

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 1 / 2011

(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 **2011** comprising the period from **1 January 2011** to **31 March 2011**
Containing the interim condensed consolidated financial statements according to IAS 34 in PLN, and interim condensed financial statements according to IAS 34 in PLN.

publication date: 13 May 2011

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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 interim condensed consolidated financial statements of KGHM Polska Miedź S.A.

	in '000 PLN		in '000 EUR	
	1 quarter of 2011 period from 1 January 2011 to 31 March 2011	1 quarter of 2010 period from 1 January 2010 to 31 March 2010	1 quarter of 2011 period from 1 January 2011 to 31 March 2011	1 quarter of 2010 period from 1 January 2010 to 31 March 2010
I. Sales	5 346 540	3 599 730	1 345 312	907 442
II. Operating profit	2 459 308	946 904	618 818	238 701
III. Profit before income tax	2 513 078	1 005 706	632 348	253 524
IV. Profit for the period	2 033 305	828 381	511 626	208 823
V. Profit for the period attributable to shareholders of the Parent Entity	2 032 417	825 336	511 403	208 055
VI. Profit for the period attributable to non-controlling interest	888	3 045	223	768
VII. Other comprehensive income	30 256	(47 827)	7 613	(12 057)
VIII. Total comprehensive income	2 063 561	780 554	519 239	196 766
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	2 062 673	777 509	519 016	195 998
X. Total comprehensive income attributable to non-controlling interest	888	3 045	223	768
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) attributable to the shareholders of the Parent Entity	10.16	4.13	2.56	1.04
XIII. Net cash generated from operating activities	1 559 253	733 968	392 344	185 023
XIV. Net cash used in investing activities	(1 201 266)	(299 453)	(302 266)	(75 488)
XV. Net cash used in/ generated from financing activities	(41 740)	31 234	(10 503)	7 874
XVI. Total net cash flow	316 247	465 749	79 575	117 409
	At 31 March 2011	At 31 December 2010	At 31 March 2011	At 31 December 2010
XVII. Non-current assets	12 916 975	12 414 423	3 219 665	3 134 718
XVIII. Current assets	9 621 360	8 762 900	2 398 206	2 212 686
XIX. Total assets	22 538 335	21 177 323	5 617 871	5 347 404
XX. Non-current liabilities	2 674 087	2 882 705	666 539	727 901
XXI. Current liabilities	2 908 680	3 402 839	725 013	859 238
XXII. Equity	16 955 568	14 891 779	4 226 319	3 760 265
XXIII. Non-controlling interest	251 921	241 106	62 793	60 881

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

	in '000 PLN		in '000 EUR	
	1 quarter of 2011 period from 1 January 2011 to 31 March 2011	1 quarter of 2010 period from 1 January 2010 to 31 March 2010	1 quarter of 2011 period from 1 January 2011 to 31 March 2011	1 quarter of 2010 period from 1 January 2010 to 31 March 2010
I. Sales	4 773 488	3 274 528	1 201 119	825 463
II. Operating profit	2 421 570	906 137	609 323	228 424
III. Profit before income tax	2 413 528	898 809	607 299	226 577
IV. Profit for the period	1 958 394	725 393	492 777	182 861
V. Other comprehensive income	30 524	(48 059)	7 681	(12 115)
VI. Total comprehensive income	1 988 918	677 334	500 458	170 746
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)	9.79	3.63	2.46	0.91
IX. Net cash generated from operating activities	1 451 396	639 607	365 205	161 236
X. Net cash used in investing activities	(1 149 266)	(257 386)	(289 182)	(64 883)
XI. Net cash used in financing activities	(15)	(1 049)	(4)	(264)
XII. Total net cash flow	302 115	381 172	76 019	96 089
	At 31 March 2011	At 31 December 2010	At 31 March 2011	At 31 December 2010
XIII. Non-current assets	12 583 339	12 125 041	3 136 504	3 061 647
XIV. Current assets	8 469 307	7 704 255	2 111 046	1 945 372
XV. Total assets	21 052 646	19 829 296	5 247 550	5 007 019
XVI. Non-current liabilities	2 126 376	2 380 314	530 017	601 044
XVII. Current liabilities	2 480 875	2 992 505	618 379	755 626
XVIII. Equity	16 445 395	14 456 477	4 099 154	3 650 349

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Interim condensed consolidated financial statements

Interim consolidated statement of financial position

	Note	At	
		31 March 2011	31 December 2010
Assets			
Non-current assets			
Property, plant and equipment		8 557 868	8 553 634
Intangible assets		596 599	523 874
Investment property		62 411	59 760
Investments in associates		1 491 641	1 431 099
Deferred tax assets		578 253	592 947
Available-for-sale financial assets		1 164 540	751 605
Held-to-maturity investments		106 567	84 157
Derivatives		346 957	403 839
Trade and other receivables		12 139	13 508
		12 916 975	12 414 423
Current assets			
Inventories		2 648 581	2 222 321
Trade and other receivables		2 756 807	2 730 658
Current corporate tax receivables		1 939	4 511
Available-for-sale financial assets		520 185	415 662
Held-to-maturity investments		4 129	4 129
Derivatives		285 507	297 584
Cash and cash equivalents		3 403 134	3 086 957
Non-current assets held for sale		1 078	1 078
		9 621 360	8 762 900
TOTAL ASSETS		22 538 335	21 177 323
Equity and liabilities			
EQUITY			
Equity attributable to shareholders of the Parent Entity			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		240 077	209 821
Retained earnings		14 460 865	12 440 852
Exchange differences		2 705	-
		16 703 647	14 650 673
Non-controlling interest		251 921	241 106
TOTAL EQUITY		16 955 568	14 891 779
LIABILITIES			
Non-current liabilities			
Trade and other payables		139 218	121 560
Borrowings and finance lease liabilities	A.IV.6	174 225	173 652
Derivatives		533 556	711 580
Deferred tax liabilities		145 062	133 392
Liabilities due to employee benefits		1 225 577	1 221 794
Provisions for other liabilities and charges		456 449	520 727
		2 674 087	2 882 705
Current liabilities			
Trade and other payables		1 824 733	1 994 579
Borrowings and finance lease liabilities	A.IV.6	61 720	96 162
Current corporate tax liabilities		479 156	672 152
Derivatives		379 826	482 118
Liabilities due to employee benefits		120 143	110 912
Provisions for other liabilities and charges		43 102	46 916
		2 908 680	3 402 839
TOTAL LIABILITIES		5 582 767	6 285 544
TOTAL EQUITY AND LIABILITIES		22 538 335	21 177 323

Interim consolidated statement of comprehensive income

	Note	Financial period	
		for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010 restated
Sales	A.IV.1	5 346 540	3 599 730
Cost of sales	A.IV.2	(2 665 967)	(2 107 659)
Gross profit		2 680 573	1 492 071
Selling costs	A.IV.2	(61 446)	(53 975)
Administrative expenses	A.IV.2	(203 073)	(198 157)
Other operating income	A.IV.3	427 248	136 315
Other operating costs	A.IV.4	(383 994)	(429 350)
Operating profit		2 459 308	946 904
Finance costs	A.IV.5	(10 935)	(11 609)
Share of profits of associates accounted for using the equity method		64 705	70 411
Profit before income tax		2 513 078	1 005 706
Income tax expense		(479 773)	(177 325)
Profit for the period		2 033 305	828 381
Other comprehensive income due to:			
Available-for-sale financial assets		(27 170)	(1 552)
Cash flow hedging instruments		64 523	(57 493)
Income tax related to items presented in other comprehensive income		(7 097)	11 218
Other comprehensive net income for the financial period		30 256	(47 827)
TOTAL COMPREHENSIVE INCOME		2 063 561	780 554
Profit for the period attributable to:			
shareholders of the Parent Entity		2 032 417	825 336
non-controlling interest		888	3 045
Total comprehensive income attributable to:			
shareholders of the Parent Entity		2 062 673	777 509
non-controlling interest		888	3 045
Earnings per share attributable to the shareholders of the Parent Entity during the period (in PLN per share)			
- basic		10.16	4.13
- diluted		10.16	4.13

Interim consolidated statement of changes in equity

	Equity attributable to shareholders of the Parent Entity						Equity attributable to non-controlling interest	Total equity
	Share capital	Accumulated other comprehensive income due to:		Retained earnings	Exchange differences	Total		
		Available-for-sale financial assets	Cash flow hedging instruments					
At 1 January 2011	2 000 000	120 046	89 775	12 440 852	-	14 650 673	241 106	14 891 779
Total comprehensive income	-	(22 008)	52 264	2 032 417	-	2 062 673	888	2 063 561
Valuation of the put option for employee shares	-	-	-	(17 788)	-	(17 788)	-	(17 788)
Exchange differences from the calculation of foreign operations	-	-	-	-	2 705	2 705	2 600	5 305
Other changes in equity attributable to non-controlling interest	-	-	-	5 384	-	5 384	7 327	12 711
At 31 March 2011	2 000 000	98 038	142 039	14 460 865	2 705	16 703 647	251 921	16 955 568
At 1 January 2010	2 000 000	561	125 740	8 371 956	-	10 498 257	77 082	10 575 339
Total comprehensive income restated*	-	(1 257)	(46 570)	825 336	-	777 509	3 045	780 554
At 31 March 2010 restated	2 000 000	(696)	79 170	9 197 292	-	11 275 766	80 127	11 355 893

* explanation in note A.I.4

KGHM Polska Miedź S.A.
 Consolidated quarterly report with quarterly financial information prepared in accordance with IFRS
 as adopted by the European Union
 for the period from 1 January 2011 to 31 March 2011
 (amounts in tables in thousand PLN, unless otherwise stated)

Interim consolidated statement of cash flows

	Note	Financial period	
		for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010 restated
Cash flow from operating activities			
Profit for the period		2 033 305	828 381
Adjustments to profit for the period	A.IV.7	173 817	(95 892)
Income tax paid		(647 869)	1 479
Net cash generated from operating activities		1 559 253	733 968
Cash flow from investing activities			
Purchase of subsidiaries, less acquired cash and cash equivalents		(94 110)	(14)
Purchase of property, plant and equipment and intangible assets		(423 976)	(276 295)
Proceeds from sale of property, plant and equipment and intangible assets		7 013	4 397
Purchase of investment property		(44)	-
Purchase of available-for-sale financial assets		(1 048 495)	-
Proceeds from sale of available-for-sale financial assets		510 314	-
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		(22 410)	(18 254)
Establishment of deposits		(450 000)	-
Termination of deposits		350 000	-
Interest received		4 291	599
Dividends received		145	65
Advances granted for purchase of property, plant and equipment and intangible assets		(33 170)	(14 195)
Other investment expenses		(824)	(2 535)
Net cash used in investing activities		(1 201 266)	(299 453)
Cash flow from financing activities			
Proceeds from loans and borrowings		15 680	55 823
Repayments of loans and borrowings		(52 422)	(18 619)
Payments of liabilities due to finance leases		(2 364)	(2 015)
Interest paid		(2 540)	(4 328)
Other financial (expenses) / proceeds		(94)	373
Net cash used in / generated from financing activities		(41 740)	31 234
Total net cash flow		316 247	465 749
Exchange (losses)/gains on cash and cash equivalents		(70)	5 259
Movements in cash and cash equivalents		316 177	471 008
Cash and cash equivalents at beginning of the period		3 086 957	1 197 077
Cash and cash equivalents at end of the period		3 403 134	1 668 085
including restricted cash and cash equivalents		2 505	34 726

A. Selected explanatory data to the interim condensed 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 payments or contracts,
- 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, most of which expire on 31 December 2013. KGHM Polska Miedź S.A. is at the stage of acquiring licenses for subsequent years. In the opinion of the Management Board, the licensing process, which occurs periodically, is of an administrative nature, while the probability of not receiving a license is, in the opinion of the Management Board of the Parent Entity, minimal.

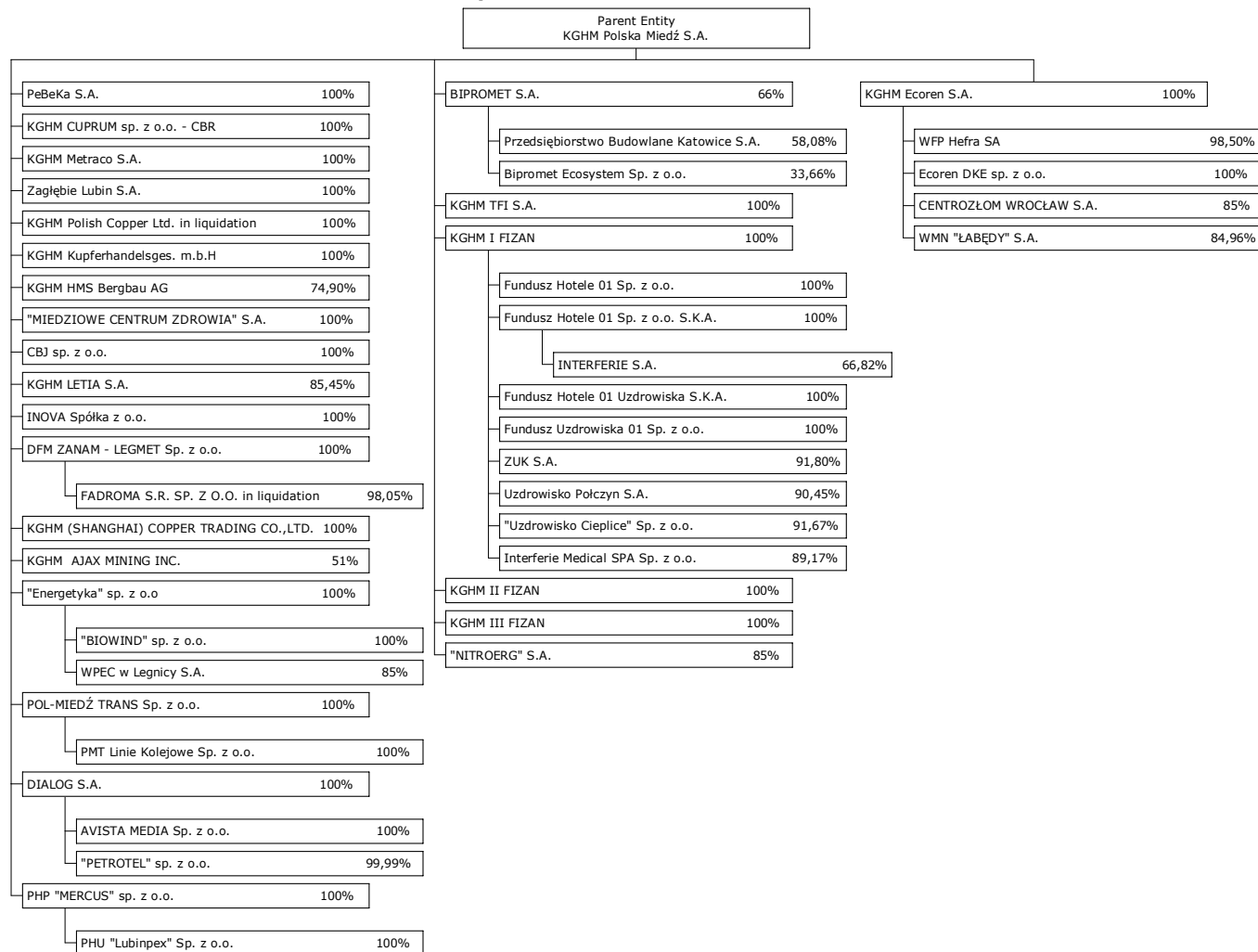
The business activities of the Group also include:

- 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.

KGHM Polska Miedź S.A.
 Consolidated quarterly report with quarterly financial information prepared in accordance with IFRS
 as adopted by the European Union
 for the period from 1 January 2011 to 31 March 2011
 (amounts in tables in thousand PLN, unless otherwise stated)

A. Selected explanatory data to the interim condensed consolidated financial statements (continuation)

2. Composition of the KGHM Polska Miedź S.A. Group at 31 March 2011



The percentage share represents the total share of the Group.

A. Selected explanatory data to the interim condensed consolidated financial statements (continuation)

In the current quarter KGHM Polska Miedź S.A. consolidated 47 subsidiary entities, and two associated entities were accounted for using the equity method.

At 31 March 2011, based on IAS 8 para. 8, which allows exemption from the application of IFRS in a case where the effects of exemption are immaterial, the following subsidiaries were excluded from consolidation - PU „Mercus Software” Sp. z o.o., TUV Cuprum and SERWIS-ERG Sp. z o.o. in liquidation. Altogether, in the presented consolidated financial statements 3 subsidiaries were not consolidated, and one associated entity was not accounted for using the equity method. At the end of the reporting period they were measured at cost less impairment. Exclusion of these entities from consolidation does not effect the honest presentation of the assets, profit or loss and cash flows of the Group.

The following quarterly report includes:

1. the interim condensed consolidated financial statements of KGHM Polska Miedź S.A. for the current period from 1 January to 31 March 2011 and the comparable period from 1 January to 31 March 2010, together with selected explanatory data to the interim condensed 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 2011 and the comparable period from 1 January to 31 March 2010 is an integral part of the report.

Neither the interim consolidated financial statements at 31 March 2011 nor the interim separate financial statements at 31 March 2011 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, profit or loss and cash flow for the current period, the rate of **3.9742 PLN/EUR**,
- for the calculation of turnover, profit or loss and cash flow for the comparable period, the rate of **3.9669 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 December 2010, the rate of **3.9603 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 March 2011, the rate of **4.0119 PLN/EUR**.

4. Accounting policies

The condensed consolidated financial report for the period from 1 January 2011 to 31 March 2011 has been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read jointly with the consolidated financial statements for the year ended 31 December 2010.

The following financial statements are prepared, 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 involved the correction of an error due to the recognition and measurement of liabilities whose discounted value at 31 December 2009 amounted to PLN 27 086 thousand, due to the submission by the company „Energetyka” sp. z o.o., as part of an agreement for the sale by the State Treasury of shares of WPEC w Legnicy S.A., of an irrevocable offer to acquire the shares of this company not acquired by entitled employees, as well as the repurchase of shares already acquired by employees. Due to the prior-period error, the effects of unwinding of the discount were charged to retained earnings at 31 March 2010 in the amount of PLN 739 thousand, against trade and other payables which were credited in the amount of PLN 739 thousand. The correction of an error caused an increase in financial costs in the amount of PLN 739 thousand in the statement of comprehensive income for the period from 1 January to 31 March 2010, and simultaneously decreased profit by the same amount.

Standards and interpretations in force applied by the Group from 1 January 2011:

- o Amendments to IAS 32 Financial Instruments: presentation
- o Amended to IFRS 1 First-time Adoption of IFRS
- o IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- o Amended IAS 24 Related Party Disclosures
- o Prepayments of a Minimum Funding Requirement as an amendment to IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- o Changes in International Financial Reporting Standards 2010

A. Selected explanatory data to the interim condensed consolidated financial statements (continuation)

As at the date of publication of these financial statements, all of the above changes to the standards and interpretations have been approved for use by the European Union. In the opinion of the Group, their application would not have an impact on the financial statements or the impact would be insignificant.

In terms of the application of new standards and interpretations, the Group made use of the exemption described in paragraph 25, IAS 24, from disclosing information on transactions between the Group and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence. In note A.IV.8 information is disclosed on the above-mentioned transactions entered into during the reporting period, and on unsettled balances which are significant due to their nature or size. (Information on the Parent Entity transactions with the above-mentioned entities may be found in note C.I.9)

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, mainly as a result of changes in macroeconomic assumptions, is a decrease in the provision in the amount of PLN 3 431 thousand which was settled as an increase in profit (after reflecting the results in deferred tax, an increase in profit in the amount of PLN 2 462 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 a decrease in the provision in the amount of PLN 58 549 thousand, which was settled as a decrease in profit in the amount of PLN 5 477 thousand and as a decrease of property, plant and equipment in the amount of PLN 64 026 thousand. The decrease in the provision caused a decrease in deferred tax assets in the amount of PLN 15 387 thousand,
- 1.3 provisions for future employee remuneration costs together with charges in the amount of PLN 194 713 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 2011 amounted to PLN 483 036 thousand)

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

2. Deferred 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 63 432 thousand, which was settled:

- as an increase in profit, PLN 42 936 thousand,
- as an increase in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, PLN 17 372 thousand.

The remaining increase in the deferred tax asset of PLN 3 124 thousand represents the deferred tax asset of a subsidiary at the date on which control was obtained by the Group.

There was an increase in the deferred tax liability in the current quarter in the amount of PLN 89 796 thousand, of which the following was accounted for:

- as a decrease in profit, PLN 65 265 thousand,
- as a decrease in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, PLN 24 469 thousand.

The remaining increase in the deferred tax liability of PLN 62 thousand represents the deferred tax liability of a subsidiary at the date on which control was obtained by the Group.

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 578 253 thousand, while the deferred tax liability was set at PLN 145 062 thousand.

A. Selected explanatory data to the interim condensed consolidated financial statements (continuation)

III. Financial and tangible assets

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

1. in **investments in associates** – acquisition of shares in an associate in the amount PLN 450 thousand, use of the equity method and an increase in investments due to the share of profit for the financial period in the amount of PLN 64 704 thousand, and amortisation of intangible assets of Polkomtel S.A. in the amount of PLN 4 612 thousand recognised in the final settlement of the acquisition of the shares of the company,
2. in **available-for-sale financial assets**
 - a) **non-current** – acquisition of shares in listed companies in the amount of PLN 438 447 thousand, the settlement in other comprehensive income of the negative measurement of assets at the balance sheet date in the amount of PLN 25 518 thousand. The remaining increase in assets in the amount of PLN 6 thousand represents the carrying amount of available-for-sale financial assets of a subsidiary at the date on which control was obtained by the Group,
 - b) **current** - acquisition of participation units in investment funds in the amount of PLN 610 048 thousand, sale of participation units in investment funds in the amount of PLN 503 872 thousand, settlement in other comprehensive income of positive measurement in the amount of PLN 2 669 thousand and a decrease due to the settlement of assets in the amount of PLN 4 321 thousand,
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 22 410 thousand,
4. in **derivatives (assets and liabilities)** – as a result of changes in macroeconomic factors, there was an increase in the fair value of open derivatives at 31 March 2011. Simultaneously, as a result of these changes, derivative transactions with a settlement date falling in the first quarter of 2011 were settled with a positive result. Profit for the current quarter was increased in the amount of PLN 56 870 thousand. Detailed information on derivatives of the Parent Entity may be found in part C.II.5 of this report.
5. in **financial receivables** – recognition of an impairment allowance in the amount of PLN 3 672 thousand (an excess of the impairment allowance recognised, PLN 6 430 thousand over released, PLN 2 758 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 4 657 thousand

non-financial receivables

- impairment allowance reversed PLN 377 thousand

inventories

- write-down recognised PLN 159 thousand
- write-down reversed PLN 812 thousand

**A. Selected explanatory data to the interim condensed consolidated financial statements
 (continuation)**

IV. Selected additional explanatory notes

1. Sales

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Copper, precious metals, smelter by-products	4 641 481	3 257 053
Energy	17 208	39 147
Services	226 676	206 692
Mining machinery, transport vehicles for mining and other	648	5 594
Merchandise	247 823	49 158
Scrap and materials	5 027	2 577
Other finished goods	207 677	39 509
Total	5 346 540	3 599 730

2. Expenses by nature

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Depreciation of property, plant and equipment and amortisation of intangible assets	231 819	207 252
Employee benefit expenses	876 157	849 082
Materials and energy	1 689 021	1 322 855
External services	341 083	273 964
Taxes and charges	97 006	91 061
Advertising costs and representation expenses	13 894	9 954
Property and personal insurance	7 216	5 980
Research and development costs not capitalised in intangible assets	59	345
Other costs, of which:	10 890	14 520
Impairment loss on property, plant and equipment, intangible assets	1 050	4 589
Write-down of inventories	159	388
Allowance for impairment of trade receivables	2 313	2 298
Reversal of impairment loss on property, plant and equipment, intangible assets	-	(20)
Reversal of write-down of inventories	(812)	(2 534)
Reversal of allowance for impairment of trade receivables	(2 435)	(2 505)
Losses from the disposal of financial instruments	734	489
Other operating costs	9 881	11 815
Total expenses by nature	3 267 145	2 775 013
Cost of merchandise and materials sold (+), of which:	123 659	34 407
Allowance for impairment of receivables	496	57
Reversal of allowance for impairment of receivables	(239)	(170)
Change in inventories of finished goods and work in progress (+/-)	(327 826)	(339 960)
Cost of manufacturing products for internal use (-)	(132 492)	(109 669)
Total cost of sales, selling costs and administrative expenses	2 930 486	2 359 791

**A. Selected explanatory data to the interim condensed consolidated financial statements
 (continuation)**

3. Other operating income

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Income and gains on financial instruments, classified under other operating activities, resulting from:	402 789	118 976
Measurement and realisation of derivatives	359 289	107 098
Interest	36 885	8 643
Gains from realisation of available-for-sale financial assets	6 480	896
Gains from measurement of non-current financial liabilities	51	572
Reversal of allowance for impairment of loans and receivables	84	1 767
Gains from the disposal of intangible assets	23	-
Other interest	2 713	452
Dividends received	145	64
Reversal of impairment losses on fixed assets under construction	-	4
Reversal of allowance for impairment of other non-financial receivables	377	374
Government grants and other donations received	539	194
Release of unused provisions due to:	7 788	4 135
Decommissioning of mines	2 382	126
Disputed issues and court proceedings	564	657
Other anticipated losses, expenses and liabilities	4 842	3 352
Surpluses identified in current assets	4	13
Penalties and compensation received	8 328	4 834
Non-financial foreign exchange	187	-
Other operating income/gains	4 355	7 269
Total other operating income	427 248	136 315

**A. Selected explanatory data to the interim condensed consolidated financial statements
 (continuation)**

4. Other operating costs

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Costs and losses on financial instruments, classified under other operating activities, resulting from:	352 397	404 027
Measurement and realisation of derivatives	323 826	350 596
Interest	76	15
Foreign exchange losses	24 872	53 291
Allowances for impairment of loans and receivables	3 621	125
Losses on the sale of other financial assets	2	-
Allowances for impairment of other non-financial receivables	-	2 334
Losses on the sale of intangible assets	-	93
Losses on the sale of property, plant and equipment	1 379	373
Impairment losses on fixed assets under construction	3 607	-
Interest on overdue non-financial liabilities	23	35
Donations granted	12 827	9 548
Provisions for liabilities due to:	2 187	2 200
Decommissioning of mines	22	1 447
Disputed issues and court proceedings	611	560
Other	1 554	193
Penalties and compensation paid	1 156	764
Non-culpable shortages in tangible current assets, cash and losses from fortuitous events	153	-
Contributions to a voluntary organisation	2 847	2 913
Other operating costs/losses	7 418	7 063
Total other operating costs	383 994	429 350

5. Finance costs

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Interest expense due to:	2 555	4 250
Bank and other loans	2 144	3 563
Finance leases	409	687
Financial liabilities	2	-
Net exchange losses/(gains) on borrowings	242	(1 307)
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	7 919	8 570
Losses on measurement of financial liabilities	65	-
Other finance costs	154	96
Total finance costs	10 935	11 609

A. Selected explanatory data to the interim condensed consolidated financial statements (continuation)

6. Borrowings and liabilities due to finance leases

	At	
	31 March 2011	31 December 2010
Non-current	174 225	173 652
Bank loans	142 551	141 829
Loans	2 356	2 420
Finance lease liabilities	29 318	29 403
Current	61 720	96 162
Bank loans	45 754	81 901
Loans	2 756	1 883
Finance lease liabilities	13 210	12 378
Total	235 945	269 814

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

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Income tax expense	479 773	177 325
Depreciation/amortisation	231 819	207 252
Share of profits of associates accounted for using the equity method	(64 705)	(70 411)
Interest and share in profits	(4 242)	3 887
Foreign exchange losses/(gains)	875	(6 639)
Change in provisions	8 948	67 088
Change in derivatives	(125 426)	35 361
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(21 407)	(42 165)
Balances of assets and equity and liabilities items at date of obtaining control over subsidiaries and losing control over a subsidiary	7 790	-
Other adjustments	(24 373)	474
Changes in working capital:	(315 235)	(468 064)
Inventories	(426 102)	(273 847)
Trade and other receivables	101 387	(304 170)
Trade and other payables	9 480	109 953
Total adjustments to profit for the period	173 817	(95 892)

**A. Selected explanatory data to the interim condensed consolidated financial statements
 (continuation)**

8. Related entities transactions

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Sales to related entities		
To associates	1 301	920
To other related entities	72	91
Total sales to related entities	1 373	1 011

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Purchases from related entities		
From associates	2 328	1 457
From other related entities	8 837	5 659
Total purchases from related entities	11 165	7 116

	At	
	31 March 2011	31 December 2010
Trade receivables from related entities		
From associates	986	887
From other related entities	7 477	1
Total receivables from related entities	8 463	888

	At	
	31 March 2011	31 December 2010
Trade payables towards related entities		
Towards associates	935	938
Towards other related entities	8 501	2 906
Total payables towards related entities	9 436	3 844

Based on the provisions of the updated IAS 24, the Group made use of the exemption provided for in paragraph 25, and presents information on transactions between KGHM Polska Miedź S.A. Group companies and the government (the Government of the Republic of Poland) and with entities controlled or jointly controlled by the government, or over which the government has significant influence, acting under the requirements of paragraph 27 of IAS 24.

During the current reporting period, due to their unusual scope and significant amounts, two individual transactions were identified:

1. On 2 February 2011, KGHM Polska Miedź S.A. signed an agreement with the Minister of the State Treasury for the acquisition of 5 260 820 shares of the company "NITROERG" S.A. in Bieruń with a nominal value of PLN 10 per share, for PLN 120 052 thousand. The controlling interest acquired represents 85% of the share capital of "NITROERG" S.A. in Bieruń.
2. KGHM Polska Miedź S.A. participated in the selling process by the Ministry of the State Treasury of the shares of TAURON Polska Energia S.A., submitting a purchase order for the shares of TAURON Polska Energia S.A. As a result of this transaction, on 23 March 2011 KGHM Polska Miedź S.A. acquired 71 000 000 shares of TAURON Polska Energia S.A. at PLN 6.15 per share. The transaction was realised as part of an accelerated book building process. Following this transaction, KGHM Polska Miedź S.A. owns a total of 182 110 566 shares of TAURON Polska Energia S.A., representing 10.39% of the share capital.

For the period from 1 January to 31 March 2010, none of the transactions with the aforementioned companies was individually significant, either in terms of their nature or amount.

A. Selected explanatory data to the interim condensed consolidated financial statements (continuation)

The remaining transactions, which were collectively significant, between the Company and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions involved the purchase by companies of the Group of materials and services to meet the needs of their current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 162 039 thousand (for the period from 1 January to 31 March 2010: PLN 173 880 thousand), and the unsettled balance of liabilities from these transactions at 31 March 2011 amounted to PLN 49 380 thousand (at 31 December 2010: PLN 109 107 thousand).

V. Situation and results of significant companies

DIALOG S.A.

With respect to the shares of Telefonía Dialog S.A., at the end of the reporting period the Management Board of KGHM Polska Miedź S.A. maintains the position presented in the Consolidated Annual Report RS-2010. In the current period, during the process of selling the shares of Telefonía Dialog S.A., there were no changes which would require the Parent Entity to reclassify the shares in the statement of financial position. The Management Board is considers that it is unlikely that these assets will be sold in the foreseeable future. In light of the above, the assets of Telefonía Dialog S.A. do not meet the definition of assets held for sale as understood in IFRS 5, nor is there any basis for taking a decision to recognise a deferred tax asset for deductible temporary differences under IAS 12.44 (at 31 March 2011, in the consolidated financial statements in the amount of PLN 1 067 248 thousand, in the separate financial statements of the Parent Entity in the amount of PLN 1 160 609 thousand).

DIALOG S.A. is the parent entity of the DIALOG S.A. Group, which at 31 March 2011 comprised the following subsidiaries:

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

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

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Sales	131 107	131 142
Result on sales	10 232	12 893
Operating profit	13 402	14 762
EBITDA	35 402	35 951
Profit before taxation	12 712	13 157
Profit for the period	9 930	14 813

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

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Sales	122 051	124 510
Result on sales	9 029	11 504
Operating profit	12 255	13 272
EBITDA	32 066	32 255
Profit before taxation	11 617	11 750
Profit for the period	9 077	13 691

A. Selected explanatory data to the interim condensed consolidated financial statements (continuation)

The revenues from sales of the DIALOG S.A. Group for the first quarter of 2011 were similar to those achieved in the comparable prior year period. There was an increase in the share of new services in the sales structure: digital television IPTV and mobile telephones, based on the virtual operator (MVNO) model. There was also a decrease in revenues from traditional voice services and from services directed at the subscribers of other operators (WLR, 1011, BSA).

Profit before taxation amounted to PLN 12 712 thousand, and was 3% lower than in the comparable period of 2010. Profit for the first quarter of 2011 amounted to PLN 9 930 thousand and was lower than that achieved in the first quarter of 2010 by PLN 4 883 thousand. The decrease in profit in the first quarter of 2011 was mainly due to the realisation in the current period of deductible temporary differences on unutilised tax losses of prior years, for which in the fourth quarter of 2010 a tax asset was recognised.

At the end of March 2011, the DIALOG S.A. Group recorded an increase in the number of ringing lines. The number of ringing lines amounted to 792 thousand, versus 723.9 thousand at the end of 2010. Data transmission services amounted to 157 thousand.

The number of active IPTV services (digital television offered as part of the DIALOGmedia package with a fixed-line telephone and Internet access) at the end of March 2011 amounted to 38.3 thousand. The number of active SIM cards and data transmission modems (as part of the mobile telephone service Diallo, introduced in February 2010), amounted in total to 30.7 thousand.

DIALOG S.A. is using financing from EU funds to implement an innovative services project based on a passive optical network (PON) – so-called „fiber to the premises”, whose planned coverage target by 2012 is around 80 thousand homes, among others in Wrocław, Legnica, Zielona Góra and Łódź. This is the largest project of its type in Poland and one of the largest in Europe. As part of this project, DIALOG S.A., as the first telecom operator in Poland to do so, added videomonitoring services to its Internet offer for both individual and business customers.

The company is also realising a project using EU funds called „Development of a regional wide-band network in the voivodeship of Łódź”.

Polkomtel S.A.

The consolidated financial statements account for the investment in the associate Polkomtel S.A. using the equity method, under which its carrying amount at 31 March 2011 amounted to PLN 1 491 641 thousand. At the end of the reporting period there were no indications of impairment of this investment.

KGHM Polska Miedź S.A., together with the other shareholders of Polkomtel S.A., continues to participate in a process aimed at offering for sale 100% of the shares of the company, with each of the shareholders acting on their own behalf and realising their own objectives with respect to this project. KGHM Polska Miedź S.A. will take the requisite corporate decisions on the sale of these shares only after a review of the final binding offers, and after determination that the price offered for the shares is acceptable, i.e. one which guarantees that value will be preserved for the shareholders of KGHM Polska Miedź S.A.

In view of the above, in the opinion of the Management Board, criteria have not been met which would require the classification of the shares in Polkomtel S.A. to assets held for sale under IFRS 5.

With respect to the investment in Polkomtel S.A., due to the difference between the carrying amount of the investment and its taxable value, there exist taxable temporary differences, for which at 31 December 2010 deferred tax liabilities were recognised in the amount of PLN 51 519 thousand. Although the criteria of IFRS 5 respecting the classification of assets as held for sale at the end of the reporting period were not met, the Parent Entity at 31 March 2011 revalued its deferred tax liabilities charged to profit of the current period in the amount of PLN 11 416 thousand, determining that the probability exists that temporary differences related to this investment will be reversed in the foreseeable future.

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

	Financial period	
	for the 3 months ended	for the 3 months ended
	31 March 2011	31 March 2010
Sales	1 761 242	1 832 308
Result on sales	329 988	339 554
Operating profit	353 586	360 640
EBITDA	687 144	697 099
Profit before taxation	321 619	355 602
Profit for the period	264 887	288 668

A. Selected explanatory data to the interim condensed consolidated financial statements (continuation)

In the first quarter of 2011, Polkomtel S.A. earned revenues from sales 4 % lower than in the comparable prior year period. Profit was lower by 8 %, i.e. by PLN 23 781 thousand,

In April 2011 the Ordinary General Meeting of Polkomtel S.A. passed a resolution on the allocation of profit, the utilisation of reserve capital and payment of a dividend. The total amount allocated to the payment of a shareholder dividend was PLN 1 527 660 thousand, including PLN 1 151 759 thousand from the allocation of profit for 2010 and PLN 375 901 thousand from reserve capital. The amount attributable to KGHM Polska Miedź S.A., proportional to its share, is PLN 372 620 thousand. In 2010, KGHM Polska Miedź S.A. received two interim payments on the dividend for 2010 in the total amount of PLN 122 607 thousand. The remaining part of the dividend, PLN 250 013 thousand, will be paid by 31 July 2011.

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 2010 in the amount of PLN 1 600 000 thousand, i.e. PLN 8.00 per share.

The final decision concerning appropriation of the profit of KGHM Polska Miedź S.A. for financial year 2010 will be made by the Ordinary General Meeting of KGHM Polska Miedź S.A.

All Parent Entity shares are ordinary shares.

IX. Subsequent events

Acquisition of shares of KGHM HMS Bergbau AG

On 20 April 2011, a sale and surrender agreement was signed between KGHM Polska Miedź S.A. and HMS Bergbau AG for the acquisition by KGHM Polska Miedź S.A. of 12 551 shares of KGHM HMS Bergbau AG held by HMS Bergbau AG for the price of EUR 127 895, i.e. PLN 523 thousand. The shares acquired were paid for in cash on 21 April 2011. Following acquisition, the Group owns 100% of the share capital of KGHM HMS Bergbau AG.

On 27 April 2011, the Ordinary General Meeting of KGHM HMS Bergbau AG resolved to increase the share capital from EUR 50 thousand to EUR 800 thousand, i.e. by EUR 750 thousand. The newly-issued shares, with a per-share nominal value of EUR 1 and an issue value of EUR 17.71, were acquired by KGHM Polska Miedź S.A.

Allocation of profit in TAURON Polska Energia S.A.

On 6 May 2011, the Ordinary General Meeting of TAURON Polska Energia S.A. passed a resolution on the allocation of profit for financial year 2010, the use of reserve capital, setting of the amount allocated as a shareholder dividend and setting of the right to dividend date and dividend payment date.

In accordance with the resolution, the Ordinary General Meeting allocated as a dividend for the shareholders of the company the entire profit for financial year 2010 in the amount of PLN 190 477 thousand, and in addition made use of the reserve capital of the company through the allocation of PLN 72 405 thousand, representing a portion of the funds allocated to reserve capital from profit for financial year 2009, as a dividend for the shareholders of the company.

The total amount allocated as a dividend payment amounts to PLN 262 882 thousand, meaning a per-share dividend of PLN 0.15.

Additionally, the General Meeting set the right to dividend date at 30 June 2011 and the dividend payment date at 20 July 2011.

KGHM Polska Miedź S.A., proportionally to its share in the company, will receive the amount of PLN 27 316 thousand.

**A. Selected explanatory data to the interim condensed consolidated financial statements
 (continuation)**

X. Contingent assets and liabilities

	At 31 March 2011	Increase/(decrease) since the end of the last financial year
Contingent assets	303 055	11 875
Guarantees received	197 778	18 897
Disputed State budget issues	32 433	(6 331)
Promissory notes receivables	38 648	(1 558)
Inventions, implementation of projects	34 136	807
Other	60	60
Contingent liabilities	267 468	28 734
Guarantees	32 538	(359)
Promissory note liabilities	107 570	26 640
Disputed issues, pending court proceedings	18 679	2 453
Preventive safety measures in respect of mine-related damages	2 475	-
Liabilities due to implementation of projects and inventions	106 193	2 095
Other	13	9

The value of contingent assets was determined based on estimates.

A. Selected explanatory data to the interim condensed consolidated financial statements (continuation)

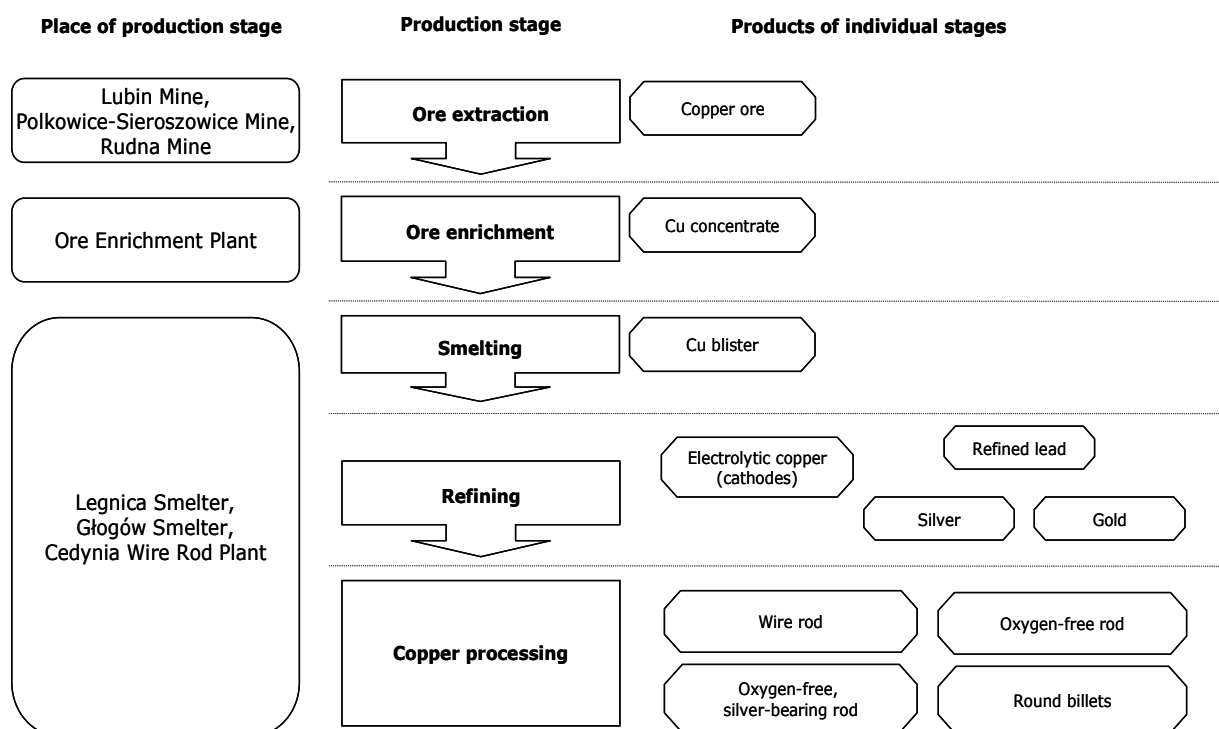
XI. Business segments

Based on the management model of the Group, the system of reporting within the Group and the economic characteristics of its entities, one reporting segment was separated, 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 separation of this segment was due to its significant share of the results of the entire Group. In addition, it meets the required quantitative thresholds indicated for reporting segments. The results of this segment are separately monitored by the Management Board of the Parent Entity.

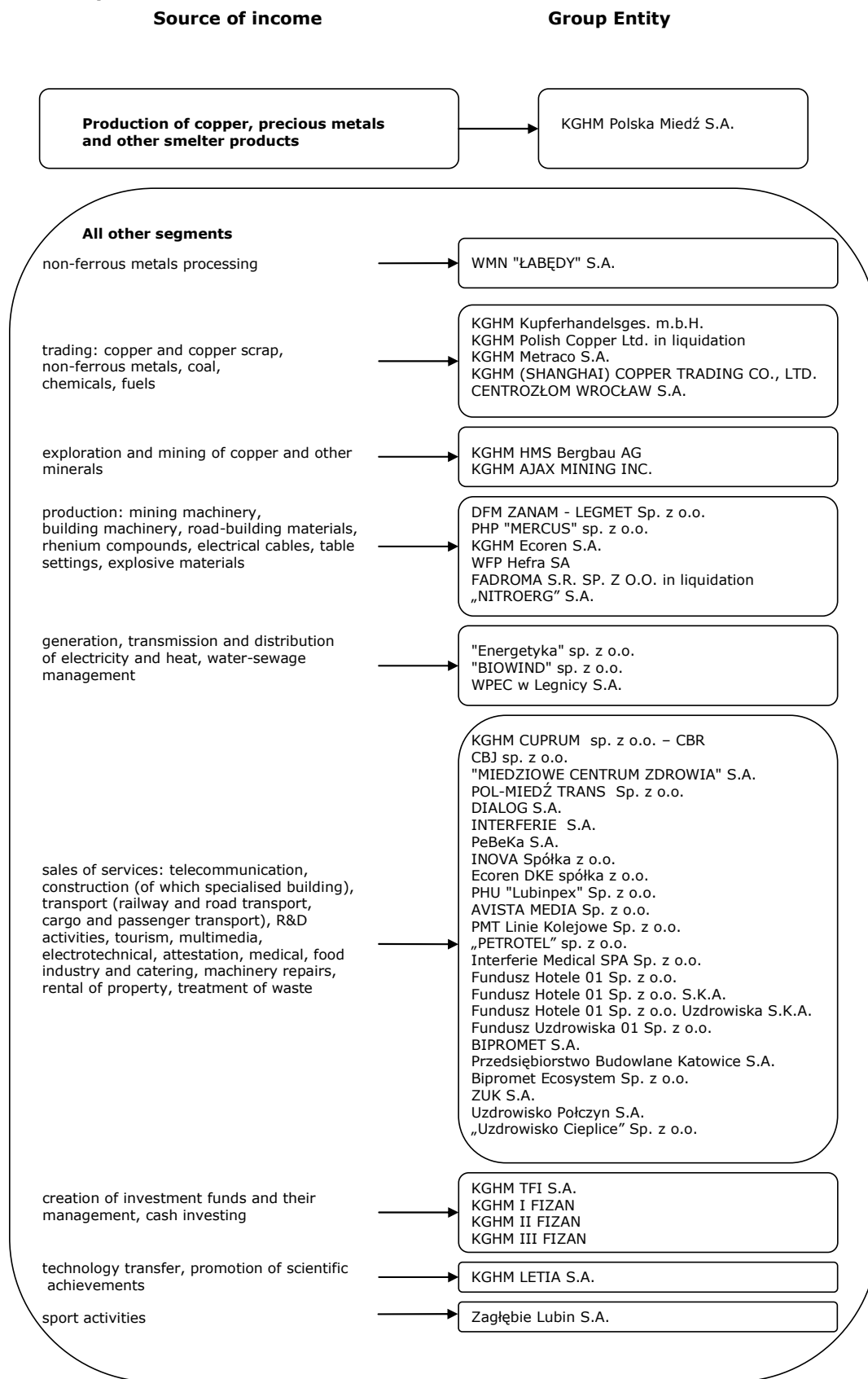
The activities of the segment „Production of copper, precious metals and other smelter products”, encompass the core business of KGHM Polska Miedź S.A. and focuses mainly on the copper mining, production of copper, precious metals and other non-ferrous metals.

The principal production of KGHM Polska Miedź S.A. is a fully integrated process, in which the end-product of one stage is the half-finished product used in the next stage. Copper ore extracted in the mines is transported to enrichment plants where it is enriched. As a result of this process, copper concentrate is produced, which is then supplied to the smelters. At the smelters, concentrate is smelted and fire refined into copper anodes, which is then subjected to electrolytic refining into copper cathodes. From these cathodes wire rod and round billets are produced. Anode slimes, which arise from the process of copper electrorefining, is a raw material used to produce precious metals. Lead-bearing dust which is generated from the smelting processes is used to produce lead. Nickel sulphate and copper sulphate are recovered from the used electrolyte. Gases generated from the smelting furnaces are used to produce sulphuric acid. Economic use is also made of smelter slags, which are sold as road-building materials.



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”.

**A. Selected explanatory data to the interim condensed consolidated financial statements
 (continuation)**



A. Selected explanatory data to the interim condensed 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 profit or loss

Financial period for the 3 months ended 31 March 2011

	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
REVENUE	4 773 488	1 973 340	47	(1 400 335)	5 346 540
of which:					
- external sales	4 590 880	756 692	47	(1 079)	5 346 540
- inter-segment sales	182 608	1 216 648	-	(1 399 256)	-
Interest income	36 463	3 992	-	(857)	39 598
Interest costs	52	(3 448)	-	742	(2 654)
Depreciation/Amortisation	(166 742)	(59 706)	(1 141)	(4 230)	(231 819)
Revaluation of provisions for employee benefits	5 032	630	-	(2 231)	3 431
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	-	(1 050)	(3 607)	-	(4 657)
Income on measurement and realisation of derivatives	354 915	4 374	-	-	359 289
Costs on measurement and realisation of derivatives	(322 965)	(861)	-	-	(323 826)
Share of profit of associates	-	-	-	64 705	64 705
Profit before income tax	2 413 528	37 851	(478)	62 177	2 513 078
Income tax expense	(455 134)	(12 735)	(698)	(11 206)	(479 773)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	3 038	(3 038)	-	-
Profit for the period	1 958 394	28 154	(4 214)	50 971	2 033 305

At 31 March 2011

Segment assets	21 052 646	5 140 601	13 935	(3 668 847)	22 538 335
Segment liabilities	4 607 251	1 350 367	(4 592)	(370 259)	5 582 767
Bank and other loans	-	238 156	-	(44 739)	193 417
Investments in associates	1 159 947	-	-	331 694	1 491 641

Financial period for the 3 months ended 31 March 2011

Capital expenditure	200 808	66 891	-	(1 614)	266 085
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*Adjustment – adjustment restating the amounts to the measurement principles of International Financial Reporting Standards.

**A. Selected explanatory data to the interim condensed consolidated financial statements
 (continuation)**

Data for management reporting purposes are prepared in accordance with the principles applied for the needs of preparing statutory financial statements by Group entities. 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. Four Group companies, i.e. the Parent Entity, DIALOG S.A., BIPROMET S.A. and INTERFERIE S.A., keep their accounts in accordance with IFRS. The remaining companies of the Group 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 consolidated financial statements.

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 2011 and for the period from 1 January 2011 to 31 March 2011:

	Sales	Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(9 158)	(9 158)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(8 773)	(8 773)
Accounting for shares using the equity method	-	-	-	1 356	-	(10 787)	-
Perpetual usufruct of land	-	-	-	-	-	(15 641)	-
Deferred tax liability	-	-	-	-	453	-	10 883
Fair value measurement of assets	-	-	(1 149)	(1 848)	-	57 597	-
Other	47	(3 607)	8	14	(1 151)	697	2 456
Total adjustment	47	(3 607)	(1 141)	(478)	(698)	13 935	(4 592)

**A. Selected explanatory data to the interim condensed consolidated financial statements
 (continuation)**

Segment profit or loss

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
<i>of which:</i>					
- 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)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	-	(4 565)	-	-	(4 565)
Income on measurement and realisation of derivatives	104 898	2 200	-	-	107 098
Costs on measurement and realisation of derivatives	(350 339)	(257)	-	-	(350 596)
Share of profit of associates	-	-	-	70 411	70 411
Profit before income tax	898 809	41 297	266	65 334	1 005 706
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	65 470	828 381

At 31 December 2010

Segment assets	19 829 296	4 973 955	37 690	(3 663 618)	21 177 323
Segment liabilities	5 372 819	1 283 887	(4 644)	(366 518)	6 285 544
Bank and other loans	-	274 115	-	(46 082)	228 033
Investments in associates	1 159 947	-	-	271 152	1 431 099

Financial period for the 3 months ended 31 March 2010

Capital expenditure	146 128	39 635	-	(227)	185 536
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*Adjustment – adjustment restating the amounts to the measurement principles of International Financial Reporting Standards.

A. Selected explanatory data to the interim condensed 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 December 2010 and for the period from 1 January 2010 to 31 March 2010:

	Sales	Depreciation/ Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	(9 469)	(9 469)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	(7 295)	(7 295)
Accounting for shares using the equity method	-	-	800	-	(8 082)	-
Separate presentation of assets and liabilities for sales transaction from 2008	10 319	-	34	-	-	-
Deferred tax liability	-	-	-	-	-	11 320
Fair value measurement of assets	-	-	-	-	60 077	-
Other	30	116	(568)	54	2 459	800
Total adjustment	10 349	116	266	54	37 690	(4 644)

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

The geographical breakdown reflects the location of end clients.

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Poland	1 512 434	1 161 777
Germany	1 097 611	706 737
France	198 370	84 498
Great Britain	525 299	388 903
Czech Republic	423 691	267 965
Austria	137 708	62 057
Hungary	144 808	107 273
China	382 228	415 241
Other countries	924 391	405 279
Total	5 346 540	3 599 730

Main customers

During the period from 1 January 2011 to 31 March 2011, the revenues from no customer exceeded 10% of the revenues of the Group.

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

98.96% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 1.04% are located in other countries.

A. Selected explanatory data to the interim condensed 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 to discontinuation of operation

Combination of Group subsidiaries

On 3 January 2011, the Regional Court in Gliwice, Economic Section X of the National Court Register issued a ruling on the combination of the companies WMN Sp. z o.o. and WM „Łabędy” S.A. through the founding of a new entity called Walcownia Metali Nieżelaznych „Łabędy” S.A. Registration of this company in the National Court Register was made on 4 January 2011. The share capital of the newly-founded company amounts to PLN 49 145 thousand and was set based on the sum of the share capital of the combined entities amounting to PLN 97 898 thousand, less the share of the company WM „Łabędy” S.A. in the share capital of WMN Sp. z o.o. prior to the combination, in the amount of PLN 45 985 thousand, and the coverage of losses from prior years in the amount of PLN 2 768 thousand. The share of the Group in the share capital of the newly-founded company amounts to PLN 84.96%. As the result of a transaction with non-controlling interests resulting from the decrease in share capital, share capital attributable to non-controlling interests decreased by PLN 5 120 thousand.

Increase of share capital in subsidiaries

Realising the obligation to guarantee an increase in the share capital of companies resulting from sales agreements entered into in 2010 between the State Treasury and KGHM I Fundusz Inwestycyjny Aktywów Niepublicznych, (a subsidiary of KGHM Polska Miedź S.A.) share capital was increased and paid in cash, as follows:

- on 3 February 2011, in the company Uzdrowisko Połczyn S.A. in the amount of PLN 1 000 thousand, representing 0.54% of the share capital and an increase in the percentage held by the Group to 90.45%. All funds of the guaranteed increase in share capital will be allocated to acquiring or increasing the value of the Company's property plant and equipment.
- on 8 February 2011, in the company „Uzdrowisko Cieplice” Sp. z o.o. in the amount of PLN 1 500 thousand representing 1.96% of the share capital and an increase in the percentage held by the Group to 91.67%. Funds of the guaranteed increase will be allocated to acquiring, manufacturing, rebuilding, developing and modernising property, plant and equipment, and to acquiring or prolonging water exploitation licenses.

In addition, on 4 January 2011 an increase in share capital was registered for the company Zespół Uzdrowisk Kłodzkich S.A. paid in cash in the amount of PLN 8 000 thousand by KGHM I Fundusz Inwestycyjny Aktywów Niepublicznych on 30 November 2010. The percentage held by the Group in the share capital following the increase rose by 1.71% and amounts to 91.8%. Under the sales agreement, all funds of the guaranteed increase will be allocated to the purchase of property, plant and equipment and intangible assets related to the production and sale of mineral water and spa activities.

As a result of this transaction with non-controlling interests resulting from the change in the percentage held by the Group in the share capital of the above-mentioned companies, equity attributable to shareholders of the Parent Entity was increased in the consolidated financial statements, and equity attributable to non-controlling interests was decreased by PLN 264 thousand.

Acquisition of „NITROERG” S.A.

On 2 February 2011, an agreement was signed with the Minister of the State Treasury for the acquisition by KGHM Polska Miedź S.A. of 5 260 820 shares of „NITROERG” S.A. in Bieruń with a nominal value of PLN 10 per share, for PLN 120 052 thousand, i.e. PLN 22.82 per share. The shares were paid in cash. The shares purchased represent 85% of the share capital of „NITROERG” S.A. in Bieruń. The net asset value of „NITROERG S.A.” at the date control was obtained was PLN 84 741 thousand, of which PLN 72 030 thousand is attributable to shareholders of the Parent Entity, and PLN 8 022 thousand is attributable to non-controlling interests. Final settlement of goodwill, provisionally set in the amount of PLN 48 022 thousand, will be made during the 12 months from the date of acquisition following fair value remeasurement of the assets and liabilities of „NITROERG” S.A. Total cash flow due to acquisition, less acquired cash, amounts to PLN 93 990 thousand.

The sales agreement obliges KGHM Polska Miedź S.A. to acquire shares not acquired by entitled employees through the process of no-cost acquisition offered by the State Treasury within 3 years from the expiry of rights to no-cost acquisition. Liabilities due to the measurement of put options on the employee shares were measured as at the date control was obtained, applying a discount rate at the level of 6%, in the amount of PLN 17 788 thousand, and were recognised with debit entry in retained earnings under the position „Valuation of the put options for employee shares”.

„NITROERG” S.A., from the date control was obtained to 31 March 2011, earned revenues from sales in the amount of PLN 41 621 thousand and profit in the amount of PLN 556 thousand.

NITROERG” S.A., (as one of the largest producers of explosive materials), enables KGHM Polska Miedź S.A. to secure its supply for the core business. In addition, taking into account realisation by KGHM Polska Miedź S.A. of foreign mining projects (increasing the copper ore resource base), inclusion in the Group of an entity involved in the production of explosive materials ensures the realisation of investment tasks.

B. 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 2011, 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 31 January 2011 KGHM Polska Miedź S.A. published a forecast of Company results for 2011. In accordance with the above-mentioned forecast, KGHM Polska Miedź S.A. assumes revenues from sales at the level of PLN 16 067 million in 2011, and profit for the period at the level of PLN 8 345 million.

The revenues from sales achieved in the first quarter of 2011 in the amount of PLN 4 773 million and profit for the period of PLN 1 958 million represent respectively 30% and 23% of the forecasted results.

Based on analysis of the realisation of the Budget for 2011, KGHM Polska Miedź S.A. does not at present anticipate any significant variation from the financial result forecast for the current year, while assuming realisation of the sale of shares of Polkomtel S.A. and DIALOG S.A. in 2011.

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 block 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 2010, i.e. at 1 March 2011, 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 2010, KGHM Polska Miedź S.A. was not informed by any shareholder of any change in the ownership structure of significant block 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 2010, i.e. at 1 March 2011, 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.

The Members of the Supervisory Board of KGHM Polska Miedź S.A., at the date of publication of the consolidated report for the fourth quarter of 2010, i.e. at 1 March 2011, 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.

B. Other information to the consolidated quarterly report (continuation)

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

At 31 March 2011, 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 subsidiaries, did not represent at least 10% of the equity of KGHM Polska Miedź S.A.

Information on single or multiple transactions entered into by KGHM Polska Miedź S.A. or its 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 2011 to 31 March 2011, 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 2011 to 31 March 2011 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 2011 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.

In addition, significant impact on the results of KGHM Polska Miedź S.A. may have the potential realisation of the sale of the telecom assets. At the moment procedures have been initiated aimed at disposing of these assets, which does not guarantee the conclusion of this transaction within the near year.

C. Quarterly financial information of KGHM Polska Miedź S.A.

Interim statement of financial position	Note	At	
		31 March 2011	31 December 2010
Assets			
Non-current assets			
Property, plant and equipment	C. I. 1	6 511 835	6 551 111
Intangible assets		93 300	86 718
Shares and investment certificates in subsidiaries		2 771 016	2 643 046
Investments in associates		1 159 947	1 159 947
Deferred tax assets		343 255	359 833
Available-for-sale financial assets		1 162 754	749 824
Held-to-maturity investments		106 525	84 115
Derivatives		346 957	403 839
Trade and other receivables		87 750	86 608
		12 583 339	12 125 041
Current assets			
Inventories		2 387 534	2 011 393
Trade and other receivables		2 385 892	2 393 986
Available-for-sale financial assets		510 048	405 193
Held-to-maturity investments		4 129	4 129
Derivatives		282 474	294 021
Cash and cash equivalents		2 899 226	2 595 529
Non-current assets held for sale		4	4
		8 469 307	7 704 255
TOTAL ASSETS		21 052 646	19 829 296
Equity and liabilities			
EQUITY			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		241 683	211 159
Retained earnings		14 203 712	12 245 318
TOTAL EQUITY		16 445 395	14 456 477
LIABILITIES			
Non-current liabilities			
Trade and other payables		13 620	14 249
Borrowings and finance lease liabilities		8 497	8 490
Derivatives		533 556	711 580
Liabilities due to employee benefits		1 117 442	1 128 246
Provisions for other liabilities and charges	C. I. 2	453 261	517 749
		2 126 376	2 380 314
Current liabilities			
Trade and other payables		1 509 447	1 727 939
Borrowings and finance lease liabilities		3 014	2 965
Current corporate tax liabilities		472 746	668 924
Derivatives		379 512	481 852
Liabilities due to employee benefits		98 813	93 041
Provisions for other liabilities and charges	C. I. 2	17 343	17 784
		2 480 875	2 992 505
TOTAL LIABILITIES		4 607 251	5 372 819
TOTAL EQUITY AND LIABILITIES		21 052 646	19 829 296

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

Interim statement of comprehensive income

	Note	Financial period	
		for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Sales	C. I. 3	4 773 488	3 274 528
Cost of sales	C. I. 4	(2 216 551)	(1 887 479)
Gross profit		2 556 937	1 387 049
Selling costs	C. I. 4	(27 951)	(21 201)
Administrative expenses	C. I. 4	(149 019)	(156 369)
Other operating income	C. I. 5	410 591	117 160
Other operating costs	C. I. 6	(368 988)	(420 502)
Operating profit		2 421 570	906 137
Finance costs	C. I. 7	(8 042)	(7 328)
Profit before income tax		2 413 528	898 809
Income tax expense		(455 134)	(173 416)
Profit for the period		1 958 394	725 393
OTHER COMPREHENSIVE INCOME DUE TO:			
Available-for-sale financial assets		(26 839)	(1 839)
Cash flow hedging instruments		64 523	(57 493)
Income tax related to items presented in other comprehensive income		(7 160)	11 273
Other comprehensive net income for the financial period		30 524	(48 059)
TOTAL COMPREHENSIVE INCOME		1 988 918	677 334
Earnings per share during the period (in PLN per share)			
- basic		9.79	3.63
- diluted		9.79	3.63

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

Interim statement of changes in equity

	Accumulated other comprehensive income due to:			Retained earnings	Total equity
	Share capital	Available-for- sale financial assets	Cash flow hedging instruments		
At 1 January 2011	2 000 000	121 385	89 774	12 245 318	14 456 477
Total comprehensive income	-	(21 740)	52 264	1 958 394	1 988 918
At 31 March 2011	2 000 000	99 645	142 038	14 203 712	16 445 395
At 1 January 2010	2 000 000	1 489	125 739	8 276 729	10 403 957
Total comprehensive income	-	(1 489)	(46 570)	725 393	677 334
At 31 March 2010	2 000 000	-	79 169	9 002 122	11 081 291

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

Interim statement of cash flows

	Note	Financial period	
		for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Cash flow from operating activities			
Profit for the period		1 958 394	725 393
Adjustments to profit for the period	C. I. 8	134 895	(85 786)
Income tax paid		(641 893)	-
Net cash generated from operating activities		1 451 396	639 607
Cash flow from investing activities			
Purchase of shares and investment certificates in subsidiaries		(128 088)	(20 964)
Purchase of available-for-sale financial assets		(1 048 495)	-
Purchase of property, plant and equipment and intangible assets		(333 506)	(217 217)
Proceeds from sale of property, plant and equipment and intangible assets		854	1 095
Proceeds due to closure of investment in AIG Fund		-	6 779
Proceeds from sale of available-for-sale financial assets		510 314	-
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(22 410)	(18 254)
Establishment of deposits		(450 000)	-
Termination of deposits		350 000	-
Proceeds from repayments of loans granted		1 258	1 258
Interest received		4 578	1 034
Expenses due to advances granted for the purchase of property, plant and equipment and intangible assets		(33 009)	(8 772)
Other investment expenses		(762)	(2 345)
Net cash used in investing activities		(1 149 266)	(257 386)
Cash flow from financing activities			
Repayments of loans		-	(1 000)
Payments of liabilities due to finance leases		(12)	(14)
Interest paid		(3)	(35)
Net cash used in financing activities		(15)	(1 049)
Total net cash flow		302 115	381 172
Exchange gains on cash and cash equivalents		1 582	5 736
Movements in cash and cash equivalents		303 697	386 908
Cash and cash equivalents at beginning of the period		2 595 529	975 198
Cash and cash equivalents at end of the period		2 899 226	1 362 106
including restricted cash and cash equivalents		16	34 715

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

Selected explanatory data

I. Additional notes

1. Changes in property, plant and equipment

	Land	Buildings	Technical equipment and machinery	Motor vehicles	Other fixed assets	Fixed assets under construction	Total
At 1 January 2011							
Gross carrying amount	16 093	6 355 195	6 111 776	155 341	63 087	1 239 639	13 941 131
Accumulated depreciation	-	(3 709 913)	(3 525 462)	(99 540)	(48 697)	-	(7 383 612)
Impairment losses	-	-	(3 135)	(327)	-	(2 946)	(6 408)
Net carrying amount	16 093	2 645 282	2 583 179	55 474	14 390	1 236 693	6 551 111

Changes in the first quarter of 2011

Settlement of fixed assets under construction	698	29 549	157 858	5 180	500	(193 785)	-
Purchase	-	-	-	-	-	187 373	187 373
Depreciation	-	(37 407)	(123 412)	(2 488)	(1 067)	-	(164 374)
Sale, decommissioning/scrapping or write off	-	(967)	(410)	-	(6)	-	(1 383)
Change in amount of provisions for costs of decommissioning	-	(64 026)	-	-	-	-	(64 026)
Other changes	(46)	(239)	239	-	-	3 180	3 134

At 31 March 2011

Gross carrying amount	16 745	6 319 142	6 230 233	159 012	62 741	1 236 407	14 024 280
Accumulated depreciation	-	(3 746 950)	(3 609 644)	(100 518)	(48 924)	-	(7 506 036)
Impairment losses	-	-	(3 135)	(328)	-	(2 946)	(6 409)
Net carrying amount	16 745	2 572 192	2 617 454	58 166	13 817	1 233 461	6 511 835

	Land	Buildings	Technical equipment and machinery	Motor vehicles	Other fixed assets	Fixed assets under construction	Total
At 1 January 2010							
Gross carrying amount	15 990	6 136 839	5 801 992	146 557	63 996	884 074	13 049 448
Accumulated depreciation	-	(3 631 590)	(3 326 833)	(97 537)	(48 373)	-	(7 104 333)
Impairment losses	-	(1 194)	(3 135)	(327)	-	(2 946)	(7 602)
Net carrying amount	15 990	2 504 055	2 472 024	48 693	15 623	881 128	5 937 513

Changes in 2010

Settlement of fixed assets under construction	114	281 168	582 019	15 933	2 954	(882 188)	-
Purchase	-	-	-	-	-	1 226 025	1 226 025
Depreciation	-	(137 494)	(455 556)	(8 857)	(4 090)	-	(605 997)
Sale, decommissioning/scrapping or write off	-	(3 704)	(17 019)	(167)	(97)	-	(20 987)
Change in amount of provisions for costs of decommissioning	-	(624)	-	-	-	-	(624)
Other changes	(11)	1 881	1 711	(128)	-	11 728	15 181

At 31 December 2010

Gross carrying amount	16 093	6 355 195	6 111 776	155 341	63 087	1 239 639	13 941 131
Accumulated depreciation	-	(3 709 913)	(3 525 462)	(99 540)	(48 697)	-	(7 383 612)
Impairment losses	-	-	(3 135)	(327)	-	(2 946)	(6 408)
Net carrying amount	16 093	2 645 282	2 583 179	55 474	14 390	1 236 693	6 551 111

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

Capital commitments not recognised in the interim statement of financial position

	At	
	31 March 2011	31 December 2010
Purchase of property, plant and equipment	646 538	721 753
Purchase of intangible assets	12 730	15 725
Total capital commitments	659 268	737 478

2. 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 2011	535 533	514 006	5 600	1 975	13 952
Increase	8 920	8 176	-	552	192
Decrease	(73 849)	(73 110)	(33)	(594)	(112)
Provisions at 31 March 2011	470 604	449 072	5 567	1 933	14 032
of which:					
Non-current provisions	453 261	436 310	4 513	-	12 438
Current provisions	17 343	12 762	1 054	1 933	1 594
	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	128 686	118 821	4 838	1 271	3 756
Decrease	(126 459)	(115 718)	(4 545)	(803)	(5 393)
Provisions at 31 December 2010	535 533	514 006	5 600	1 975	13 952
of which:					
Non-current provisions	517 749	500 739	4 546	-	12 464
Current provisions	17 784	13 267	1 054	1 975	1 488

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

3. Sales

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Copper, precious metals, smelter by-products	4 705 881	3 212 874
Salt	19 481	18 954
Services	14 976	15 176
Other finished goods	3 085	2 771
Merchandise	17 614	15 263
Scrap and production materials	12 421	9 426
Other materials	30	64
Total	4 773 488	3 274 528

4. Expenses by nature

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Depreciation of property, plant and equipment and amortisation of intangible assets	166 742	154 536
Employee benefit expenses	670 237	681 861
Materials and energy	1 512 839	1 270 451
External services	265 667	221 792
Taxes and charges	77 786	75 481
Advertising costs and representation expenses	5 722	4 931
Property and personal insurance	4 821	3 589
Research and development costs not capitalised in intangible assets	50	291
Other costs, of which:	3 620	2 355
Write-down of inventories	106	300
Reversal of write-down of inventories	(13)	(88)
Reversal of allowance for impairment of receivables	(854)	-
Losses from the disposal of financial instruments	734	489
Other operating costs	3 647	1 654
Total expenses by nature	2 707 484	2 415 287
Cost of merchandise and materials sold (+)	27 077	23 329
Change in inventories of finished goods and work in progress (+/-)	(310 280)	(349 592)
Cost of manufacturing products for internal use (-)	(30 760)	(23 975)
Total cost of sales, selling costs and administrative expenses	2 393 521	2 065 049

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

5. Other operating income

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Income and gains on financial instruments, classified under other operating activities, resulting from:	395 931	113 924
Measurement and realisation of derivatives	354 915	104 898
Gains from disposal	6 480	896
Gains from measurement on non-current liabilities	51	572
Interest	34 460	7 558
Reversal of allowance for impairment of other receivables	25	-
Non-financial interest	2 003	21
Reversal of allowance for impairment of non-financial receivables	375	370
Release of unused provisions due to:	3 069	1 076
Decommissioning of mines	2 382	126
Disputed issues and court proceedings	564	320
Liabilities towards municipal authorities (gminas) due to signed donation agreements	80	630
Other	43	-
Penalties and compensation	6 717	1 136
Government grants and other donations received	62	37
Other operating income/gains	2 434	596
Total other operating income	410 591	117 160

6. Other operating costs

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Costs and losses on financial instruments, classified under other operating activities, resulting from:	347 248	400 558
Measurement and realisation of derivatives	322 965	350 339
Interest	38	7
Foreign exchange losses	21 009	50 209
Allowance for impairment of loans	3	3
Allowances for impairment of other receivables	3 233	-
Losses on the sale of property, plant and equipment and intangible assets	1 337	1 842
Donations granted	12 517	9 503
Interest on overdue non-financial liabilities	14	34
Provisions for liabilities due to:	664	1 649
Decommissioning of mines	22	1 430
Disputed issues and court proceedings	552	214
Other	90	5
Penalties and compensation paid	242	76
Contributions to a voluntary organisation	2 847	2 913
Other operating costs/losses	4 119	3 927
Total other operating costs	368 988	420 502

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

7. Finance costs

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Interest expense due to:	(104)	334
Loans	(12)	60
Finance leases	(92)	274
Net foreign exchange losses/(gains) on borrowings	162	(911)
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	7 919	7 831
Other financial costs	65	74
Total finance costs	8 042	7 328

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

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Income tax expense	455 134	173 416
Depreciation/amortisation	166 742	154 536
Interest and share in profits	(6 890)	(898)
Foreign exchange gains	(799)	(6 798)
Change in provisions	(5 936)	70 458
Change in derivatives	(126 004)	35 769
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(21 407)	(42 165)
Other adjustments	(5 141)	1 996
Changes in working capital:	(320 804)	(472 100)
Inventories	(376 075)	(298 165)
Trade and other receivables	137 814	(319 469)
Trade and other payables	(82 543)	145 534
Total adjustments to profit for the period	134 895	(85 786)

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

9. Related entities transactions

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Sales to related entities		
To subsidiaries	183 548	232 143
To associates	39	37
Total sales to related entities	183 587	232 180

	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Purchases from related entities		
From subsidiaries	1 205 442	963 056
From associates	308	281
Total purchases from related entities	1 205 750	963 337

	At	
	31 March 2011	31 December 2010
Trade receivables from related entities		
From subsidiaries	252 500	202 777
From associates	19	28
Total receivables from related entities	252 519	202 805

	At	
	31 March 2011	31 December 2010
Trade payables towards related entities		
Towards subsidiaries	323 855	317 968
Towards associates	218	276
Total payables towards related entities	324 073	318 244

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

Based on the provisions of the updated IAS 24, the Company made use of the exemption provided for in paragraph 25, and presents information on transactions between KGHM Polska Miedź S.A. and the government (the Government of the Republic of Poland) and with entities controlled or jointly controlled by the government, or over which the government has significant influence, acting under the requirements of paragraph 27 of IAS 24.

During the current reporting period, due to their unusual scope and significant amounts, two individual transactions were identified:

1. On 2 February 2011, KGHM Polska Miedź S.A. signed an agreement with the Minister of the State Treasury for the acquisition of 5 260 820 shares of "NITROERG" S.A. in Bieruń with a nominal value of PLN 10 per share, for PLN 120 052 thousand. The controlling interest acquired represents 85% of the share capital of "NITROERG" S.A. in Bieruń.
2. KGHM Polska Miedź S.A. participated in the selling process by the Ministry of the State Treasury of the shares of TAURON Polska Energia S.A., submitting a purchase order for the shares of TAURON Polska Energia S.A. As a result of this transaction, KGHM Polska Miedź S.A. on 23 March 2011 acquired 71 000 000 shares of TAURON Polska Energia S.A. at PLN 6.15 per share. The transaction was realised as part of an accelerated book building process. Following this transaction, KGHM Polska Miedź S.A. owns a total of 182 110 566 shares of TAURON Polska Energia S.A., representing 10.39% of the share capital.

For the period 1 January to 31 March 2010, none of the transactions with the aforementioned companies was individually significant, either in terms of their nature or amount.

The remaining transactions, which were collectively significant, between the Company and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions involved the purchase by the Company of materials and services to meet the needs of its current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 140 613 thousand (for the period from 1 January to 31 March 2010: PLN 164 929 thousand), and the unsettled balance of liabilities from these transactions at 31 March 2011 amounted to PLN 42 065 thousand (at 31 December 2010: PLN 103 124 thousand).

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

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

Negotiations with the trade unions

On 28 March 2011 the trade unions submitted a letter with the following demands:

1. an increase in basic salary rates by PLN 300 for each salary category,
2. inclusion in the Collective Labour Agreement for the Employees of KGHM Polska Miedź S.A. of the Employee Retirement Plan in force in the Company,
3. an increase to 7% of the contribution to the Employee Retirement Plan,
4. inclusion in the Collective Labour Agreement for the Employees of KGHM Polska Miedź S.A. of the medical package in force in the Company,
5. a final agreement on acceptable conditions to buy out the employee coal equivalent due under paragraph 50 of the Collective Labour Agreement for the Employees of KGHM Polska Miedź S.A. – followed by a referendum, and after receiving the positive opinion of the employees, signing by the entitled parties to the Collective Labour Agreement.

During the course of negotiations, which were held on 12 and 18 April 2011, the Management Board presented the following position:

Ad.1 The Management Board of KGHM Polska Miedź S.A. does not accept a remuneration policy aimed at salary increases unassociated with:

- increases in productivity,
- the impact of the effects of work at various job positions on the results of the Company and
- working conditions.

Any increase in funds for remuneration should in the first instance be allocated to jobs which are directly related to production and should stimulate an increase in productivity.

Taking into consideration the possibility of creating additional funds through increased production, the Company will increase the initially-planned amount of funds for remuneration, to be allocated to motivational salary solutions, i.e. an increase in salary categories of individual employees and to the payment of bonuses and premiums from the motivational fund.

Ad.2 and ad.4 The Management Board of KGHM Polska Miedź S.A. consented to the inclusion in the Collective Labour Agreement of clauses related to the functioning in the Company of employee retirement plans and medical packages, based on principles of voluntary participation, of employees taking advantage of these benefits.

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

Ad.3 The Management Board sees the possibility of increasing contributions to the Employee Retirement Plan by 1 percentage point, to 6 percent, under condition that rights to the entitlements due following retirement or disability will only cover existing employees and retirees, and will not be extended to future employees.

Ad.5 The Management Board proposed the buy out of the coal equivalent due following retirement for the amount of PLN 15 thousand per employee and retiree, and consented to put this proposal to a referendum.

On 5 May 2011, the trade unions organised a demonstration at the Head Office of the Company. The Management Board of KGHM Polska Miedź S.A. and the directors of all Divisions met with the demonstrations union members. Due to the aggressive behavior of the protestors, the Management Board and the directors ceased discussions.

At the date of publication of this report, the parties had not reached a common position which would conclude with the signing of an agreement.

Other significant events covered by current reports

Forecast of results for 2011

The Supervisory Board of the Company at its meeting on 31 January 2011 approved the Company's Budget for 2011 as presented by the Management Board. A forecast of the Company results based on the accepted Budget assumptions presumes the achievement in 2011 of revenues from sales in the amount of PLN 16 067 million and profit for the period of PLN 8 345 million. A significant condition for the achievement of the forecasted profit for the period is the realisation of the sale of shares of Polkomtel S.A. and DIALOG S.A. Details of the process of selling the shares of Polkomtel S.A. and DIALOG S.A. are presented in note A.V. of this report.

Significant contracts

On 18 January 2011 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 2011 of copper wire rod and oxygen-free copper rod. The estimated value of this contract is from USD 622 901 thousand, i.e. PLN 1 796 943 thousand, to USD 753 428 thousand, i.e. PLN 2 173 490 thousand.

On 4 February 2011 a significant contract was entered into between KGHM Polska Miedź S.A. and MKM Mansfelder Kupfer und Messing GmbH for the sale of copper cathodes in 2011. The estimated value of this contract is USD 692 093 thousand i.e. PLN 1 967 205 thousand.

2. Measurement of financial and tangible assets

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 was increased in the current quarter by PLN 52 264 thousand.

Due to the fair value measurement and settlement of available-for-sale financial assets, after reflecting the results in deferred tax, other comprehensive income was decreased in the current quarter by PLN 21 740 thousand.

Due to the realisation and re-measurement of derivatives to the level of fair value there was an increase in the profit for the current quarter of PLN 53 357 thousand (of which: as an increase in revenues from sales, PLN 21 407 thousand and as an increase in the result on other operating activities, PLN 31 950 thousand). For detailed information on derivatives see part C point II 5 Risk management.

The measurement of other financial assets did not significantly impact the current quarter profit.

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 166 742 thousand.

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

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

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, mainly as a result of changes in macroeconomic assumptions, is a decrease in the provision and an increase in profit in the amount of PLN 5 032 thousand (after reflecting the results in deferred tax an increase in profit in the amount of PLN 4 076 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 a decrease in the provision in the amount of PLN 58 549 thousand which was settled as a decrease in profit in the amount of PLN 5 477 thousand and as a decrease of property, plant and equipment in the amount of PLN 64 026 thousand. The decrease in the provision resulted in a decrease in deferred tax assets in the amount of PLN 15 387 thousand,
- 3.3 provisions for future employee remuneration costs together with charges in the amount of PLN 179 201 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 2011 amounted to PLN 460 492 thousand)

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

Deferred 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 liability.

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 60 197 thousand, which was settled:

- as an increase in profit, PLN 42 892 thousand,
- as an increase in the other comprehensive income due to measurement of cash flow hedging financial instruments, PLN 17 305 thousand.

There was an increase in the deferred tax liability in the current quarter in the amount of PLN 76 775 thousand, of which the following was settled:

- as a decrease in profit, PLN 52 311 thousand
- as a decrease in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, PLN 24 464 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 343 255 thousand.

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

Production and financial results in the first quarter of 2011

In the first quarter of 2011, KGHM Polska Miedź S.A. produced 140 thousand t of electrolytic copper, including 33 thousand t from purchased copper-bearing materials and 289 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 9 646 USD/t,
 - an average exchange rate of 2.88 PLN/USD,
 - average silver prices on the London Bullion Market (LBM) of 31.86 USD/troz,
- and the sales volume: 133 thousand t of copper and copper products, and 263 t of silver.

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

The revenues from sales achieved of PLN 4 773 488 thousand were higher than those achieved in the first quarter of 2010 by PLN 1 498 960 thousand, i.e. by 46%. The increase in sales was mainly due to:

- higher average annual copper prices (an increase from 7 243 USD/t to 9 646 USD/t) and silver prices (an increase from 16.93 USD/troz to 31.86 USD/troz),
- a higher volume of copper sales (an increase from 121 thousand t to 133 thousand t), along with a lower volume of silver sales (a change from 327 t to 263 t) which decreased revenues from sales.

In the first quarter of 2011, revenues from the sale of copper and copper products represented 79%, and silver 17% (in the comparable period of 2010 respectively: 80% and 16%) of total revenues from sales.

Operating costs (cost of sales, selling costs and administrative expenses) in the first quarter of 2011 amounted to PLN 2 393 521 thousand and were higher versus the comparable prior period by PLN 328 472 thousand, i.e. by 16%. The change in operating costs was mainly due to the higher volume of sales of copper products by 10% and the increase in expenses by nature by 12%, alongside a higher level of electrolytic copper production by 9%, i.e. 11 thousand tonnes.

Expenses by nature in the current period amounted to PLN 2 707 484 thousand, and were higher than those in the comparable prior year period by PLN 292 197 thousand. The change in the level of expenses by nature was mainly due to the increase in the costs of used purchased copper-bearing material, materials and technological fuels, energy and external services, including preparatory mine work (an increase by 2.6 km).

The pre-precious metals credit unit cost of electrolytic copper production (total cost prior to decrease by the value of precious metals – mainly silver and gold) in the first quarter of 2011 amounted to 16 968 PLN/t, and increased versus the first quarter of 2010 by 13% due to the lower production of stored half-finished products and an increase in prices of materials and technological fuels. The total unit cost of production amounted to 13 506 PLN/t.

The above-mentioned factors also impacted **the pre-precious metals credit unit cost of copper production from own concentrates**, which in the first quarter of 2011 amounted to 13 821 PLN/t and was higher than that achieved during the first quarter of 2010 by 1 310 PLN/t, i.e. 11%. The higher volume of production from own concentrates by 15% (by 14 thousand tonnes) and valuation of precious metals in anode slimes had a favourable impact on the level of cost from own concentrates. The total unit cost of production from own concentrates amounted to 9 401 PLN/t.

Profit on sales (gross profit less administrative expenses and selling costs) achieved in the first quarter of 2011 of PLN 2 379 967 thousand was higher by PLN 1 170 488 thousand, i.e. almost twice than that achieved in the first quarter of 2010.

Other operating activities showed a profit in the first quarter of 2011 in the amount of PLN 41 603 thousand, mainly due to the measurement and realisation of derivatives, interest received and foreign exchange losses. The increase in profit by PLN 344 945 thousand in relation to the first quarter of 2010 was mainly due to the measurement of derivatives and to lower level of negative foreign exchange differences.

As a result of the above-mentioned changes, **operating profit** in the first quarter of 2011 amounted to PLN 2 421 570 thousand and increased versus the comparable period of 2010 by PLN 1 515 433 thousand, i.e. 2.7-times.

KGHM Polska Miedź S.A. earned a **profit for the first quarter of 2011** of PLN 1 958 394 thousand, which was higher by PLN 1 233 001 thousand, i.e. 2.7-times, than that achieved in the first quarter of 2010.

EBITDA in the first quarter of 2011 amounted to PLN 2 588 312 thousand (including depreciation/amortisation of PLN 166 742 thousand) and was higher by PLN 1 527 639 thousand (2.4-times) than this ratio in the comparable prior year period.

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

5. Risk management

In the first quarter of 2011, strategies hedging the copper price represented approx. 29%, and those hedging the silver price approx. 11%, of the sales of these metals realised by the Company. In the case of currency transactions, approx. 19% of 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 derivatives. 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 a hedged position attributable to a particular type of risk, by changes in cash flow related to hedging instruments.

In the first quarter of 2011, the positive result on derivatives amounted to PLN 53 357 thousand, of which the amount of PLN 21 407 thousand was recognised in revenues from sales (the amount transferred from accumulated other comprehensive income to profit or loss in the reporting period), the amount of PLN 31 950 thousand increased the result on other operating activities, of which PLN 3 024 thousand represented gain due to the realisation of derivatives, while PLN 28 926 thousand represented gain due to the measurement of derivatives. The gain on the measurement of derivative transactions recognised in other operating activities result mainly from the change in the time value of options which, in accordance with the hedge accounting policy, are recognised in profit or loss.

In the first quarter of 2011, the Company implemented copper price hedging strategies with a total volume of 40.5 thousand tonnes and a time horizon falling in the second half of 2012 and all 2013. The Company made use of options (Asian options), including collar and producer's puts. In addition, in the analysed period the Company performed a restructure of seagull options for the year 2012, implemented in the first and third quarters of 2010, with a total volume of 58.5 thousand tonnes through the repurchase of sold puts¹. Restructurisation enables the full use of put options purchased within this structure in the case of any decrease in the price of this metal in 2012. In the analysed period, the Company did not implement an adjustment hedge transaction on the copper market.

In the first quarter of 2011 the Company implemented strategies hedging the silver price with a total volume of 3.6 million troz and a time horizon falling in 2012. The Company made use of puts (Asian options). During the reporting period, adjustment hedge transactions were not implemented on this market.

In the case of the forward currency market, in the first quarter of 2011 the Company did not implement strategies hedging revenues or an adjustment hedge transactions on this market.

The Company remains hedged for a portion of copper sales planned for the period from April to December 2011 (117 thousand tonnes), in 2012 (156 thousand tonnes), and in 2013 (40.5 thousand tonnes), and for a portion of silver sales planned for the period from April to December 2011 (2.7 million troz) and in 2012 (3.6 million troz). The Company holds hedging positions for revenues from sales (currency market), in the second, third and fourth quarters of 2011 (USD 900 million) and in 2012 (USD 360 million).

Following is condensed information on hedging positions, by type of hedged asset and instruments used at 31 March 2011. The hedged nominal/volume in the months included in the presented periods is equally balanced.

¹ In tables presenting the condensed list of open hedging positions, restructurisation of items is included: the type of instrument was changed from seagull to collar, the cost of restructuring (premium for repurchase of options) was added to the cost of implementation (i.e. the average weighted premium) and the effective hedge price/exchange rate was changed.

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

HEDGING POSITION (condensed information) – COPPER MARKET

Period	Instrument		Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]
II quarter of 2011	Collar	Sold call option	9 750	8 800	(470)	6 230
		Purchased put option		6 700		participation restricted to 8 800
	Collar ¹	Sold call option	9 750	9 500	(463)	6 537
		Purchased put option		7 000		participation restricted to 9 500
	Collar ¹	Sold call option	9 750	9 600	(345)	6 755
		Purchased put option		7 100		participation restricted to 9 600
	Producer's puts ²		9 750	8 000	9.78 ³ %	minimal effective hedging price 7 288
	Total		39 000			
II half of 2011	Collar ¹	Sold call option	19 500	9 500	(463)	6 537
		Purchased put option		7 000		participation restricted to 9 500
	Collar ¹	Sold call option	19 500	9 300	(521)	6 379
		Purchased put option		6 900		participation restricted to 9 300
	Collar ¹	Sold call option	19 500	9 600	(348)	6 752
		Purchased put option		7 100		participation restricted to 9 600
	Producer's puts ²		19 500	8 000	9.78 ³ %	minimal effective hedging price 7 288
	Total		78 000			
	TOTAL 2011		117 000			
I half of 2012	Collar ¹	Sold call option	19 500	9 300	(447)	6 453
		Purchased put option		6 900		participation restricted to 9 300
	Collar ¹	Sold call option	19 500	9 000	(478)	6 322
		Purchased put option		6 800		participation restricted to 9 000
	Collar ¹	Sold call option	19 500	9 500	(440)	6 760
		Purchased put option		7 200		participation restricted to 9 500
	Producer's puts ²		19 500	8 000	9.90 ³ %	minimal effective hedging price 7 279
	Total		78 000			
II half of 2012	Collar ¹	Sold call option	19 500	9 300	(454)	6 446
		Purchased put option		6 900		participation restricted to 9 300
	Seagull ²	Sold call option	19 500	9 000	(399)	6 401
		Purchased put option		6 800		restricted to 4 500
		Sold put option		4 500		participation restricted to 9 000
	Seagull ²	Sold call option	19 500	9 500	(383)	6 817
		Purchased put option		7 200		restricted to 4 700
		Sold put option		4 700		participation restricted to 9 500
		Producer's puts ²		19 500	8 500	8.74 ³ %
	Total		78 000			
	TOTAL 2012		156 000			
I half of 2013	Seagull ²	Sold call option	19 500	9 500	(383)	6 817
		Purchased put option		7 200		restricted to 4 700
		Sold put option		4 700		participation restricted to 9 500
	Collar	Sold call option	10 500	12 000	(460)	8 040
		Purchased put option		8 500		participation restricted to 12 000
	Total		30 000			
II half of 2013	Collar	Sold call option	10 500	12 000	(460)	8 040
		Purchased put option		8 500		participation restricted to 12 000
		Total		10 500		
	TOTAL 2013		40 500			

² Due to current hedge accounting laws, transactions embedded within a producer's 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“. In addition 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“.

³ Payable at the moment of settlement.

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

HEDGING POSITION (condensed information) – SILVER MARKET

Period	Instrument	Volume [million troz]	Execution price [USD/troz]	Average weighted premium [USD/troz]	Effective hedge price [USD/troz]
II quarter of 2011	Purchased put option	0.90	20.00	(1.27)	18.73
	Total	0.90			
II half of 2011	Purchased put option	1.80	20.00	(1.27)	18.73
	Total	1.80			
TOTAL 2011		2.70			
I half of 2012	Purchased put option	1.80	30.00	(2.89)	27.11
	Total	1.80			
II half of 2012	Purchased put option	1.80	30.00	(2.89)	27.11
	Total	1.80			
TOTAL 2012		3.60			

HEDGING POSITION (condensed information) – CURRENCY MARKET

Period	Instrument	Nominal [million USD]	Execution price [USD/PLN]	Average weighted premium [PLN per 1 USD]	Effective hedge price [USD/PLN]	
II quarter of 2011	Collar ¹	Sold call option	90	3.7000	(0.1224)	2.7776 participation restricted to 3.70
		Purchased put option		2.9000		
	Purchased put option	45	3.3500	(0.2542)	3.0958	
		45	2.7000	(0.0823)	2.6177	
		60	2.8000	(0.0722)	2.7278	
		60	2.9000	(0.0993)	2.8007	
Total		300				
II half of 2011	Collar ¹	Sold call option	180	3.7000	(0.1028)	2.7972 participation restricted to 3.70
		Purchased put option		2.9000		
	Seagull ²	Sold call option	90	4.4000	(0.1160)	3.1840 restricted to 2.70 participation restricted to 4.40
		Purchased put option		3.3000		
		Sold put option		2.7000		
	Purchased put option	90	2.7000	(0.0920)	2.6080	
		120	2.8000	(0.0722)	2.7278	
		120	2.9000	(0.0993)	2.8007	
Total		600				
TOTAL 2011		900				
I half of 2012	Seagull ²	Sold call option	90	4.4000	(0.0990)	3.2010 restricted to 2.70 participation restricted to 4.40
		Purchased put option		3.3000		
		Sold put option		2.7000		
	Collar	Sold call option	90	4.5000	(0.1527)	3.2473 participation restricted to 4.50
		Purchased put option		3.4000		
		Total		180		
II half of 2012	Seagull ²	Sold call option	90	4.4000	(0.0767)	3.2233 restricted to 2.70 participation restricted to 4.40
		Purchased put option		3.3000		
		Sold put option		2.7000		
	Collar	Sold call option	90	4.5000	(0.1473)	3.2527 participation restricted to 4.50
		Purchased put option		3.4000		
		Total		180		
TOTAL 2012		360				

All entities with which derivative transactions are entered into operate in the financial sector. These are financial institutions (mainly banks), with the highest⁴ (47.1%), medium-high⁵ (47.1%) or medium⁶ (5.8%) ratings. Based on fair value at 31 March 2011, the maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Company amounted to 33.7%.

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.

⁴ 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.

⁵ 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.

⁶ 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.

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

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

At 31 March 2011, the fair value of open positions in derivatives amounted to PLN (283 637) thousand, of which PLN 86 974 thousand related to the negative fair value of hedging instruments, PLN 268 738 thousand related to the negative fair value of trade instruments, and PLN 72 075 thousand related to the positive fair value of instruments initially designated as hedging instruments excluded from hedge accounting. The fair value of open positions in derivatives 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 derivatives at 31 March 2011 is presented below in the tables "Trade instruments", "Hedging instruments" and "Instruments initially designated as hedging instruments excluded from hedge accounting".

TRADE INSTRUMENTS		31 March 2011					
		Volume/ Notional Cu [t] Currency ['000 USD]	Avg. weighted price/ex. rate Cu [USD/t] Currency [USD/PLN]	Financial assets		Financial liabilities	
Type of derivative			Current	Non-current	Current	Non-current	
Derivatives - Metals - Copper:							
Swaps/forwards	x	x	233				
Swaps/forwards - purchased	250	9 089.26	233				
Options	x	x	87	1 195	(93 155)	(82 780)	
Sold call options	6 494	1			(93 068)	(78 334)	
Purchased put options	156 000	4 694	87	1 195			
Sold put options	214 500	4 677			(87)	(4 446)	
TOTAL:			320	1 195	(93 155)	(82 780)	
Derivatives - Currency contracts - USD/PLN:							
Options	x	x	1 297		(82 009)	(13 606)	
Purchased call options	135 000	4.4000	4				
Purchased put options	270 000	2.4000	1 293				
Sold put options	675 000	2.7200			(82 009)	(13 606)	
TOTAL:			1 297		(82 009)	(13 606)	
Total trade instruments			1 617	1 195	(175 164)	(96 386)	

HEDGING INSTRUMENTS		31 March 2011									
		Volume/ Notional Cu [t] Ag ['000 troz] Currency ['000 USD]	Avg. weighted price/ ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
Type of derivative			From	Till	From	Till	Current	Non-current	Current	Non-current	
Derivatives - Metals- Copper											
Options											
Collar	30 750	7 929-10 985	Apr-11	Dec-13	May-11	Jan-14	4	62 120	(19 745)	(35 337)	
Collar - seagulls	214 500	7 005-9 368	Apr-11	June-13	May-11	July-13	12 684	86 371	(184 086)	(400 367)	
Purchased put options- producer's puts	68 250	8 143	Apr-11	Dec-12	May-11	Jan-13	15 665	57 746			
TOTAL:							28 353	206 237	(203 831)	(435 704)	
Derivatives - Metals - Silver											
Options											
Purchased put options	6 300	26	Apr-11	Dec-12	May-11	Jan-13	2 518	19 466			
TOTAL:							2 518	19 466			
Derivatives - Currency contracts											
Options											
Purchased put options	540 000	2.8542	Apr-11	Dec-11	Apr-11	Dec-11	63 710	64 827	(20)	(630)	
Collar	180 000	3.40-4.50	Jan-12	Dec-12	Jan-12	Dec-12	22 819	55 232	(493)	(836)	
Collar - seagull	540 000	3.10-4.05	Apr-11	Dec-12	Apr-11	Dec-12	91 378				
TOTAL:							177 907	120 059	(513)	(1 466)	
Total hedging instruments							208 778	345 762	(204 344)	(437 170)	

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

**INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS
 EXCLUDED FROM HEDGE ACCOUNTING**

Type of derivative	Volume/ Notional	Avg. weighted ex. rate	Maturity/ settlement period		Period of profit/loss impact		At 31 March 2011			
			From	Till	From	Till	Financial assets		Financial liabilities	
							Current	Non-current	Current	Non-current
Currency ['000 USD]	Currency [USD/PLN]									
Derivatives – Currency contracts										
Options										
Collar	135 000	3.40-4.45	Apr-11	Dec-11	Apr-11	Dec-11	72 079		(4)	
TOTAL							72 079		(4)	
Total instruments initially designated as hedging instruments excluded from hedge accounting							72 079		(4)	

The fair values of derivatives and other liabilities due to unsettled derivatives with a settlement date of 4 April 2011, as at 31 March 2011, are presented in the table below:

	Total: fair value of derivatives and of other liabilities due to unsettled derivatives	Fair value of derivatives	Fair value of other liabilities due to unsettled derivatives
Financial assets	629 431	629 431	-
Financial liabilities	(928 600)	(913 068)	(15 532)
Net fair value	(299 169)	(283 637)	(15 532)

At 31 March 2011, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 175 355 thousand, of which PLN (93 416) thousand related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 268 771 thousand related to the effective portion of the result from the measurement of transactions hedging currency risk.

At 31 December 2010, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 110 832 thousand, of which PLN (98 940) thousand related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 209 772 thousand related to the effective portion of the result from the measurement of transactions hedging currency risk.

During the first quarter of 2011 there was an increase in other comprehensive income by PLN 64 523 thousand (excluding the deferred tax effect), comprised of:

- changes in fair value during the period recognised as an increase in other comprehensive income due to the effective portion of hedging transactions entered into, in the amount of PLN 85 930 thousand,
- the amount of PLN 21 407 thousand, decreasing accumulated other comprehensive income transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

	At	
Accumulated other comprehensive income	31 March 2011	31 December 2010
Commodity price risk hedging transactions (copper and silver) – derivatives	(93 416)	(98 940)
Currency risk hedging transactions – derivatives	268 771	209 772
Total accumulated other comprehensive income - financial instruments hedging future cash flows (excluding deferred tax effects)	175 355	110 832

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

Gains or (losses) on derivatives hedging future cash flows recognised in other comprehensive income	Financial period	
	for the 3 months ended 31 March 2011	for the 3 months ended 31 March 2010
Accumulated gain or loss arising from financial instruments hedging cash flows	110 832	155 233
Amounts recognised in the reporting period due to hedging transactions	85 930	(15 328)
Amounts transferred from accumulated other comprehensive income to revenues from sales	(21 407)	(42 165)
Accumulated other comprehensive income arising from financial instruments hedging cash flows (excluding the deferred tax effect)	175 355	97 740

III. Contingent assets and liabilities

	At 31 March 2011	Increase/(decrease) since the end of the last financial year
Contingent assets	234 037	28 403
Guarantees received	168 374	36 160
Disputed State budget issues	10 958	(6 560)
Promissory notes receivables	20 509	(2 064)
Inventions, implementation of projects	34 136	807
Other	60	60
Contingent liabilities	131 680	4 537
Guarantees	5 000	-
Disputed issues, pending court proceedings	17 999	2 433
Preventive safety measures in respect of mine-related damages	2 475	-
Liabilities due to implementation of projects, inventions	106 193	2 095
Other	13	9

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

Lubin, 12 May 2011