets			
Non-current assets			
Property, plant and equipment		7 702 797	7 673 437
Intangible assets		264 407	268 195
Investment property		17 164	17 164
Investments in associates		1 381 462	1 315 663
Deferred tax assets		481 966	347 395
Available-for-sale financial assets		11 482	19 412
Held-to-maturity investments		85 395	67 144
Derivative financial instruments		351 596	58 034
Trade and other receivables		9 590	10 586
		10 305 859	9 777 030
Current assets			
Inventories		2 346 619	2 072 434
Trade and other receivables		1 849 315	1 531 341
Current corporate tax receivables		6 579	9 329
Available-for-sale financial assets		9 262	8 976
Held-to-maturity investments		580	580
Derivative financial instruments		255 179	263 375
Cash and cash equivalents		1 668 085	1 197 077
		6 135 619	5 083 112
Non-current assets held for sale			
		6 674	6 674
TOTAL ASSETS			
		16 448 152	14 866 816
Equity and liabilities			
EQUITY			
Equity attributable to shareholders of the Parent Entity			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		78 474	126 301
Retained earnings		9 225 117	8 399 042
		11 303 591	10 525 343
Non-controlling interest			
		70 920	67 875
TOTAL EQUITY			
		11 374 511	10 593 218
LIABILITIES			
Non-current liabilities			
Trade and other payables		34 158	36 230
Borrowings and finance lease liabilities	A.IV.6	122 331	120 854
Derivative financial instruments		331 616	61 354
Deferred tax liabilities		44 496	41 785
Liabilities due to employee benefits		1 258 397	1 183 350
Provisions for other liabilities and charges		580 929	527 421
		2 371 927	1 970 994
Current liabilities			
Trade and other payables		1 585 079	1 575 896
Borrowings and finance lease liabilities	A.IV.6	258 488	219 816
Current corporate tax liabilities		375 799	79 104
Derivative financial instruments		339 510	273 717
Liabilities due to employee benefits		100 354	106 704
Provisions for other liabilities and charges		42 484	47 367
		2 701 714	2 302 604
TOTAL LIABILITIES			
		5 073 641	4 273 598
TOTAL EQUITY AND LIABILITIES			
		16 448 152	14 866 816

Consolidated statement of comprehensive income

	Note	Financial period	
		for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Income statement			
Sales	A.IV.1	3 599 730	2 619 934
Cost of sales	A.IV.2	(2 107 659)	(1 602 639)
Gross profit		1 492 071	1 017 295
Selling costs	A.IV.2	(53 975)	(60 690)
Administrative expenses	A.IV.2	(198 157)	(161 260)
Other operating income	A.IV.3	136 315	196 382
Other operating costs	A.IV.4	(429 350)	(157 683)
Operating profit		946 904	834 044
Finance costs - net	A.IV.5	(10 870)	(16 388)
Share of profits of associates accounted for using the equity method		70 411	51 953
Profit before income tax		1 006 445	869 609
Income tax expense		(177 325)	(164 687)
Profit for the period		829 120	704 922
Other comprehensive income due to:			
Available-for-sale financial assets		(1 552)	(6 131)
Cash flow hedging instruments		(57 493)	(396 525)
Income tax related to items presented in other comprehensive income		11 218	76 504
Other comprehensive net income for the financial period		(47 827)	(326 152)
TOTAL COMPREHENSIVE INCOME		781 293	378 770
Profit for the period attributable to:			
shareholders of the Parent Entity		826 075	705 356
non-controlling interest		3 045	(434)
Total comprehensive income attributable to:			
shareholders of the Parent Entity		778 248	379 204
non-controlling interest		3 045	(434)
Earnings per share attributable to the shareholders of the Parent Entity during the period (in PLN per share)			
- basic		4.13	3.53
- diluted		4.13	3.53

Consolidated statement of changes in equity

	Attributable to shareholders of the Parent Entity				Total	Attributable to non- controlling interest	Total equity
	Share capital	Retained earnings	Accumulated other comprehensive income due to:				
			Available- for-sale financial assets	Cash flow hedging instruments			
At 1 January 2010 as previously stated	2 000 000	8 429 651	561	125 740	10 555 952	67 875	10 623 827
Prior periods error	-	(30 609)	-	-	(30 609)	-	(30 609)
At 1 January 2010	2 000 000	8 399 042	561	125 740	10 525 343	67 875	10 593 218
Total comprehensive income	-	826 075	(1 257)	(46 570)	778 248	3 045	781 293
At 31 March 2010	2 000 000	9 225 117	(696)	79 170	11 303 591	70 920	11 374 511
At 1 January 2009	2 000 000	8 407 049	8 972	508 484	10 924 505	58 360	10 982 865
Total comprehensive income	-	705 356	(4 966)	(321 186)	379 204	(434)	378 770
Transactions with non-controlling shareholders	-	-	-	-	-	(8 726)	(8 726)
At 31 March 2009	2 000 000	9 112 405	4 006	187 298	11 303 709	49 200	11 352 909

Consolidated statement of cash flows

	Note	Financial period	
		for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Cash flow from operating activities			
Profit for the period		829 120	704 922
Adjustments to profit for the period	A.IV.7	(96 631)	514 164
Income tax refund/(paid)		1 479	(141 333)
Net cash generated from operating activities		733 968	1 077 753
Cash flow from investing activities			
Purchase of subsidiaries, less acquired cash and cash equivalents		(14)	(13 944)
Purchase of property, plant and equipment and intangible assets		(276 295)	(412 432)
Proceeds from sale of property, plant and equipment and intangible assets		4 397	1 662
Proceeds from sale of available-for-sale financial assets		-	20 000
Proceeds due to closure of investment in AIG Fund		6 779	-
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(18 254)	(15 242)
Establishment of deposits		-	(300 500)
Proceeds from repayments of loans granted		-	104
Interest received		599	105
Dividends received		65	71
Advances granted for purchase of property, plant and equipment and intangible assets		(14 195)	(1 769)
Other investment expenses		(2 535)	(1 260)
Net cash used in investing activities		(299 453)	(723 205)
Cash flow from financing activities			
Proceeds from loans and borrowings		55 823	8 685
Repayments of loans and borrowings		(18 619)	(16 606)
Payments of liabilities due to finance leases		(2 015)	(741)
Interest paid		(4 328)	(3 555)
Other financial proceeds		373	-
Net cash generated from/used in financing activities		31 234	(12 217)
Total net cash flow		465 749	342 331
Exchange gains/(losses) on cash and cash equivalents		5 259	(4 028)
Movements in cash and cash equivalents		471 008	338 303
Cash and cash equivalents at beginning of the period		1 197 077	2 065 763
Cash and cash equivalents at end of the period		1 668 085	2 404 066
including restricted cash and cash equivalents		34 726	3 409

Selected explanatory data to the consolidated financial statements

I. Policies applied in preparing the financial statements

1. Introduction

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

The principal activities of the Parent Entity comprise:

- mining of copper and 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,
- scheduled and non-scheduled air transport, and
- telecommunication and IT activities.

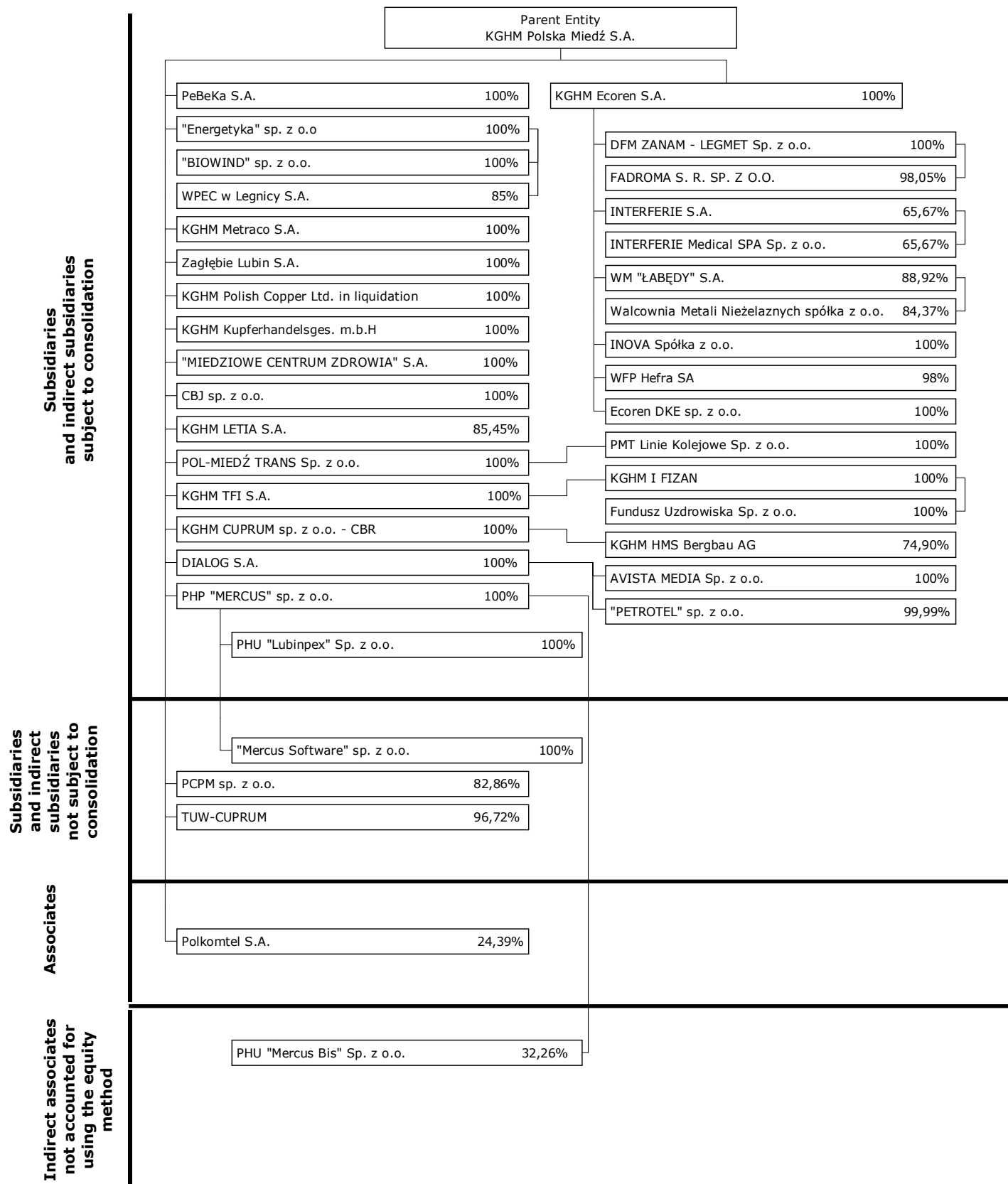
Activities involving the exploitation of copper ore, salt deposits and common minerals are carried out based on licenses held by KGHM Polska Miedź S.A., which were issued by the Minister of Environmental Protection, Natural Resources and Forestry in the years 1993-2004.

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,
- transport services,
- activities in the areas of research, analysis and design,
- production of road-building materials, and
- recovery of metals associated with copper ores.

Selected explanatory data to the consolidated financial statements (continuation)

2. Organisational structure of the KGHM Polska Miedź S.A. Group at 31 March 2010



The percentage share represents the total share of the Group.

Selected explanatory data to the consolidated financial statements (continuation)

In the current quarter KGHM Polska Miedź S.A. consolidated 33 subsidiary entities, while one associated entity was accounted for using the equity method.

Beginning from 1 January 2005 (*based on IAS 8 par. 8, which allows exemption from the application of principles described in IFRS if the results of such an exemption are immaterial*), the following subsidiaries were excluded from consolidation - Polskie Centrum Promocji Miedzi sp. z o.o., PU „Mercus Software” Sp. z o.o., and TUW Cuprum. Altogether, in the presented consolidated financial statements 3 subsidiaries were not consolidated, and the shares in one associated entity were measured at cost less an impairment loss. Exclusion of these entities from consolidation does not effect the honest presentation of the assets, financial result and cash flows of the Group.

The following quarterly report includes:

1. the consolidated financial statements of KGHM Polska Miedź S.A. for the current period from 1 January to 31 March 2010 and the comparable period from 1 January to 31 March 2009, together with selected explanatory data to the consolidated financial statements, and
2. other information to the consolidated quarterly report.

The quarterly financial information of KGHM Polska Miedź S.A. for the current period from 1 January to 31 March 2010 and the comparable period from 1 January to 31 March 2009 is an integral part of the report.

Neither the consolidated financial statements at 31 March 2010 nor the separate financial statements at 31 March 2010 were audited by a certified auditor.

3. Exchange rates applied

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

- for the calculation of turnover, financial results and cash flow for the current period, the rate of **3.9669 PLN/EUR**,
- for the calculation of turnover, financial results and cash flow for the comparative period, the rate of **4.5994 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 December 2009, the rate of **4.1082 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 March 2010, the rate of **3.8622 PLN/EUR**

4. Accounting policies

The following consolidated financial statements and separate financial statements have been prepared in accordance with polices based on International Financial Reporting Standards approved by the European Union. The above-mentioned policies were published on 31 March 2010 in the consolidated annual report RS 2009.

Presentation of these statements is based on IAS 34 Interim Financial Reporting, applying these same principles to the current and comparable periods, restating the comparable period to reflect the changes in accounting and presentation principles to those applied in the statements in the current period. Changes were with respect to revaluation of the shares of Polkomtel S.A. using the equity method due to an adjustment of the financial statements of Polkomtel S.A. for the year 2009 following an audit of its accounts. Due to a prior period error, retained earnings were decreased at 1 January 2010 by the amount of PLN 30 609 thousand with a respective decrease in the value of investments in associates at 31 December 2009.

(the financial result for the three months ended 31 March 2009 was decreased by PLN 84 thousand)

Changes in force in the Group from 1 January 2010 introduced by new standards, updated standards and interpretations:

- *Eligible hedged items*, an amendment to IAS 39 *Financial Instruments: Recognition and Measurement*,
- IFRIC 17 *Distributions of Non-cash Assets to Owners*,
- IFRS 1 *First-time Adoption of IFRS*,
- IFRIC 18 *Transfers of Assets from Customers*,
- *Improvements to International Financial Reporting Standards 2009*,
- Amended IFRS 2 *Group cash-settled share-based payment transactions*,
- IFRS 3 *Business Combinations*,
- IAS 27 *Consolidated and Separate Financial Statements*
- IFRS for Small and Medium-sized Entities,
- IFRIC 15 *Agreements for the Construction of Real Estate*.

did not affect the current financial statements of the Group.

Selected explanatory data to the consolidated financial statements (continuation)

II. Information on significant changes in estimates

1. Provisions for future liabilities

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

- 1.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates is an increase in the provision in the amount of PLN 68 697 thousand which was settled as a decrease in profit (after reflecting the results in deferred tax, a decrease in profit in the amount of PLN 55 642 thousand),
- 1.2 provision for future costs of decommissioning (restoration) of the Group's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 59 293 thousand, which was settled as a decrease of the financial result in the amount of PLN 9 059 thousand and as an increase of property, plant and equipment in the amount of PLN 50 234 thousand. The increase in the provision impacted an increase in deferred tax assets in the amount of PLN 7 781 thousand,
- 1.3 provisions for future employee remuneration costs together with charges in the amount of PLN 170 719 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining and smelting holidays and after approval of the annual financial statements.
(provision at 31 March 2010 amounted to PLN 436 204 thousand)

The revaluation and recognition of other provisions for liabilities did not significantly impact the current period financial result.

2. Deferred income tax

The result of differences between the carrying amount and the tax base of statement of financial position items is a change in the estimated value of the deferred tax asset and the deferred tax liabilities.

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 142 731 thousand, which was settled:

- as an increase of the financial result, PLN 142 785 thousand,
- as a decrease of other comprehensive income due to measurement of available-for-sale financial assets, PLN 54 thousand.

There was an increase in the deferred tax liability in the current quarter in the amount of PLN 10 870 thousand, of which the following was settled:

- as a decrease of the financial result, PLN 22 143 thousand,
- as an increase of other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets, PLN 11 273 thousand.

After offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at the end of the reporting period was set at PLN 481 966 thousand, while the deferred tax liability was set at PLN 44 496 thousand.

III. Financial assets and property, plant and equipment

In the current quarter changes in financial assets concerned the following:

1. in **investments in associates** – use of the equity method and an increase in investments due to share of profit of associate for the financial period in the amount of PLN 70 411 thousand, and amortisation of intangible assets in the form of customer relationships of Polkomtel S.A. in the amount of PLN 4 612 thousand identified in the final settlement of the acquisition of the shares of the company.
2. in **available-for-sale financial assets**
 - a) **non-current** – closure of investment in AIG investment fund in the amount of PLN 7 930 thousand
 - b) **current** - settlement in other comprehensive income of positive measurement of assets in the amount of PLN 286 thousand

Selected explanatory data to the consolidated financial statements (continuation)

3. in **non-current held-to-maturity investments** - purchase of financial assets financed from the resources of the Mine Closure Fund in the amount of PLN 18 254 thousand, and negative measurement of other assets in the amount of PLN 3 thousand,
4. in **derivative financial instruments** - due to derivative transactions entered into in the first quarter of 2010 and to changes in macroeconomic factors, there was an increase in the negative fair value of open derivative instruments at 31 March 2010. The financial result of the current quarter was decreased by PLN 201 333 thousand. Detailed information on derivative instruments of the Parent Entity may be found in part C point II 5, Risk management.
5. in **financial receivables** - an impairment allowance was released in the amount of PLN 1 962 thousand (an excess of the impairment allowance released, PLN 4 442 thousand over recognised, PLN 2 480 thousand).

With respect to other assets in the current quarter the following impairment losses were recognised and reversed:

property, plant and equipment and intangible assets

- impairment loss recognised PLN 4 589 thousand
- impairment loss reversed PLN 24 thousand

non-financial receivables

- impairment allowance recognised PLN 2 334 thousand
- impairment allowance reversed PLN 374 thousand

inventories

- write-down recognised PLN 388 thousand
- write-down reversed PLN 2 534 thousand

IV. Selected additional explanatory notes

1. Sales

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Copper, precious metals, smelter by-products	3 257 053	2 339 928
Energy	39 147	1 031
Services	206 692	171 509
Mining machinery, transport vehicles for mining and other	5 594	1 666
Goods for resale	49 158	72 825
Wastes and materials	2 577	2 129
Other goods	39 509	30 846
Total	3 599 730	2 619 934

Selected explanatory data to the consolidated financial statements (continuation)

2. Costs by type

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Depreciation of property, plant and equipment and amortisation of intangible assets	207 252	178 755
Employee benefit costs	849 082	707 618
Materials and energy consumption	1 322 855	774 078
External services	273 964	281 213
Taxes and charges	91 061	81 208
Advertising costs and representation expenses	9 954	9 898
Property and personal insurance	5 980	4 209
Research and development costs not capitalised in intangible assets	345	3
Other costs, of which:	14 520	32 966
Impairment loss on property, plant and equipment, intangible assets	4 589	432
Write-down of inventories	388	26
Allowance for impairment of trade receivables	2 298	25 258
Reversal of impairment loss on property, plant and equipment, intangible assets	(20)	-
Reversal of write-down of inventories	(2 534)	(1 368)
Reversal of allowance for impairment of trade receivables	(2 505)	(1 215)
Losses from the disposal of financial instruments	489	310
Other operating costs	11 815	9 523
Total costs by type	2 775 013	2 069 948
Cost of goods for resale and materials sold (+), of which:	34 407	30 503
Allowance for impairment of receivables	57	634
Reversal of allowance for impairment of receivables	(170)	(171)
Change in inventories of finished goods and work in progress (+/-)	(339 960)	(150 251)
Cost of manufacturing products for internal use (-)	(109 669)	(125 611)
Total cost of sales, selling and administrative costs	2 359 791	1 824 589

Selected explanatory data to the consolidated financial statements (continuation)

3. Other operating income

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Income and gains on financial instruments, classified under other operating activities, resulting from:	118 976	157 193
Measurement and realisation of derivative instruments	107 098	39 697
Interest	8 643	33 145
Foreign exchange gains	-	76 811
Gains from disposal	-	7 514
Gains from realisation of available-for-sale financial assets	896	-
Gains from measurement of non-current financial liabilities	572	-
Reversal of allowance for impairment of loans and receivables	1 767	26
Gains from the loss of control of a subsidiary	-	21 457
Gains from the disposal of intangible assets	-	219
Other interest	452	1 244
Dividends received	64	251
Reversal of impairment losses on assets under construction	4	-
Reversal of allowance for impairment of other non-financial receivables	374	781
Government grants and other donations received	194	175
Release of unused provisions due to:	4 135	8 247
Decommissioning of mines and other technological facilities	126	7 469
Disputed issues and court proceedings	657	440
Remaining anticipated losses, expenses and liabilities	3 352	338
Surpluses identified in tangible current assets and cash and cash equivalents	13	-
Penalties and compensation received	4 834	3 423
Other operating income/gains	7 269	3 392
Total other operating income	136 315	196 382

Selected explanatory data to the consolidated financial statements (continuation)

4. Other operating costs

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Costs and losses on financial instruments, classified under other operating activities, resulting from:	404 027	140 299
Measurement and realisation of derivative instruments	350 596	134 655
Interest	15	332
Foreign exchange losses	53 291	-
Losses from the measurement of liabilities	-	2 306
Allowances for impairment of loans and receivables	125	3 006
Allowances for impairment of other non-financial receivables	2 334	756
Losses on the sale of intangible assets	93	-
Losses on the sale of property, plant and equipment	373	1 884
Interest on overdue non-financial liabilities	35	378
Donations granted	9 548	136
Provisions for liabilities due to:	2 200	5 291
Decommissioning of mines	1 447	17
Disputed issues and court proceedings	560	1 788
Other	193	3 486
Penalties and compensation paid	764	1 064
Contributions to a voluntary organisation	2 913	3 741
Other operating costs/losses	7 063	4 134
Total other operating costs	429 350	157 683

5. Net finance costs

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Interest expense:	4 250	3 776
On bank and other loans	3 563	2 992
Due to finance leases	687	784
Net exchange (gains)/losses on borrowings	(1 307)	2 695
Changes in provisions arising from the approach of the time to execute liabilities (the so-called unwinding of discount effect)	7 831	9 772
Other net finance costs	96	145
Total net finance costs	10 870	16 388

Selected explanatory data to the consolidated financial statements (continuation)

6. Borrowings and liabilities due to finance leases

	At	
	31 March 2010	31 December 2009
Non-current	122 331	120 854
Bank loans	85 060	86 340
Loans	3 676	3 715
Finance lease liabilities	33 595	30 799
Current	258 488	219 816
Bank loans	243 616	204 442
Loans	3 783	4 788
Finance lease liabilities	11 089	10 586
Total	380 819	340 670

7. Adjustments to profit for the period in the consolidated statement of cash flows

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Income tax from the income statement	177 325	164 687
Depreciation/amortisation	207 252	178 755
Share of profits of associates accounted for using the equity method	(70 411)	(51 953)
Interest and share in profits (dividends)	3 887	1 203
Foreign exchange (gains)/losses	(6 639)	11 192
Change in provisions	67 088	6 760
Change in derivative instruments	35 361	439 336
Realisation of derivative instruments recognised in equity	(42 165)	(339 083)
Other adjustments	474	(1 317)
Changes in working capital:	(468 803)	104 584
Inventories	(273 847)	(170 707)
Trade and other receivables	(304 170)	284 292
Trade and other payables	109 214	(9 001)
Total adjustments to profit for the period	(96 631)	514 164

Selected explanatory data to the consolidated financial statements (continuation)

V. Situation and results of significant companies

DIALOG S.A.

DIALOG S.A. is the parent entity of the DIALOG S.A. Group, which at 31 March 2010 comprised the following subsidiaries:

- „PETROTEL” sp. z o.o. – this company provides telecom services in the region of Płock and vicinity,
- AVISTA MEDIA Sp. z o.o. – the core business of the company is providing call center services and direct marketing.

Financial data of the DIALOG S.A. Group ('000 PLN)

	Financial period	
	for the 3 months ended	for the 3 months ended
	31 March 2010	31 March 2009*
Sales	131 142	129 409
Result on sales	12 893	8 996
Operating profit	14 762	10 276
EBITDA	35 951	35 046
Profit before taxation	13 157	8 354
Profit for the period	14 813	3 396

Financial data of DIALOG S.A. ('000 PLN)

	Financial period	
	for the 3 months ended	for the 3 months ended
	31 March 2010	31 March 2009
Sales	124 510	122 574
Result on sales	11 504	8 957
Operating profit	13 272	10 035
EBITDA	32 254	32 277
Profit before taxation	11 750	8 253
Profit for the period	13 691	3 469

* Data for 2009 were adjusted in relation to those presented in the consolidated report for the first quarter of 2009 with respect to the final settlement of the acquisition of shares of „PETROTEL” sp. z o.o.

In the first quarter of 2010 the DIALOG S.A. Group achieved better financial results than in the comparable prior period.

The revenues of the DIALOG S.A. Group, during the period from January to March 2010, were higher than those achieved in the comparable prior period by PLN 1 733 thousand. The main increase in revenues was recorded in the area of services provided based on external infrastructure (mainly WLR services) and revenues from IPTV and data transmission services using the company’s own network.

The DIALOG S.A. Group increased its customer base with respect to fixed-line telephony and digital television. At the end of March 2010 it had 708.9 thousand ringing lines using both its own and external networks (WLR services). The digital television customer base, offered under the DIALOGmedia package with fixed-line telephony and Internet access, amounted at the end of the first quarter of 2010 to 25.8 thousand (an increase of 4.8 thousand versus the amount at 31 December 2009).

In the first quarter of 2010 the DIALOG S.A. Group introduced Diallo mobile telephone services, realised on the basis of a mobile virtual network operator (MVNO). Commercial introduction of these services was in February 2010. At the end of March there were 1.1 thousand active SIM Diallo cards.

Selected explanatory data to the consolidated financial statements (continuation)

Polkomtel S.A.

The carrying amount of the shares of Polkomtel S.A. in the consolidated financial statements of KGHM Polska Miedź S.A. at 31 March 2010 accounted for using the equity method amounted to PLN 1 381 462 thousand.

Financial data of Polkomtel S.A. ('000 PLN)

	Financial period	
	for the 3 months ended	for the 3 months ended
	31 March 2010	31 March 2009*
Sales	1 832 308	1 973 760
Result on sales	339 554	356 095
Operating profit	360 640	357 118
EBITDA	697 099	697 024
Profit before taxation	355 602	264 918
Profit for the period	288 668	213 004

* Data for 2009 were adjusted in relation to those presented in the consolidated report for the first quarter of 2009 with respect to changes in the consolidated financial statements of Polkomtel S.A. introduced as a result of an audit by a certified auditor

In the first quarter of 2010, Polkomtel S.A. earned revenues from sales 8 % lower than in the comparable prior period. A lower result on sales was also recorded (a decrease of 5 %).

The profit for the period January to March 2010 of the company, was higher than that achieved in the comparable prior period by PLN 75 664 thousand, mainly due to lower financial costs.

VI. Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

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

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

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

The Management Board of KGHM Polska Miedź S.A. will propose to the Ordinary General Meeting of KGHM Polska Miedź S.A. payout of a dividend for 2009 in the amount of PLN 600 000 thousand, i.e. PLN 3.00 per share and will propose the following dividend-related dates: right to dividend date: 17 June 2010, and dividend payment date: 8 July 2010.

The final decision concerning appropriation of the profit of KGHM Polska Miedź S.A. for financial year 2009 and setting the right to dividend date and dividend payment date will be made by the Ordinary General Meeting of KGHM Polska Miedź S.A., convened for 17 May 2010.

All Parent Entity shares are ordinary shares.

IX. Subsequent events

Selection of an entity entitled to audit financial statements

On 16 April 2010, the Supervisory Board of the Parent Entity, in accordance with its rights arising from the Statutes of the Parent Entity, has selected the firm PricewaterhouseCoopers Sp. z o.o. with its registered head office in Warsaw, al. Armii Ludowej 14, as the entity with which a contract will be entered into for the review and auditing of the separate and consolidated financial statements of the Parent Entity for the years 2010-2012.

PricewaterhouseCoopers Sp. z o.o. is registered under number 144 in the list of entities entitled to audit financial statements. The selection of an entity entitled to audit financial statements was made in accordance with laws in force and professional standards. The Parent Entity used the services of PricewaterhouseCoopers Sp. z o.o. for the review and auditing of financial statements for the years 2004-2006 and other services.

Selected explanatory data to the consolidated financial statements (continuation)

Convening an Ordinary General Meeting of the Parent Entity

On 20 April 2010 the Management Board of the Parent Entity placed an announcement on convening an Ordinary General Meeting.

The Ordinary General Meeting of the Parent Entity will take place on 17 May 2010, beginning at 11.00 AM at the head office of the Parent Entity in Lubin, at ul. Marii Skłodowskiej-Curie 48 (in Jan Wyżykowski Hall).

Signing of Investment Agreement with foreign partner

On 4 May 2010 KGHM Polska Miedź S.A. signed an Investment Agreement with Abacus Mining & Exploration Corporation with its registered head office in Vancouver, regarding formation of a joint venture to advance the Afton-Ajax copper-gold mining project located in British Columbia in Canada.

Abacus Mining & Exploration Corporation is a mineral exploration and mining development company. The company is quoted on the TSX Venture Exchange (TSX-V) in Canada.

In accordance with the "Strategy of KGHM Polska Miedź S.A. for the years 2009 – 2018" approved by the Supervisory Board of the Company on 23 February 2009, one of the five main strategic areas - development of the resource base - aimed at increasing the production of copper in concentrate to approx. 700 thousand tonnes annually, will be realised among others through investments in foreign mining assets.

The Investment Agreement provides for:

1. The acquisition by KGHM Polska Miedź S.A. of a 51% interest in the joint venture company formed together with Abacus, through a cash contribution in the amount of USD 37 million (the equivalent of PLN 110.7 million pursuant to the National Bank of Poland exchange rate for USD/PLN of 4 May 2010). Abacus will bring to the joint venture all the rights it owns to the Afton-Ajax deposit. The cash will be used to carry out a Bankable Feasibility Study and for further exploration.
2. An option to acquire by KGHM Polska Miedź S.A. a further 29% in the joint venture company for an amount not higher than USD 35 million (the equivalent of PLN 104.7 million pursuant to the National Bank of Poland exchange rate for USD/PLN of 4 May 2010). KGHM shall have the right to execute this option following completion of the Bankable Feasibility Study.

Realisation of the Investment Agreement is subject to approval by the shareholders of Abacus. In consideration of the above, the Parties have agreed to complete a definitive joint venture agreement by the end of the second quarter of 2010, and not later than 30 September 2010.

In addition, in accordance with the Investment Agreement, KGHM Polska Miedź S.A. acquired, on 7 May 2010, 10% of the shares of Abacus (15 million shares at a price of CAD 0.30 per share) through private placement, for the total amount of CAD 4.5 million (the equivalent of PLN 14.0 million, pursuant to the National Bank of Poland exchange rate for CAD/PLN of 7 May 2010).

The Investment Agreement also includes a commitment by KGHM Polska Miedź S.A. to arrange financing for the project capex of USD 535 million (the equivalent of PLN 1 601.1 million pursuant to the National Bank of Poland exchange rate for USD/PLN of 4 May 2010), estimated in accordance with the Technical report (scoping study) by Wardrop Engineering Inc. dated 29 July 2009. The commitment will arise at the moment of execution by KGHM Polska Miedź S.A. of the option to acquire a further 29% in the joint venture company.

In accordance with the above-mentioned Technical report, the project assumes annual copper in concentrate production at the level of 50 thousand tonnes, and gold production at the level of 100 thousand troz. A 23-year mine-life is predicted, beginning from 2013. Production costs of one tonne of copper are estimated at the level of approx. USD 2 000.

In realising this transaction, KGHM Polska Miedź S.A. cooperated with the financial advisor TD Securities Inc. Legal advisors are Chadbourne & Parke and Stikeman Elliot.

Modernisation of the copper smelting technology of the Głogów smelter

On 7 May 2010 the Management Board of KGHM Polska Miedź S.A. made the decision to modernise the copper concentrates smelting technology of the Głogów smelter.

The purpose of this investment is to create a smelting and technology structure ensuring continuation of the current capacity to process internal and imported concentrates in terms of functioning on the copper producers market for at least the next several decades.

Selected explanatory data to the consolidated financial statements (continuation)

Realisation of this project will result in:

- substantial restriction of the smelter's environmental impact,
- reduction in the total unit production cost,
- increased revenues for the KGHM Polska Miedź S.A. Group due to the possibility to intensify the recovery of lead, silver and rhenium,
- decreased maintenance costs, and
- improved workplace safety.

This modernisation consists in replacing the old, ecologically unfriendly and power-intensive technology, based on the smelting of concentrates in shaft furnaces, with the modern, one-stage copper blister flash furnace process under the license of Outotec Oyj.

Total investment expenditures are estimated at the level of PLN 1 743 million, and it is assumed that the majority of expenditures will be incurred in the years 2013-2014. Completion of the project and start-up of the installation is expected at the end of 2014.

Realisation of this project will enable smelter production to be guaranteed for the next 40 years, with minimised environmental impact and substantial reduction of emissions of greenhouse gases.

Flash furnace technology is among the most modern in the world. Its application by the Głogów I smelter will guarantee decreased processing costs and create the possibility for increased recovery of other valuable associated metals.

Significant contract

On 4 May 2010 contracts were entered into between KGHM Polska Miedź S.A. and nkt cables GmbH (Cologne) and its subsidiaries: nkt cables Warszawice Sp. z o.o., nkt cables s.r.o, nkt cables Velke Mezirici k.s., nkt cables Vrschlabi k.s., nkt cables a/s., for the sale of copper wire rod in 2010 and 2011.

The estimated total value of these contracts is from PLN 2 289 941 thousand to PLN 2 613 329 thousand, depending on the amount of tonnage under option.

This amount was calculated based on the forward copper curve from 4 May 2010 and the USD/PLN exchange rate per NBP from 4 May 2010.

The contracts were entered into for two years with the possibility of prolonging for another year.

Due to contracts provisions it is not possible to determine which of the above contracts is the highest-value contract. The contracts provide for the flexible re-allocation of tonnage within the nkt cables group.

Bond Issuance Program Agreement

On 10 May 2010 a Bond Issuance Program Agreement („Program”) was signed. The parties to the agreement are KGHM Polska Miedź S.A. as Issuer, BANK PEKAO S.A. as Organiser, Issue Agent and Dealer, and PKO BANK POLSKI S.A. and BANK HANDLOWY W WARSZAWIE S.A. as Co-Organisers, Sub-Agents and Dealers.

The Program provides for the possible multiple issuance of bearer bonds, with maturity of from 30 days to 10 years („Bonds”), in dematerialised form in accordance with the Act on bonds dated 29 June 1995 (Journal of Laws No. 120 from 2001, item 1300 with subsequent amendments) („Act on bonds”). The issuance of the Bonds will be based on art. 9 sec. 3 of the Act on bonds and they will be non-public offers.

Bonds under the Program will be issued in Polish zloties, in respect of which the per-bond face value will be PLN 10 thousand, or a multiple of this amount. The issue price will be set during the Bond offer process. The maximum total amount of debt due to bonds from this Program may not exceed PLN 500 000 thousand.

The funds obtained from the issuance of Bonds will be allocated to finance the current activities of KGHM Polska Miedź S.A. The Agreement has an unspecified lifetime.

Selected explanatory data to the consolidated financial statements (continuation)

X. Contingent and other items not recognised in the statement of financial position

	At 31 March 2010	Increase/(decrease) since the end of the last financial year
Contingent receivables	146 685	15 621
Contested State budget issues	41 907	(3 665)
Guarantees received	82 520	19 951
Promissory notes receivables	22 258	(665)
Other receivables not recognised in the statement of financial position - inventions, implementation of projects	32 042	807
Contingent liabilities	94 524	(1 165)
Guarantees	15 128	78
Promissory note liabilities	60 961	(1 553)
Disputed issues, pending court proceedings	15 921	310
Contingent penalties	23	-
Preventive safety measures in respect of mine-related damages	2 491	-
Other liabilities not recognised in the statement of financial position	751 190	20 324
Inventions, implementation of projects and other unrealised agreements	99 123	(6 669)
Operating leases	63 300	(11 062)
Future payments due to perpetual usufruct of land	588 767	38 055

The value of contingent assets was determined based on estimates.

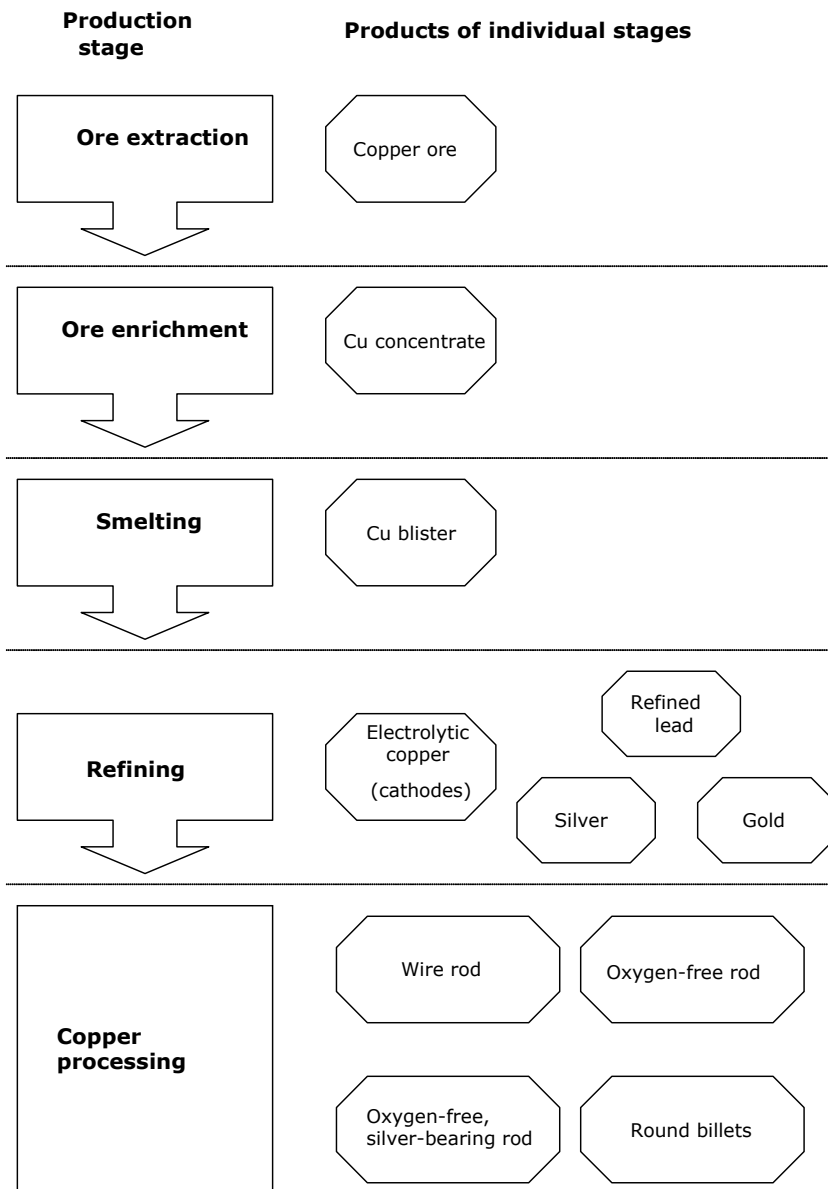
XI. Business segments

IFRS 8, *Operating segments*, was published by the International Accounting Standards Board on 30 November 2006, and replaced IAS 14, *Segment Reporting* and becomes effective for periods beginning on or after 1 January 2009.

As part of the process of implementation of this standard, an analysis was performed of the management model of the Group, the system of reporting within the Group and the economic characteristics of its entities. As a result of this analysis one reporting segment was identified, which was defined as „Production of copper, precious metals and other smelter products” and the segment „All other segments”, which combined the remaining operating segments, both those which do not meet the criteria for combination as well as those which did not meet the required quantitative thresholds.

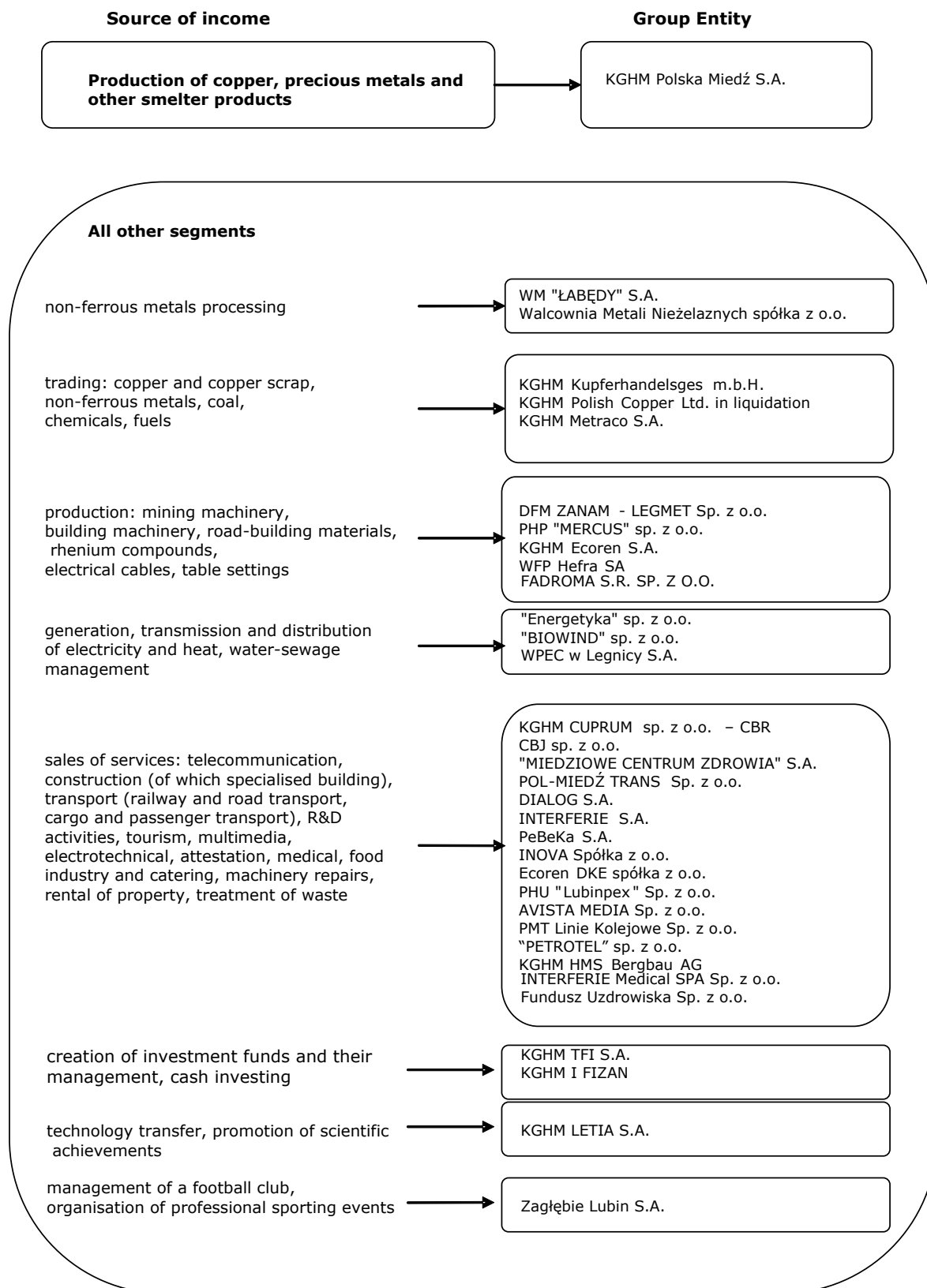
The activities of the segment „Production of copper, precious metals and other smelter products” focuses on the production of copper and silver, the core business of KGHM Polska Miedź S.A. Copper is mainly recovered from copper ore. From this, after enrichment, concentrate is obtained, which is then processed in smelters into anode copper. The process of electrorefining produces refined copper of up to 99.99% purity. A by-product of the electrorefining process is anode slime, from which silver and gold are recovered. The factor responsible for the separation of this segment is its significant share in the results of the Group. In addition, it meets the required quantitative threshold for reportable segments. The results of this segment are separately monitored by the Management Board of the Parent Entity. The basic products of this segment are electrolytic copper cathode, round billets, wire rod and silver.

Selected explanatory data to the consolidated financial statements (continuation)



Each of the remaining Group companies represents a separate operating segment. Due to their various economic characteristics they do not meet the criteria for combination according to IFRS 8 § 12 and do not meet any of the quantitative thresholds. As a result they were combined and presented in the category „All other segments“.

Selected explanatory data to the consolidated financial statements (continuation)



Selected explanatory data to the consolidated financial statements (continuation)

Internal reports on the results of Group companies are prepared monthly in a condensed form, and quarterly in an expanded scope. The Management Board of the Parent Entity is the body which performs regular reviews of the internal financial reports of the whole Group for purposes of making major investment decisions, as it is the body which is responsible for allocating resources within the Group.

Inter-segment transaction prices are set under arm's length conditions, similarly as in relations with parties external to the Group.

Segments financial results

	Financial period for the 3 months ended 31 March 2010				
	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
REVENUE	3 274 528	1 519 091	10 349	(1 204 238)	3 599 730
of which:					
- external sales	3 043 626	547 708	10 349	(1 953)	3 599 730
- inter-segment sales	230 902	971 383	-	(1 202 285)	-
Interest income	7 579	2 758	-	(1 242)	9 095
Interest costs	(375)	(4 821)	-	896	(4 300)
Depreciation/Amortisation	(154 536)	(50 210)	116	(2 622)	(207 252)
Revaluation of provisions for employee benefits	(68 639)	(58)	-	-	(68 697)
Impairment losses on property, plant and equipment	-	(4 565)	-	-	(4 565)
Income on measurement and realisation of derivative instruments	104 898	2 200	-	-	107 098
Costs on measurement and realisation of derivative instruments	(350 339)	(257)	-	-	(350 596)
Share of profit of associates	-	-	-	70 411	70 411
Profit before income tax	898 809	41 297	266	66 073	1 006 445
Income tax expense	(173 416)	(4 099)	54	136	(177 325)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	(1 276)	1 276	-	-
Profit for the period	725 393	35 922	1 596	66 209	829 120
	At 31 March 2010				
Segment assets	15 452 082	3 706 902	(28 829)	(2 682 003)	16 448 152
Segment liabilities	4 370 791	1 208 931	(9 321)	(496 760)	5 073 641
Bank and other loans	2 000	412 039	-	(77 904)	336 135
Investments in associates	1 159 947	-	-	221 515	1 381 462
	Financial period for the 3 months ended 31 March 2010				
Capital expenditure	146 128	39 635	-	(227)	185 536

*Adjustment – adjustment restating the amounts to the measurement principles of International Financial Reporting Standards.

Selected explanatory data to the consolidated financial statements (continuation)

Since 2005 the KGHM Polska Miedź S.A. Group has prepared its financial statements in accordance with International Financial Reporting Standards approved by the European Union. Three Group companies, i.e. the Parent Entity, DIALOG S.A., and INTERFERIE S.A. keep their accounts in accordance with IFRS. The remaining companies of the Group consolidated in the segment „All other segments” keep their accounts in accordance with Polish Accounting Standards, restating data to the principles of International Financial Reporting Standards for the preparation of financial statements for the needs of their consolidation.

Details of adjustments restating the amounts shown in the segment „All other segments” to the measurement principles of International Financial Reporting Standards at 31 March 2010:

	Sales	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	(7 509)	(7 509)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	(4 411)	(4 411)
Accounting for shares using the equity method	-	-	800	-	(23 129)	-
Separate presentation of assets and liabilities for sales transaction from prior years	10 319	-	34	-	-	-
Receivables due to payments to capital	-	-	-	-	2 000	-
Other	30	116	(568)	54	4 220	2 599
Total adjustment	10 349	116	266	54	(28 829)	(9 321)

Selected explanatory data to the consolidated financial statements (continuation)

	Financial period for the 3 months ended 31 March 2009				
	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
REVENUE	2 377 177	894 032	-	(651 275)	2 619 934
<i>of which:</i>					
- external sales	2 232 443	385 820	-	1 671	2 619 934
- inter-segment sales	144 734	508 212	-	(652 946)	-
Interest income	31 088	3 371	-	(70)	34 389
Interest costs	(1 092)	(3 536)	-	142	(4 486)
Depreciation/Amortisation	(132 884)	(48 337)	(406)	2 872	(178 755)
Revaluation of provisions for employee benefits	(9 578)	2	-	-	(9 576)
Impairment losses on property, plant and equipment	-	(432)	-	-	(432)
Income on measurement and realisation of derivative instruments	38 541	1 156	-	-	39 697
Costs on measurement and realisation of derivative instruments	(131 904)	(2 752)	-	-	(134 656)
Share of profit of associates	-	-	-	51 953	51 953
Profit before income tax	783 615	22 879	969	62 146	869 609
Income tax expense	(155 737)	(10 686)	(312)	2 048	(164 687)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	(1 471)	1 471	-	-
Profit for the period	627 878	10 722	2 128	64 194	704 922
	At 31 December 2009				
Segment assets	13 953 030	3 589 050	(3 461)	(2 671 803)	14 866 816
Segment liabilities	3 549 073	1 144 325	18 370	(438 170)	4 273 598
Bank and other loans	3 005	374 585	-	(78 305)	299 285
Investments in associates	1 159 947	-	-	155 716	1 315 663
	Financial period for the 3 months ended 31 March 2009				
Capital expenditure	191 242	59 865	-	479	251 586

*Adjustment – adjustment restating the amounts to the measurement principles of International Financial Reporting Standards.

Selected explanatory data to the consolidated financial statements (continuation)

Details of adjustments restating the amounts shown in the segment „All other segments” to the measurement principles of International Financial Reporting Standards at 31 March 2009:

	Depreciation/ Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	(7 357)	(7 357)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	(4 860)	(4 860)
Accounting for shares using the equity method	-	494	-	(25 436)	-
Separate presentation of assets and liabilities for sales transaction from 2008	-	-	-	30 628	30 597
Capitalisation of major maintenance expenditures	(435)	(435)	82	-	-
Receivables due to payment to capital	-	-	-	2 000	-
Other	29	910	(394)	1 564	(10)
Total adjustment	(406)	969	(312)	(3 461)	18 370

Revenues from sales of the Group from external clients with geographical areas breakdown

The geographical breakdown reflects the location of end clients.

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Poland	1 161 777	740 304
Germany	706 737	462 623
France	84 498	244 252
Great Britain	388 903	237 924
Czech Republic	267 965	124 558
Austria	62 057	24 268
Hungary	107 273	55 635
China	415 241	403 700
Other countries	405 279	326 670
Total	3 599 730	2 619 934

Main customers

During the period from 1 January 2010 to 31 March 2010, the revenues from two customers exceeded 10% of the revenues of the Group.

Customer 1 PLN 435 218 thousand

Customer 2 PLN 417 210 thousand

However, during the period from 1 January 2009 to 31 March 2009, in the segment „Production of copper, precious metals and other smelter products” the revenues from sales from one customer amounted to PLN 293 529 thousand.

Selected explanatory data to the consolidated financial statements (continuation)

XII. Effects of changes in the economic structure, including due to the combination of economic entities, to the takeover or sale of entities of the KGHM Polska Miedź S.A. Group, to long-term investments, or to the separation, restructurisation or discontinuation of activities

Foundation of the company INTERFERIE Medical SPA Sp. z o.o.

On 1 February 2010 the founder's act was signed for a new company called INTERFERIE Medical SPA Sp. z o.o. with its registered head office in Lubin, founded by INTERFERIE S.A - an indirect subsidiary of KGHM Polska Miedź S.A. The share capital of INTERFERIE Medical SPA Sp. z o.o. amounts to PLN 50 thousand and is divided into 50 shares with a per-share face value of PLN 1 000. INTERFERIE S.A. obtained 100 % of the shares, covering them with cash. The indirect share of KGHM Polska Miedź S.A. in the share capital of INTERFERIE Medical SPA Sp. z o.o. is 65.67 %.

The reason for founding this company is to engage in the hotel, recreation, rehabilitation, health tourism and wellness sectors. INTERFERIE Medical SPA Sp. z o.o. was registered on 18 February 2010 at the Regional Court for Wrocław Fabryczna in Wrocław, Section IX Economic of the National Court Register.

During the financial period, INTERFERIE Medical SPA Sp. z o.o. did not earn revenues from sales but incurred administrative expenses in the amount of PLN 5 thousand.

Acquisition of KGHM I FIZAN investment certificates

On 2 February 2010, KGHM Polska Miedź S.A. acquired 2 095 investment certificates, series A, of the KGHM I Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (KGHM First Closed-End, Non-Public Assets Investment Fund) (KGHM I FIZAN) at a price of PLN 10 thousand per certificate. The Management Body of the KGHM I FIZAN is KGHM TFI S.A. - a subsidiary of KGHM Polska Miedź S.A. The indirect share of KGHM Polska Miedź S.A. in the share capital of KGHM I FIZAN is 100%. The subject of activities of KGHM I FIZAN is cash investing in securities, money market instruments and other property rights, as defined by the Act on investment funds and the Statutes.

KGHM I FIZAN was entered into the register of the Regional Court in Warsaw, Section VII Civil Registration on 9 February 2010.

During the financial period, the Fund earned revenues from sales of PLN 93 thousand and incurred costs of PLN 172 thousand.

Foundation of the company Fundusz Uzdrowiska Sp. z o.o.

On 12 March 2010 the founder's act was signed for the company Fundusz Uzdrowiska Sp. z o.o. Its founder is KGHM I FIZAN (100 % owned by KGHM Polska Miedź S.A.), which acquired 100 percent of the shares.

The share capital of Fundusz Uzdrowiska Sp. z o.o. amounts to PLN 15 thousand, and is divided into 150 equal and indivisible shares of PLN 100 per share. Cost of acquisition of the shares is PLN 15 thousand.

The subject of activities of Fundusz Uzdrowiska Sp. z o.o. is financial activities, real estate business, activities related to servicing of the real estate market and management-related advice.

As at 31 March 2010 the company Fundusz Uzdrowiska Sp. z o.o. had not yet commenced operations.

Other information to the consolidated quarterly report

Position of the Management Board with respect to the possibility of achieving previously-published forecasts of results for 2010, in light of the results presented in this consolidated quarterly report relative to forecasted results

The Management Board of KGHM Polska Miedź S.A. has not published a forecast of Group results.

In the current report dated 1 February 2010 KGHM Polska Miedź S.A. published a forecast of Company results for 2010 based on the Budget for 2010 approved by the Supervisory Board. In accordance with the above-mentioned forecast, revenues from sales in 2010 will amount to PLN 11 736 million, and profit for the period PLN 2 898 million.

The revenues from sales achieved in the first quarter of 2010 in the amount of PLN 3 275 million and the profit for the period of PLN 725 million represent respectively 28% and 25% of the forecast for 2010.

The continued high volatility on financial markets in copper prices and in the USD/PLN exchange rate means that the forecasted financial results of KGHM Polska Miedź S.A. are characterised by high uncertainty. Based on analysis of the current macroeconomic situation, KGHM Polska Miedź S.A. does not at present foresee significant divergence from the forecasted financial result assumed for 2010.

Shareholders holding at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. as at the date of publication of this consolidated quarterly report, and changes in the ownership structure of significant packets of shares of KGHM Polska Miedź S.A. in the period since publication of the prior consolidated quarterly report

At the date of publication of the consolidated report for the fourth quarter of 2009, i.e. at 26 February 2010, the only shareholder owning at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. was the State Treasury – which owned 63 589 900 shares of KGHM Polska Miedź S.A., representing 31.79% of the share capital and the same number of votes at the General Meeting of KGHM Polska Miedź S.A. (based on an announcement dated 12 January 2010).

Following publication of the consolidated report for the fourth quarter of 2009, KGHM Polska Miedź S.A. was not informed by any shareholder of any change in the ownership structure of significant packets of shares.

At the date of preparation of this report, based on information held by KGHM Polska Miedź S.A., the only shareholder owning at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. remains the State Treasury, which holds 63 589 900 shares of KGHM Polska Miedź S.A. representing 31.79% of the share capital and the same number of votes at the General Meeting of KGHM Polska Miedź S.A.

Ownership of shares of KGHM Polska Miedź S.A. or of rights to them by management or supervisory personnel of KGHM Polska Miedź S.A., as at the date of publication of the consolidated quarterly report, based on information held by KGHM Polska Miedź S.A. Changes in ownership during the period following publication of the prior consolidated quarterly report

The Members of the Management Board of KGHM Polska Miedź S.A., at the date of publication of the consolidated report for the fourth quarter of 2009, i.e. at 26 February 2010, did not own any shares of KGHM Polska Miedź S.A. or rights to them. Based on information held by KGHM Polska Miedź S.A. at the date of publication of this report this did not change.

Among supervisory personnel, at the date of publication of the consolidated report for the fourth quarter of 2009, only Ryszard Kurek owned 10 shares of KGHM Polska Miedź S.A. Based on information held by KGHM Polska Miedź S.A., at the date of publication of this report this did not change.

List of proceedings being pursued in a court, an appropriate body for arbitration, or in a body of public administration

At 31 March 2010, the total value of on-going proceedings before the public courts, bodies appropriate for arbitration proceedings and bodies of public administration respecting liabilities and debtors, of KGHM Polska Miedź S.A. and its subsidiaries, did not represent at least 10% of the equity of KGHM Polska Miedź S.A.

Other information to the consolidated quarterly report (continuation)

Information on single or multiple transactions entered into by KGHM Polska Miedź S.A. or a subsidiary with related entities, if separately or jointly they are significant and were entered into under other than arm's length conditions

In the period from 1 January 2010 to 31 March 2010, neither KGHM Polska Miedź S.A. nor any of its subsidiaries entered into significant transactions with related entities under other than arm's length conditions.

Information on the granting by KGHM Polska Miedź S.A. or by its subsidiary of collateral on credit or loans, or of guarantees – jointly to a single entity or its subsidiary, if the total value of such collateral or guarantees represents the equivalent of at least 10% of the equity of KGHM Polska Miedź S.A.

During the period from 1 January 2010 to 31 March 2010 neither KGHM Polska Miedź S.A. nor its subsidiaries granted collateral on credit or loans, nor did they grant guarantees to a single entity or its subsidiary whose total value would represent at least 10% of the equity of KGHM Polska Miedź S.A.

Other information which in the opinion of KGHM Polska Miedź S.A. is significant for the assessment of personnel situation, assets, finances and the financial result and any changes thereto, and information which is significant for assessing the ability to perform obligations

In the first quarter of 2010 there were no other significant events, apart from those mentioned in the commentary to the report, which could have a significant impact on the assessment of assets and financial position, the financial result of the Group and any changes thereto, or any events significant for assessing the personnel situation and the ability to perform obligations.

Factors which will impact the financial results of the Group, at least in the following quarter

The largest impact on the results of the Group is from the Parent Entity – KGHM Polska Miedź S.A. – as well as, to a lesser degree, from Polkomtel S.A. and from DIALOG S.A.

As a result, through the Parent Entity, the most significant factors impacting the results of the Group, particularly in the following quarter, will be:

- copper and silver prices on the metals markets,
- the USD/PLN exchange rate,
- electrolytic copper production costs,
- the effects of the hedging policy being realised.

Quarterly financial information of KGHM Polska Miedź S.A.

Statement of financial position	Note	At	
		31 March 2010	31 December 2009
Assets			
Non-current assets			
Property, plant and equipment		5 978 269	5 937 513
Intangible assets		74 112	76 147
Shares and investment certificates in subsidiaries		1 936 174	1 915 224
Investments in associates		1 159 947	1 159 947
Deferred tax assets		298 588	167 062
Available-for-sale financial assets		9 770	17 700
Held-to-maturity investments		85 351	67 097
Derivative financial instruments		351 596	58 034
Trade and other receivables		108 915	110 173
		10 002 722	9 508 897
Current assets			
Inventories		2 188 569	1 890 286
Trade and other receivables		1 643 034	1 314 598
Held-to-maturity investments		580	580
Derivative financial instruments		254 847	263 247
Cash and cash equivalents		1 362 106	975 198
		5 449 136	4 443 909
Non-current assets held for sale		224	224
TOTAL ASSETS		15 452 082	13 953 030
Equity and liabilities			
EQUITY			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		79 169	127 228
Retained earnings		9 002 122	8 276 729
TOTAL EQUITY		11 081 291	10 403 957
LIABILITIES			
Non-current liabilities			
Trade and other payables		15 281	17 472
Borrowings and finance lease liabilities		11 004	11 576
Derivative financial instruments		331 616	61 354
Liabilities due to employee benefits		1 173 379	1 098 399
Provisions for other liabilities and charges	C. I. 1	569 058	515 619
		2 100 338	1 704 420
Current liabilities			
Trade and other payables		1 451 115	1 376 049
Borrowings and finance lease liabilities		4 903	6 109
Current corporate tax liabilities		371 853	78 183
Derivative financial instruments		339 500	273 503
Liabilities due to employee benefits		86 781	93 122
Provisions for other liabilities and charges	C. I. 1	16 301	17 687
		2 270 453	1 844 653
TOTAL LIABILITIES		4 370 791	3 549 073
TOTAL EQUITY AND LIABILITIES		15 452 082	13 953 030

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

Statement of comprehensive income

	Note	Financial period	
		for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
INCOME STATEMENT			
CONTINUED ACTIVITIES:			
Sales	C. I. 2	3 274 528	2 377 177
Cost of sales	C. I. 3	(1 887 479)	(1 448 739)
Gross profit		1 387 049	928 438
Selling costs	C. I. 3	(21 201)	(23 693)
Administrative expenses	C. I. 3	(156 369)	(122 279)
Other operating income	C. I. 4	117 160	163 125
Other operating costs	C. I. 5	(420 502)	(149 313)
Operating profit		906 137	796 278
Finance costs - net	C. I. 6	(7 328)	(12 663)
Profit before income tax		898 809	783 615
Income tax expense		(173 416)	(155 737)
Profit for the period		725 393	627 878
OTHER COMPREHENSIVE INCOME DUE TO:			
Available-for-sale financial assets		(1 839)	(5 295)
Cash flow hedging instruments		(57 493)	(396 525)
Income tax related to items presented in other comprehensive income		11 273	76 345
Other comprehensive net income for the financial period		(48 059)	(325 475)
TOTAL COMPREHENSIVE INCOME		677 334	302 403
Earnings per share during the period (in PLN per share)			
- basic		3.63	3.14
- diluted		3.63	3.14

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

Statement of changes in equity

	Share capital	Retained earnings	Accumulated other comprehensive income due to:		Total equity
			Available-for-sale financial assets	Cash flow hedging instruments	
At 1 January 2010	2 000 000	8 276 729	1 489	125 739	10 403 957
Total comprehensive income	-	725 393	(1 489)	(46 570)	677 334
At 31 March 2010	2 000 000	9 002 122	-	79 169	11 081 291
At 1 January 2009	2 000 000	8 072 544	10 265	508 483	10 591 292
Total comprehensive income	-	627 878	(4 289)	(321 186)	302 403
At 31 March 2009	2 000 000	8 700 422	5 976	187 297	10 893 695

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

Statement of cash flows

	Note	Financial period	
		for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Cash flow from operating activities			
Profit for the period		725 393	627 878
Adjustments to profit for the period	C. I. 7	(85 786)	523 109
Income tax paid		-	(137 189)
Net cash generated from operating activities		639 607	1 013 798
Cash flow from investing activities			
Purchase of shares and investment certificates in subsidiaries		(20 964)	(6 000)
Purchase of property, plant and equipment and intangible assets		(217 217)	(332 151)
Proceeds from sale of property, plant and equipment and intangible assets		1 095	949
Proceeds from sale of available-for-sale financial assets		-	20 000
Proceeds due to closure of investment in AIG Fund		6 779	-
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(18 254)	(15 242)
Establishment of deposits		-	(300 500)
Proceeds from repayments of loans granted		1 258	100
Interest received		1 034	117
Expenses due to advances granted for the purchase of property, plant and equipment		(8 772)	(356)
Other investment expenses		(2 345)	(1 259)
Net cash used in investing activities		(257 386)	(634 342)
Cash flow from financing activities			
Repayments of loans		(1 000)	(1 000)
Payments of liabilities due to finance leases		(14)	(15)
Interest paid		(35)	(84)
Net cash used in financing activities		(1 049)	(1 099)
Total net cash flow		381 172	378 357
Exchange gains/(losses) on cash and cash equivalents		5 736	(3 614)
Movements in cash and cash equivalents		386 908	374 743
Cash and cash equivalents at beginning of the period		975 198	1 793 580
Cash and cash equivalents at end of the period		1 362 106	2 168 323
including restricted cash and cash equivalents		34 715	3 389

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

Selected explanatory data

I. Additional notes

1. Changes in 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 2010	533 306	510 903	5 307	1 507	15 589
Increase	59 807	59 402	-	214	191
Decrease	(7 754)	(6 395)	-	(635)	(724)
Provisions at 31 March 2010	585 359	563 910	5 307	1 086	15 056
of which:					
Non-current provisions	569 058	555 736	-	-	13 322
Current provisions	16 301	8 174	5 307	1 086	1 734

	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 2009	634 790	602 925	5 721	4 832	21 312
Increase	149 673	140 354	2 687	1 507	5 125
Decrease	(251 157)	(232 376)	(3 101)	(4 832)	(10 848)
Provisions at 31 December 2009	533 306	510 903	5 307	1 507	15 589
of which:					
Non-current provisions	515 619	501 850	-	-	13 769
Current provisions	17 687	9 053	5 307	1 507	1 820

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

2. Sales

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Copper, precious metals, smelter by-products	3 212 874	2 322 028
Salt	18 954	15 416
Services	15 176	14 744
Other goods	2 771	2 641
Goods for resale	15 263	13 575
Wastes and production materials	9 426	8 727
Other materials	64	46
Total	3 274 528	2 377 177

3. Costs by type

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Depreciation of property, plant and equipment and amortisation of intangible assets	154 536	132 884
Employee benefit costs	681 861	552 052
Materials and energy consumption	1 270 451	736 636
External services	221 792	235 206
Taxes and charges	75 481	67 205
Advertising costs and representation expenses	4 931	3 477
Property and personal insurance	3 589	2 662
Research and development costs not capitalised in intangible assets	291	3
Other costs, of which:	2 355	(530)
Write-down of inventories	300	17
Reversal of write-down of inventories	(88)	(1 328)
Reversal of allowance for impairment of receivables	-	(31)
Losses from the disposal of financial instruments	489	310
Other operating costs	1 654	502
Total costs by type	2 415 287	1 729 595
Cost of goods for resale and materials sold (+)	23 329	21 203
Change in inventories of finished goods and work in progress (+/-)	(349 592)	(132 329)
Cost of manufacturing products for internal use (-)	(23 975)	(23 758)
Total cost of sales, selling and administrative costs	2 065 049	1 594 711

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

4. Other operating income

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Income and gains on financial instruments, classified under other operating activities, resulting from:	113 924	151 002
Measurement and realisation of derivative instruments	104 898	38 541
Gains from disposal	896	7 500
Gains from measurement of non-current liabilities	572	-
Foreign exchange gains	-	74 660
Interest	7 558	30 299
Reversal of allowance for impairment of other receivables	-	2
Non-financial interest	21	789
Reversal of allowance for impairment of non-financial receivables	370	776
Release of unused provisions due to:	1 076	7 545
Decommissioning of mines	126	7 469
Disputed issues and court proceedings	320	28
Liabilities towards municipal authorities (gminas) due to signed donation agreements	630	-
Other	-	48
Penalties and compensation received	1 136	1 440
Government grants and other donations received	37	88
Other operating income/gains	596	1 485
Total other operating income	117 160	163 125

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

5. Other operating costs

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Costs and losses on financial instruments, classified under other operating activities, resulting from:	400 558	136 586
Measurement and realisation of derivative instruments	350 339	131 904
Interest	7	158
Foreign exchange losses	50 209	-
Losses on measurement of non-current liabilities	-	2 306
Impairment losses on loans	3	2 213
Allowances for impairment of other receivables	-	5
Allowances for impairment of other non-financial receivables	-	387
Losses on the sale of property, plant and equipment and intangible assets	1 842	1 856
Donations granted	9 503	-
Interest on overdue non-financial liabilities	34	296
Provisions for liabilities due to:	1 649	3 843
Decommissioning of mines	1 430	-
Disputed issues and court proceedings	214	1 181
Other	5	2 662
Penalties and compensation paid	76	47
Contributions to a voluntary organisation	2 913	3 741
Other operating costs/losses	3 927	2 557
Total other operating costs	420 502	149 313

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

6. Net finance costs

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Interest expense:	334	638
On loans	60	83
Due to finance leases	274	555
Net exchange gains on borrowings	(911)	-
Changes in provisions arising from the approach of the time to execute liabilities (the so-called unwinding of discount effect)	7 831	9 772
Other financial costs	74	2 253
Total net finance costs	7 328	12 663

7. Adjustments to profit for the period in the statement of cash flows

	Financial period	
	for the 3 months ended 31 March 2010	for the 3 months ended 31 March 2009
Income tax from the income statement	173 416	155 737
Depreciation/amortisation	154 536	132 884
Interest and share in profits (dividends)	(898)	(1 786)
Foreign exchange (gains)/losses	(6 798)	9 216
Change in provisions	70 458	6 961
Change in derivative instruments	35 769	438 870
Realisation of derivative instruments, recognised in equity	(42 165)	(339 083)
Other adjustments	1 996	(3 581)
Changes in working capital:	(472 100)	123 891
Inventories	(298 165)	(153 420)
Trade and other receivables	(319 469)	267 901
Trade and other payables	145 534	9 410
Total adjustments to profit for the period	(85 786)	523 109

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

1. Significant achievements or failures during the reported period, together with the most important related events.

Project „Effectiveness”

In order to develop a program for reducing unit costs in KGHM Polska Miedź S.A., in February 2009 Project „Effectiveness” was initiated.

In 2009, 10 programs were realised under the project, whose effect is to confirm the implementation of 200 initiatives aimed at achieving average annual savings of approx. PLN 80 million. These programs were divided into those for immediate implementation and those requiring testing prior to implementation.

At present (from January 2010) a further 10 programs are being realised: 7 with respect to TOP (Total Operational Performance) cost reduction programs and 3 process transformation programs based on Lean Management principles. 26 Change Leaders are involved in the process, supported by 27 local coordinators, cooperating on the development of initiatives for implementation.

Simultaneously, initiatives are being implemented which arose during programs commenced in 2009.

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

Centralisation of procurement in the Company and Group

Under the auspices of the Company's Central Procurement Office and the Procurement Support System, in the first quarter of 2010, 650 tenders were initiated with a total estimated value exceeding PLN 1 billion, of which bidding in the form of an electronic auction was concluded on over 200 tenders. The savings achieved, calculated in reference to estimated prices, from tenders concluded in this manner amounted during this period to over PLN 150 million.

In addition, the Procurement Policy in force in the KGHM Polska Miedź S.A. Group was reviewed and updated to achieve further simplification and to enable faster realisation of tenders conducted in both the Company and in the companies of the KGHM Polska Miedź S.A. Group.

As part of the above activities, work is at an advanced stage on implementing a unified and comprehensive Procurement Support System in 10 of the companies of the KGHM Polska Miedź S.A. Group. Conclusion of this project is planned at the turn of the second and third quarters of 2010.

In the first quarter a test version of the E-procurement electronic procurement system was tried out, developed by the Central Procurement Office in cooperation with PHP Mercus Sp. z o.o. Work is currently being pursued related to determining the scope of functioning as well as those areas which will be targeted by the system. This is the another modern tool whose implementation will enable improved logistical servicing and shortening of the delivery waiting time.

Selection of other significant events covered by current reports

Statutes of the Company

On 31 December 2009 the court registered the changes in the Statutes of the Company, approved by the resolutions no. 4-9/2009 of the Extraordinary General Meeting on 9 December 2009. On 1 February 2010 the Supervisory Board of KGHM Polska Miedź S.A., based on the authorisation by the Extraordinary General Meeting from 9 December 2009, established a unified text of the Statutes of the Company.

Significant blocks of shares

On 8 January 2010 the State Treasury sold on a regulated market 20 000 000 shares of KGHM Polska Miedź S.A. directed to qualified investors. Following this sale, the State Treasury owns 63 589 900 shares of KGHM Polska Miedź S.A., representing 31.79% of the share capital of the Company.

Significant contracts

On 14 January 2010 a contract was entered into between KGHM Polska Miedź S.A. and MKM Mansfelder Kupfer und Messing GmbH for the sale of copper cathodes in 2010. The estimated value of this contract is USD 522 873 thousand, i.e. PLN 1 460 383 thousand.

On 20 January 2010 a contract was signed between KGHM Polska Miedź S.A. and Tele-Fonika Kable Sp. z o.o. S.K.A. for the sale in 2010 of copper wire rod and oxygen-free copper rod. The estimated value of this contract is from USD 478 759 thousand, i.e. PLN 1 354 695 thousand, to USD 579 027 thousand, i.e. PLN 1 638 415 thousand.

Budget

The Supervisory Board of KGHM Polska Miedź S.A. at its meeting on 1 February 2010 approved the Company's Budget for 2010. The accepted Budget assumes the achievement in 2010 of revenues from sales in the amount of PLN 11 736 million and profit for the period of PLN 2 898 million.

Company bodies

As of 17 February 2010 Marek Trawiński resigned from membership in the Supervisory Board of KGHM Polska Miedź S.A.

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

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

Financial assets

Due to the measurement and settlement of future cash flow hedging transactions in an amount reflecting the effective portion of the hedge, after reflecting the results in deferred tax, other comprehensive income were decreased in the current quarter by PLN 46 570 thousand.

Due to the measurement and settlement of available-for-sale financial assets to fair value, after reflecting the results in deferred tax, other comprehensive income was decreased in the current quarter by PLN 1 489 thousand.

Due to the realisation and re-measurement of derivative instruments to the level of fair value there was a decrease in the financial result for the current quarter of PLN 203 276 thousand (of which: as an increase in revenues from sales PLN 42 165 thousand and as a decrease in the result on other operating activities PLN 245 441 thousand). For detailed information on derivative instruments see part C point II 5 Risk management.

The measurement of other financial assets did not significantly impact the current period financial result.

Property, plant and equipment and receivables

Due to the depreciation of property, plant and equipment and amortisation of intangible assets, operating costs were increased in the current quarter by PLN 154 536 thousand.

The measurement of other assets did not significantly impact the current period financial result.

3. Type and amounts of changes in estimates

Provisions

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

3.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates is an increase in the provision and a decrease in the financial result in the amount of PLN 68 639 thousand (after reflecting the results in deferred tax a decrease in profit in the amount of PLN 55 598 thousand),

3.2 provision for future costs of decommissioning (restoration) of the Company's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 59 276 thousand which was settled as a decrease of the financial result in the amount of PLN 9 042 thousand and as an increase of property, plant and equipment in the amount of PLN 50 234 thousand. The increase in the provision resulted in an increase in deferred tax assets in the amount of PLN 7 777 thousand,

3.3 provisions for future employee remuneration costs together with charges in the amount of PLN 155 072 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining and smelting holidays and after approval of the annual financial statements.

(provision at 31 March 2010 amounted to PLN 414 147 thousand)

The revaluation and recognition of other provisions for liabilities did not significantly impact the current period financial result.

Deferred income tax

The result of differences between the carrying amount and the tax base of the statement of financial position items is a change in the estimated value of the deferred tax asset and the deferred tax liability.

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 141 111 thousand, which was settled as an increase of the financial result.

There was an increase in the deferred tax liability in the amount of PLN 9 585 thousand, of which the following was settled:

- as a decrease of the financial result, PLN 20 858 thousand
- as an increase of other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial instruments, PLN 11 273 thousand.

After offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at the end of the reporting period was set at PLN 298 588 thousand.

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

4. Factors and events, in particular those of an unusual nature, having an impact on the financial results achieved by the Company.

Production and financial results in the first quarter of 2010

In the first quarter of 2010, KGHM Polska Miedź S.A. produced 129 thousand t of electrolytic copper, including 36 thousand t from purchased copper-bearing materials and 265 t of metallic silver.

The most significant factors impacting the value of sales during the period were macroeconomic factors:

- copper prices on the London Metal Exchange (LME) at the average level of 7 243 USD/t,
 - an average exchange rate of 2.88 PLN/USD,
 - average silver prices on the London Bullion Market (LBM) of 16.93 USD/troz,
- and the sales volume: 121 thousand t of copper and copper products, and 327 t of silver.

The revenues from sales achieved of PLN 3 274 528 thousand were higher than those achieved in the first quarter of 2009 by PLN 897 351 thousand, i.e. by 38%. The increase in sales was mainly due to higher:

- copper prices (an increase from 3 435 USD/t to 7 243 USD/t) and silver prices (an increase from 12.60 USD/troz to 16.93 USD/troz),
- volume of copper sale (an increase from 119 thousand t to 121 thousand t) and of silver sale (from 294 t to 327 t),

along with the following factors which decreased revenues from sales:

- strengthening of the PLN from 3.45 PLN/USD to 2.88 PLN/USD,
- a change in adjustment due to settlement of hedging transactions (a change from PLN 339 083 thousand to PLN 42 165 thousand).

In the first quarter of 2010, revenues from the sale of copper and copper products represented 80%, and silver 16% (in the comparable period of 2009 respectively: 77% and 17%) of total revenues from sales.

Operating costs in the first quarter of 2010 amounted to PLN 2 065 049 thousand and increased versus the comparable prior period by PLN 470 338 thousand, i.e. by 29%.

The following had primary impact on the level of operating costs:

- the higher value of external copper-bearing materials due to the near-doubling of prices and of purchase volume,
- the higher level of labour costs due to an increase in provisions for future employee benefits, the annual bonus and the Employee Retirement Program,
- the storage of 13 thousand tonnes of copper in the form of smelter semi-product.

The pre-precious metals credit cost of electrolytic copper production (prior to decrease by the value of precious metals – mainly silver and gold) in the first quarter of 2010 amounted to 14 970 PLN/t, and increased versus the first quarter of 2009 by 18% due to the higher share of external copper-bearing materials in production structure. The total unit cost of production amounted to 12 606 PLN/t.

The total unit **cost of copper production from internal concentrates** in the first quarter of 2010 amounted to 9 552 PLN/t and was at a similar level to that achieved during the first quarter of 2009, despite the decrease in the volume of production from internal concentrates by 11% (first quarter of 2009 – 106 thousand tonnes, first quarter of 2010 – 94 thousand tonnes).

Profit on sales (gross profit less administrative expenses and selling costs) in the first quarter of 2010 amounted to PLN 1 209 479 thousand and was higher by PLN 427 013 thousand, i.e. by 55% than that achieved in the first quarter of 2009.

Other operating activities showed a loss in the first quarter of 2010 in the amount of PLN 303 342 thousand, of which mainly due to the measurement and realisation of derivative instruments and foreign exchange losses.

In comparison to the result achieved in the first quarter of 2009, **the result on other operating activities** was lower by PLN 317 154 thousand, mainly due to above-mentioned factors.

As a result of the above-mentioned factors, **operating profit** in the first quarter of 2010 amounted to PLN 906 137 thousand and increased versus the comparable prior period of 2009 by PLN 109 859 thousand, i.e. by 14%.

KGHM Polska Miedź S.A. earned a **profit for the first quarter of 2010** of PLN 725 393 thousand, which was higher by PLN 97 515 thousand, i.e. by 16%, than that achieved in the first quarter of 2009.

EBITDA in the first quarter of 2010 amounted to PLN 1 060 673 thousand (including depreciation/amortisation of PLN 154 536 thousand) and was higher by PLN 131 511 thousand (14%) than EBITDA in the comparable prior period.

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

5. Risk management

In the first quarter of 2010, strategies hedging the copper price represented approx. 32%, and those hedging the silver price approx. 17%, of the sales of these metals realised by the Company. In the case of currency transactions, approx. 14% of total revenues from sales realised by the Company were hedged.

The management of market risk should be considered through analysis of the hedging position together with the item being hedged (hedged position). By hedging position is meant the position of the Company in derivative instruments. A hedged position comprises revenues from the physical sale of goods and products. The cash flow hedge accounting practiced by the Company requires that hedges be highly effective in offsetting changes in cash flow related to the hedged risk.

In the first quarter of 2010, the result on derivative instruments amounted to PLN (203 276) thousand, of which revenues from sales were adjusted in the amount of PLN 42 165 thousand (the amount transferred from accumulated other comprehensive income to profit or loss in the reporting period, being an adjustment in plus of revenues from sales), the amount of PLN 245 441 thousand was recognised in other operating activities, of which PLN 3 445 thousand represented costs due to the realisation of derivative instruments (an excess of costs in the amount of PLN 9 927 thousand over revenues in the amount of PLN 6 482 thousand), while PLN 241 996 thousand represented costs due to the measurement of derivative instruments (an excess of costs in the amount of PLN 340 412 thousand over revenues in the amount of PLN 98 416 thousand). The adjustment of other operating activities due to the measurement of derivative transactions is mainly from changes of the time value of options which will be settled in future periods. Due to current hedge accounting principles, changes in the time value of options may not be recognised in other comprehensive income.

In the first quarter of 2010, the Company implemented copper price hedging strategies in the total volume of 180.4 thousand tonnes and a time horizon falling in the second half of 2010 and in years 2011-2012. The Company made use of options, including option strategies: producer puts and seagull (Asian options). During the period the Company did not implement adjustment hedge transactions. In the case of the silver market, in the first quarter of 2010 the Company did not implement strategies hedging the price of this metal. During the period, adjustment hedge transactions were not implemented on this market.

In the case of the forward currency market, in the first quarter of 2010 the Company entered into transactions to hedge revenues with a total nominal amount of USD 540 million and a time horizon falling in the second to fourth quarters of 2010 and entire 2011. The Company made use of options (European options), including put options and seagull option strategies. During this period no adjustment hedge transactions were implemented on the currency market.

The Company remains hedged for a portion of copper sales planned in the second to fourth quarters of 2010 (141.4 thousand t), in 2011 (117 thousand tonnes), and in 2012 (39 thousand tonnes), and for a portion of silver sales planned in 2010 (5.4 million troz). The Company holds hedging positions for revenues from sales (currency market) in the second to fourth quarters of 2010 (USD 630 million) and in 2011 (USD 360 million). Detailed information on the hedging position is presented in the table "Hedging instruments" on the following pages.

Following is condensed information on hedging positions, by type of hedged asset and instruments used at 31 March 2010. The hedged nominal/volume in the months included in the presented periods is equally balanced.

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

HEDGING POSITION (condensed information) – COPPER MARKET 31 March 2010

Period	Instrument	Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]	
II quarter of 2010	Purchased put option	19 500	4 700	(695)	4 005	
	Corridor	Sold call option	9 750	8 000	(327)	5 473
		Purchased put option		5 800		participation restricted to 8 000
	Purchased put option	9 750	7 000	(692)	6 308	
	Total	39 000				
III quarter of 2010	Corridor	Sold call option	19 500	8 000	(400)	5 100
		Purchased put option		5 500		participation restricted to 8 000
	Producer puts ¹	9 750	6 500	8.94% ²	-	
	Producer puts ¹	9 750	7 000	9.17% ²	-	
	Producer puts ¹	9 750	7 500	6.46% ²	-	
Total	48 750					
IV quarter of 2010	Corridor	Sold call option	19 500	8 000	(400)	5 100
		Purchased put option		5 500		participation restricted to 8 000
	Producer puts ¹	9 750	6 500	8.94% ²	-	
	Producer puts ¹	9 750	7 000	9.17% ²	-	
	Producer puts ¹	14 625	7 500	8.80% ²	-	
Total	53 625					
TOTAL 2010	141 375					

HEDGING POSITION (condensed information) – COPPER MARKET continuation 31 March 2010

I half of 2011	Corridor	Sold call option	19 500	8 800	(470)	6 230
		Purchased put option		6 700		participation restricted to 8 800
	Seagull ¹	Sold call option	19 500	9 500	(390)	6 610
		Purchased put option		7 000		restricted to 4 500
	Seagull ¹	Sold put option	19 500	4 500	(288)	6 812
		Purchased put option		7 100		restricted to 5 000
Sold put option	5 000	participation restricted to 9 600				
Total	58 500					
II half of 2011	Seagull ¹	Sold call option	19 500	9 500	(390)	6 610
		Purchased put option		7 000		restricted to 4 500
		Sold put option		4 500		participation restricted to 9 500
	Seagull ¹	Sold call option	19 500	9 300	(397)	6 503
		Purchased put option		6 900		restricted to 4 700
	Sold put option	4 700	participation restricted to 9 300			
Seagull ¹	Sold call option	19 500	9 600	(288)	6 812	
	Purchased put option		7 100		restricted to 5 000	
Sold put option	5 000	participation restricted to 9 600				
Total	58 500					
TOTAL 2011	117 000					
I half of 2012	Seagull ¹	Sold call option	19 500	9 300	(397)	6 503
		Purchased put option		6 900		restricted to 4 700
		Sold put option		4 700		participation restricted to 9 300
Total	19 500					
II half of 2012	Seagull ¹	Sold call option	19 500	9 300	(397)	6 503
		Purchased put option		6 900		restricted to 4 700
		Sold put option		4 700		participation restricted to 9 300
Total	19 500					
TOTAL 2012	39 000					

¹ Due to current hedge accounting laws, transactions embedded within a producer put – a purchased put option – are shown in the table containing a detailed list of derivative instrument positions - „Hedging instruments”, while sold call options are shown in the table „Trade instruments”, and transactions included in the seagull structure – purchased put options and sold call options – are shown in the table containing a detailed list of derivative instrument positions - „Hedging instruments”, with sold put options in the table „ Trade instruments”.

² Payable at the moment of settlement.

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

HEDGING POSITION (condensed information) – SILVER MARKET 31 March 2010

Period	Instrument	Volume [million troz]	Execution price [USD/troz]	Average weighted premium [USD/troz]	Effective hedge price [USD/troz]
II quarter of 2010	Purchased put option	0.90	14.00	(2.00)	12.00
	Purchased put option	0.90	18.00	(2.00)	16.00
	Total	1.80			
II half of 2010	Purchased put option	1.80	14.00	(2.00)	12.00
	Purchased put option	1.80	18.00	(2.00)	16.00
	Total	3.60			
TOTAL 2010		5.40			

HEDGING POSITION (condensed information) – CURRENCY MARKET 31 March 2010

Period	Instrument	Nominal [million USD]	Execution price [USD/PLN]	Average weighted premium [PLN per 1 USD]	Effective hedge price [USD/PLN]
II quarter of 2010	Producer puts ¹	30	3.0000	8.37% ²	-
	Purchased put option	30	2.6000	(0.0692)	2.5308
	Purchased put option	90	2.5500	(0.0681)	2.4819
	Purchased put option	60	2.8500	(0.1060)	2.7440
	Total	210			
II half of 2010	Producer puts ¹	60	3.0000	8.37% ²	-
	Purchased put option	60	2.6000	(0.0692)	2.5308
	Purchased put option	180	2.5500	(0.0681)	2.4819
	Purchased put option	120	2.8500	(0.1060)	2.7440
	Total	420			
TOTAL 2010		630			
I half of 2011	Seagull ¹	Sold call option		3.7000	2.7743 restricted to 2.4000 participation to 3.7000
		Purchased put option	180	2.9000	
		Sold put option		2.4000	
	Total	180			
II half of 2011	Seagull ¹	Sold call option		3.7000	2.8038 restricted to 2.4000 participation to 3.7000
		Purchased put option	180	2.9000	
		Sold put option		2.4000	
	Total	180			
TOTAL 2011		360			

All entities with whom derivative transactions are entered into operate in the financial sector. These are financial institutions (mainly banks), with the highest³ (29.2%), medium-high⁴ (54.2%) or medium⁵ (16.6%) ratings. Based on fair value at 31 March 2010, the maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Company amounted to 46.8%⁶.

Due to institutional and geographical diversification and cooperation with financial institutions having a high rating, as well as taking into account the fair value of receivables due to derivative transactions, the Company is not materially exposed to credit risk due to derivatives transactions entered into.

To reduce cash flows and to simultaneously reduce credit risk, the Company, on the basis of framework agreements entered into with customers, carries out net settlement to the level of positive balance of valuation of transactions in derivative instruments with a given customer.

¹ Due to current hedge accounting laws, transactions embedded within a producer put – a purchased put option – are shown in the table containing a detailed list of derivative instrument positions – „Hedging instruments”, while sold call options are shown in the table „Trade instruments”, and transactions included in the seagull structure – purchased put options and sold call options – are shown in the table containing a detailed list of derivative instrument positions – „Hedging instruments”, with sold put options in the table „ Trade instruments”.

² Payable at the moment of settlement.

³ 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.

⁴ 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.

⁵ 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.

⁶ The table includes those entities whose net fair value at 31 March 2010 was positive.

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

At 31 March 2010, the fair value of open positions in derivative instruments amounted to PLN (64 673) thousand, of which PLN 136 355 thousand related to the fair value of hedging instruments, while PLN (201 028) thousand related to the fair value of trade instruments. The fair value of open positions in derivative instruments varies, depending on changes in market conditions, and the final result on these transactions may vary significantly from the measurements described above.

Detailed information on positions in derivative instruments at 31 March 2010 is presented below in the tables Trade instruments and Hedging instruments.

TRADE INSTRUMENTS (detailed information)			31 March 2010							
Type of derivative instrument	Volume/ Notional Cu ['000 t] Currency ['000 USD]	Avg. weighted price/ex. rate Cu [USD/t] Currency [USD/PLN]	Financial assets				Financial liabilities			
			Current		Non-current		Current		Non-current	
Derivatives - Metals - Copper										
Options										
Purchased call options	48.8	3 797	62							
Sold call options	5.4	1					(121 658)			
Sold put options	185.3	4 483					(1 393)		(46 665)	
TOTAL:			62				(123 051)		(46 665)	
Derivatives - Currency contracts - USD/PLN										
Options										
Purchased put options	270 000	3.2333	92 956							
Sold call options	277 533	4.2502					(21 512)			
Purchased call options	270 000	4.3685	20							
Sold put options	630 000	2.7571					(94 507)		(8 331)	
TOTAL:			92 976				(116 019)		(8 331)	
Embedded derivative instruments										
Total trade instruments			93 038				(239 070)		(54 996)	
HEDGING INSTRUMENTS (detailed information)			31 March 2010							
Type of derivative instrument	Volume/ Notional Cu ['000t] Ag ['000troz] Currency ['000USD]	Avg. weighted price/ ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Maturity date		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	Till	From	Till	Current	Non-current	Current	Non-current
Derivatives - Metals - Copper										
Options										
Purchased put options	29.3	5 466.67	Apr 10	June 10	May 10	July 10	1 934			
Purchased put options - producer puts	63.4	7 038.46	July 10	Dec 10	Aug 10	Jan 11	68 394			
Corridor	204.8	6619.05-9038.10	Apr 10	Dec 12	May 10	Jan 13	32 273	305 868	(98 797)	(263 452)
TOTAL:							102 601	305 868	(98 797)	(263 452)
Derivatives - Metals - Silver										
Options										
Purchased put options	5.4	16	Apr 10	Dec 10	May 10	Jan 11	11 280			
TOTAL:							11 280			
Derivatives - Currency contracts - USD/PLN										
Options										
Purchased put options	540 000	2.6583	Apr 10	Dec 10	Apr 10	Dec 10	19 805			
Purchased put options - producer puts	90 000	3.0000	Apr 10	Dec 10	Apr 10	Dec 10	14 675			
Corridor - seagull	360 000	2.90-3.70	Jan 11	Dec 11	Jan 11	Dec 11	13 448	45 728	(1 633)	(13 168)
TOTAL:							47 928	45 728	(1 633)	(13 168)
Total hedging instruments							161 809	351 596	(100 430)	(276 620)

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

The fair values of derivatives and other receivables/liabilities due to unsettled derivatives, with a settlement date of 2 April 2010, at 31 March 2010 are presented in the table below:

	Total: fair value of derivatives and of other receivables/liabilities due to unsettled derivatives	Fair value of derivatives	Fair value of other receivables/liabilities due to unsettled derivatives
Receivables	607 213	606 443	770
Liabilities	(671 116)	(671 116)	-
Net fair value	(63 903)	(64 673)	770

At 31 March 2010, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 97 740 thousand, of which PLN (17 284) thousand related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 115 024 thousand related to the effective portion of the result from the measurement of transactions hedging currency risk.

At 31 December 2009, accumulated other comprehensive income (excluding the deferred tax effect) amounted to PLN 155 233 thousand, of which PLN (3 937) thousand related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 159 170 thousand related to the effective portion of the result from the measurement of transactions hedging currency risk.

During the first quarter of 2010 there was a decrease in other comprehensive income by PLN 57 493 thousand (excluding the deferred tax effect), comprised of changes in fair value during the period recognised in other comprehensive income due to the effective portion of hedging transactions, i.e. a decrease in accumulated other comprehensive income by PLN 15 328 thousand, and the amount transferred from the accumulated other comprehensive income to profit and loss due to the settlement of the effective portion of hedging transactions, a decrease in accumulated other comprehensive income by PLN 42 165 thousand (an adjustment in plus of revenues from sales for the first quarter of 2010).

AMOUNTS RECOGNISED IN EQUITY

At 31 March 2010

Accumulated other comprehensive income – commodity price risk hedging transactions (copper and silver) – derivatives	(17 284)
Accumulated other comprehensive income – currency risk hedging transactions – derivatives	115 024
Total accumulated other comprehensive income - financial instruments hedging future cash flows (excluding deferred tax effects)	97 740

Gains or (losses) on derivative instruments hedging future cash flows recognised in other comprehensive income

**For the period
from 1 January 2010
to 31 March 2010**

Accumulated gain or loss arising from financial instruments hedging cash flows at 1 January 2010	155 233
Amounts recognised in the period from 1 January 2010 to 31 March 2010 due to hedging transactions	(15 328)
Amounts transferred from accumulated other comprehensive income to revenues from sales in the period from 1 January 2010 to 31 March 2010	(42 165)
Accumulated in equity gain or loss arising from financial instruments hedging cash flows at 31 March 2010 (excluding the deferred tax effect)	97 740

Quarterly financial information of KGHM Polska Miedź S.A. (continuation)

III. Contingent and other items not recognised in the statement of financial position

	At 31 March 2010	Increase/(decrease) since the end of the last financial year
Contingent receivables	90 153	18 374
Guarantees received	48 360	22 980
Contested State budget issues	19 328	(3 665)
Promissory notes receivables	22 258	(665)
Other	207	(276)
Other receivables not recognised in the statement of financial position - inventions, implementation of projects	32 042	807
Contingent liabilities	23 438	310
Guarantees	5 000	-
Disputed issues, pending court proceedings	15 921	310
Contingent penalties	23	-
Preventive safety measures in respect of mine-related damages	2 491	-
Other	3	-
Other liabilities not recognised in the statement of financial position	521 337	13 912
Inventions, implementation of projects	99 123	(6 669)
Operating leases	18 291	(1 296)
Future payments due to perpetual usufruct of land	403 923	21 877

The value of contingent assets items was determined based on estimates.

Lubin, 13 May 2010